

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

B E T W E E N:

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE  
MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX  
FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS  
PHARMA INC.

Applicant

**RESPONDING MOTION RECORD**

July 23, 2021

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Lawyers for Cobra Ventures Inc.

TO: **SERVICE LIST**

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**TAB 1**

Court File No. CV-21-00659187-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
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AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER  
OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD.,  
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

(the “**Applicant**”)

**NOTICE OF MOTION**

Cobra Ventures Inc. (“**Cobra**”) will make a Motion before the Honourable Mr. Justice Koehnen on Monday, July 26, 2021 at 10:00 a.m., or as soon after that time as the Motion can be heard.

**PROPOSED METHOD OF HEARING:** The Motion is to be heard (*choose appropriate option*)

In writing under subrule 37.12.1(1) because it is  
[insert on consent, unopposed or made without notice];

In writing as an opposed motion under subrule 37.12.1(4);

In person;

By telephone conference;

By video conference.

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at the following location:

Join Zoom Meeting

<https://mindengross.zoom.us/j/91491588755?pwd=WWp0d3hOYnRaYVV0SDNFMXZLT3RhUT09>

Meeting ID: 914 9158 8755

Passcode: 288077

**THE MOTION IS FOR** *(State here the precise relief sought)*

- (a) An Order expanding the powers of Schwartz Levitsky Feldman Inc., in its capacity as monitor (the “**Monitor**”) of Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. (collectively, “**Hydrx**”), in the form of the draft Order attached hereto as Schedule “A”; and
- (b) such further and other relief as to this Honourable Court may seem just.

**THE GROUNDS FOR THE MOTION ARE** *(Specify the grounds to be argued, including a reference to any statutory provision or rule to be relied on)*

- (a) Domenico Serafino filed this CCAA application on the premise that a plan of arrangement could be achieved if the Court concluded that Richard Goldstein breached his fiduciary duties to HydrRx, and as a result, Cobra’s rights under the Debenture should be limited to the discounted amount it paid for the Debenture;
- (b) That premise was rejected by Justice Wilton-Siegel;
- (c) A plan of arrangement is not possible if the full amount owing under the Debenture can be credit bid;

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- (d) It is a foregone conclusion that the SISP will not lead to a recovery greater than what is owing under the Debenture;
- (e) Therefore, the only party with an economic interest in this proceeding is Cobra;
- (f) HydRx is attempting to operate an altogether different business than the business it was in before the Initial Order;
- (g) The new line of business is fraught with more risk than Cobra is prepared to absorb;
- (h) Under Serafino's leadership, HydRx has performed abysmally and has materially failed to meet any of its operating revenue targets;
- (i) In the circumstances, Cobra has no confidence whatsoever in Serafino remaining at the helm of HydRx;
- (j) Cobra is of the view that HydRx's existing business should be wound down in an orderly manner and expenses should be kept to a bare minimum, solely to keep the "lights on", secure the facility, and maintain the licenses;
- (k) Insofar as Serafino disagrees, providing the Monitor with the enhanced powers to make decisions on behalf of HydRx, represents a fair compromise over the coming 90 day stay extension;
- (l) Sections 11.02(2) and 23(1)(k) of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended; and
- (m) Such further and other grounds as the lawyers may advise.

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**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Motion:

*(List the affidavits or other documentary evidence to be relied on)*

- (a) Affidavit of Richard Goldstein sworn July 23, 2021 and the exhibits attached thereto; and
- (b) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

July 23, 2021

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Lawyers for Cobra Ventures Inc.

TO: **SERVICE LIST**

**Schedule “A”**

Court File No. CV-21-00659187-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

THE HONOURABLE MR.	)	MONDAY, THE 26 <sup>th</sup>
	)	
JUSTICE KOEHNEN	)	DAY OF JULY, 2021

IN THE MATTER OF THE *COMPANIES’ CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER  
OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD.,  
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

(the “**Applicant**”)

**ORDER**  
**(Expanding Monitor’s Powers)**

**THIS MOTION** by Cobra Ventures Inc. (“**Cobra**”) for an Order expanding the powers of Schwartz Levitsky Feldman Inc., in its capacity as monitor (the “**Monitor**”) of Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. (collectively, “**Hydrx**”), pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day by ZOOM videoconference at 330 University Avenue, Toronto, Ontario.

**ON READING** the Affidavit of Richard Goldstein sworn July \*\*, 2021, the Affidavit of Domenico Serafino sworn July 20, 2021 and the Exhibits thereto (the “**Serafino Affidavit**”), the third report of the Monitor dated July 21, 2021 (the “**Report**”), and on hearing submissions for counsel for the Applicant, counsel for Cobra Ventures Inc., counsel for the Monitor, and such other



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parties listed on the counsel slip, no one appearing for any other party although duly served as appears from the affidavit of service of • sworn July •, 2021,

### **SERVICE AND DEFINITIONS**

1. **THIS COURT ORDERS** that the time for serving and filing of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Amended and Restated Initial Order dated March 31, 2021 (“**ARIO**”), and the Sale and Investment Solicitation Process Approval Order dated April 30, 2021 (“**SISP Approval Order**”).

### **MONITOR’S EXPANDED POWERS**

3. In addition to its prescribed rights pursuant to the CCAA and the powers and duties set out in the ARIO, the SISP Approval Order or any other Order granted in these proceedings, and without altering in any way the limitations and obligations of Hydrx as a result of these proceedings, the Monitor is hereby authorized and empowered, but not required, to:

- (a) cause Hydrx to take any action permitted pursuant to the ARIO or any other Order granted in these CCAA proceedings;
- (b) preserve, protect and maintain control of the Property, or any parts thereof;
- (c) receive, collect and take possession of all monies and accounts now owed or hereafter owing to Hydrx, including proceeds payable pursuant to a sale of the Property;

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- (d) execute any agreement, document, instrument or writing in the name of and on behalf of Hydrx as may be necessary or desirable in order to carry out the provisions of this Order, the ARIO or any other Order granted in these proceedings or to facilitate the orderly completion of these proceedings;
- (e) take any and all actions and steps in the name of and on behalf of Hydrx to facilitate the administration of the Business, Property, operations, affairs and estate of Hydrx as may be necessary, appropriate, or desirable, in the opinion of the Monitor;
- (f) conduct, supervise, and direct the sale, conveyance, transfer, lease, assignment or disposal of the Property of Hydrx or any part or parts thereof, whether or not outside of the normal course of business, in accordance with SISP Approval Order, and subject to approval of this Court as may be required pursuant to the ARIO, and to sign or execute on behalf of Hydrx any conveyance or other closing documents in relation thereto;
- (g) have access to all books and records relating to or comprising the Property of Hydrx in the possession or control of Hydrx;
- (h) execute, assign, issue and endorse documents of whatever nature in respect of any Property, whether in the Monitor's name or in the name of and on behalf of Hydrx or in the place and stead of any directors or officers of Hydrx, for any purpose pursuant to this Order;
- (i) conduct, supervise and direct the continuation or commencement of any process or effort to recover Property or other assets belonging or owing to Hydrx;
- (j) engage, deal, communicate, negotiate, agree and settle with any creditor or other stakeholder of Hydrx (including any governmental authority) in the name of and on behalf of Hydrx;
- (k) claim or cause Hydrx to claim any and all insurance refunds or tax refunds, including refunds of goods and services taxes and harmonized sales taxes, to which Hydrx is entitled;

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- (l) engage, retain, or terminate the services of, or cause Hydrx to engage, retain or terminate the services of any officer, employee, consultant, agent, representative, advisor, or other persons or entities, all under the supervision and direction of the Monitor, as the Monitor, in its sole opinion, deems necessary or appropriate to assist with the exercise of its powers and duties;
- (m) facilitate or assist Hydrx with the accounting, tax and financial reporting functions of Hydrx, including the preparation of cash flow forecasts, employee-related remittances, T4 statements and records of employment, in each case based solely upon the information provided by Hydrx on the basis that the Monitor shall incur no liability or obligation to any person with respect to such reporting, remittances, statements and records;
- (n) cause Hydrx to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist Hydrx in dealing with the Property, operations, restructuring, wind-down, liquidation, distribution of proceeds, and any other related activities;
- (o) exercise any shareholder, partnership, joint venture or other rights of Hydrx;
- (p) take any and all reasonable steps to direct or cause Hydrx to administer the Property and the Business or to perform such other duties as the Monitor considers necessary or desirable to deal with the Property or the Business, including the wind-down, liquidation, disposal of assets, or other activities;
- (q) disclaim, in accordance with the CCAA, any contracts of Hydrx;
- (r) apply to this Court for advice and directions regarding the Monitor's powers hereunder; and
- (s) take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

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and in each case where the Monitor takes any such actions or steps, it shall be exclusively, authorized and empowered to do so, to the exclusion of all other Persons, including Hydrx and its past or present directors and officers and shareholders, and without interference from any other Person, provided, however, that the Monitor shall comply with all applicable laws and shall not have any authority or power to elect or to cause the election or removal of directors of the Applicants or to take any action to restrict or to transfer to the Monitor any of their powers, duties or obligations, except in accordance with section 11.5(1) of the CCAA.

4. Hydrx, and its consultants, agents, representatives and advisors shall cooperate fully with the Monitor and any directions it may provide pursuant to this Order, the SISP Approval Order or the ARIO and shall provide such assistance as the Monitor may reasonably request from time to time to enable the Monitor to carry out its duties and powers pursuant to the CCAA, this Order, the ARIO, and any other Order granted in these proceedings.

5. The Monitor is authorized and empowered to operate and control, on behalf of Hydrx, all of Hydrx' existing accounts at any financial institution (each an “**Account**” and collectively the “**Accounts**”), including, without limitation, to:

- (a) exercise control over the funds credited to or deposited in the Accounts;
- (b) effect any disbursement from the Accounts permitted by the ARIO or any other Order granted in these proceedings;
- (c) give instructions from time to time with respect to the Accounts and the funds credited to or deposited therein, including to transfer the funds credited to or deposited in such Accounts to such other account or accounts as the Monitor may direct; and

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- (d) add or remove persons having signing authority with respect to any Account or to direct the closing of any Account,

and the financial institutions maintaining such Accounts shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken in accordance with the instructions of the Monitor as to the use or application of funds transferred, paid, collected or otherwise dealt with in accordance with such instructions, and such financial institutions shall be authorized to act in accordance with and in reliance upon the instructions of the Monitor without any liability in respect thereof to any person.

6. The Monitor is hereby authorized, but not required, to open one or more new accounts in its own name (the “**Monitor's Accounts**”) and receive third party funds into the Monitor’s Accounts or transfer into the Monitor’s Accounts such funds of Hydrx as the Monitor, in its sole opinion, deems necessary or appropriate to assist with the exercise of the Monitor’s powers and duties set out herein, provided that the monies standing to the credit the Monitor’s Accounts from time to time shall be held by the Monitor to be dealt with as permitted by this Order, other Orders in this proceeding, or by further Order of this Court, and further the Monitor is hereby authorized to make use of the funds in the Monitor’s Accounts from time to time to make disbursements and pay amounts for and on behalf of Hydrx or in connection with the Monitor’s exercise of its powers and duties in these proceedings, as the Monitor may in its sole opinion deem necessary or appropriate from time to time.

7. The Monitor may, from time to time, apply to this Court for advice and directions in respect of the exercise and discharge of its powers and duties hereunder.

## MONITOR'S ADDITIONAL PROTECTIONS

8. In addition to the rights and protections afforded the Monitor in the ARIO, under the CCAA, or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment, the carrying out of the provisions of this Order, the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, save and except for: (i) any gross negligence or wilful misconduct on its part; or (ii) liability for any costs award made in connection with any proceeding joined, continued or commenced by the Monitor on behalf of Hydrx or any of them. Save as aforesaid, nothing in this Order shall derogate from the rights and protections afforded the Monitor by the CCAA, any other Order of this Court in these proceedings, or any applicable legislation.

9. Notwithstanding the enhancement of the Monitor's powers and duties as set forth herein, the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, the Monitor is not, and shall not be deemed to be, an owner of any of the Property for any purpose including without limitation for purposes of Environmental Legislation (for purposes of this Order, the term "**Environmental Legislation**" shall mean any federal, provincial, territorial or other jurisdictional legislation, statute, regulation or rule of law or equity (whether in effect in Canada or any other jurisdiction) respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act, 1999*, S.C. 1999, c. 33, the *Environmental Protection Act*, R.S.O.1990,c. E19.

10. The Monitor shall not be liable under any Environmental Legislation in respect of any Adverse Environmental Condition (for purpose of this Order, the term "**Adverse Environmental**

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**Condition**" shall include without limitation, any injury, harm, damage, impairment or adverse effect to the environmental condition of the Property and the unlawful storage or disposal of waste or other contamination on or from the Property) with respect to the Property or any part thereof that arose or occurred before the date of the ARIO.

11. The Monitor shall not be liable under any Environmental Legislation in respect of any Adverse Environmental Condition with respect to the Property or any part thereof that arose, occurred, or continued after the date of this Order unless such Adverse Environmental Condition is caused by the gross negligence or wilful misconduct of the Monitor.

12. Notwithstanding the immediately preceding paragraph, the Monitor shall not be liable beyond the net realized cash value received and available to the Monitor from the Property under any Environmental Legislation in respect of any Adverse Environmental Condition with respect to the Property or any part thereof which is caused by the gross negligence or wilful misconduct of the Monitor.

13. Nothing contained in this Order shall vest in the Monitor the care, ownership, control, charge, occupation, possession or management (separately and/or collectively, "**Possession**"), or require the Monitor to take Possession, of any part of the Property which may be a pollutant or contaminant or cause or contribute to a spill, discharge, release or deposit of a substance contrary to any Environmental Legislation.

14. The Monitor shall not be liable for any employee-related liabilities of Hydrx, including any successor employer liabilities as provided for in Section 14.06(1.2) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), other than amounts the Monitor may specifically agree in writing to pay. Nothing in this Order shall, in and of itself, cause the Monitor to be liable for any

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employee related liabilities of the Applicants, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts.

15. The enhancement of the Monitor's powers as set forth herein, the exercise by the Monitor of any of its powers, the performance by the Monitor of any of its duties, or the use or employment by Hydrx of any person under the direction of the Monitor in connection with the Monitor's appointment and the exercise and performance of its powers and duties shall not constitute the Monitor as the employer, successor employer or related employer of the employees of Hydrx within the meaning of any provincial, federal, municipal legislation or common law governing employment or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever or expose the Monitor to liability to any individuals arising from or relating to their employment by Hydrx. In particular, the Monitor shall not be liable to any of the employees for any wages, including severance pay, termination pay and vacation pay except for such wages as the Monitor may specifically agree to pay.

16. The Monitor shall continue to have the benefit of all of the indemnities, charges, protections and priorities as set out in the CCAA, the ARIO and any other Order of this Court and all such indemnities, charges, protections and priorities (as amended herein) shall apply and extend to the Monitor in the fulfilment of its duties or the carrying out of the provisions of this Order. Nothing in this Order shall derogate from the powers of the Monitor as provided in the CCAA, the ARIO and the other Orders of in this proceeding.

17. The Monitor is not and shall not be deemed to be a director, officer, or employee of Hydrx.

18. Nothing in this Order or any other Order granted in these proceedings shall constitute or be deemed to constitute the Monitor as a receiver, assignee, liquidator, administrator, receiver-



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manager, agent of the creditors or legal representative of Hydrx within the meaning of any relevant legislation, including subsection 159(2) of the *Income Tax Act* (Canada), as amended (the “ITA”), and any distributions to creditors of Hydrx by the Monitor will be deemed to have been made by Hydrx themselves. Nothing in this Order shall constitute or be deemed to constitute the Monitor as a person subject to subsection 150(3) of the ITA.

## GENERAL

19. Except as may be necessary to give effect to this Order, the ARIO and any other Order granted in these proceedings shall remain in full force and effect. In the event of any conflict or inconsistency between this Order, the ARIO, or any other Order in these proceedings, the terms of this Order shall govern.

20. The power and authority granted to the Monitor by virtue of this Order shall, if exercised in any case, be paramount to the power and authority of Hydrx with respect to such matters.

21. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, a trustee in bankruptcy, a liquidator or similar person of Hydrx, the Business, or the Property.

22. This Honourable Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories, in the United States or in any of its states, or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order and to assist the Monitor in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to

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provide such assistance to the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.

DRAFT

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AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

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Court File No. CV-21-00659187-00CL

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**ORDER**

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Court File No. CV-21-00659187-00CL

**ONTARIO  
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**NOTICE OF MOTION**

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Lawyers for Cobra Ventures Inc.

# TAB 2

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

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CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

(the "**Applicant**")

**RESPONDING AFFIDAVIT OF RICHARD GOLDSTEIN**  
(sworn July 23, 2021)

**I, RICHARD GOLDSTEIN**, of the City of Toronto, in the Province of Ontario, MAKE  
OATH AND SAY:

1. I am swearing this Affidavit in response to the Affidavit of Domenico Serafino ("**Serafino**") sworn July 20, 2021 in support of a stay extension ("**Serafino Affidavit**").
2. Cobra does not oppose a stay extension of 90 days provided that the Monitor's powers are enhanced in accordance with the draft order attached to Cobra's notice of motion. The effect of such order will be to divest Serafino of his management powers and make the Monitor a "super monitor". In light of the landscape shift arising from Justice Wilton-Siegel's dismissal of Serafino's attack on Cobra's right to credit bid the full amount outstanding under the Debenture, I believe that such order will appropriately re-balance control over HydRx. It will afford all parties sufficient protection while Serafino's motion for leave to appeal is pending.
3. The premise of Serafino's filing for CCAA protection is that a plan of arrangement could

be achieved if the Court concluded that I breached my fiduciary duties to HydRx, and as a result, Cobra's rights under the Debenture should be limited to the discounted amount it paid for the Debenture. That premise was rejected by Justice Wilton-Siegel.

4. The common expectation of all parties is that the SISP will not generate an offer which exceeds the amount secured under the Debenture. Indeed, Serafino himself deposed in paragraph 99 of his Affidavit sworn May 20, 2021, the relevant portion of which is attached as **Exhibit A**:

Unlike Goldstein, it is my intention to restructure Hydrx through a plan of arrangement. This will be possible if the court accepts my position that the entitlement of Cobra/Goldstein should be limited to a maximum of actual dollars expended to acquire the Aphria Debenture and any additional advances proven to have been made by Cobra to Hydrx.

5. The clear inference to be drawn from Serafino's statement is that a plan of arrangement is not possible if the full amount owing under the Debenture can be credit bid.

6. As it is a foregone conclusion that the SISP will not lead to a recovery greater than what is owing under the Debenture, the only party with an economic interest in this proceeding is Cobra.

7. Based on my reading of the Serafino Affidavit, HydRx is attempting to operate an altogether different business (recreational products not previously produced at any time in the facility) than the business it was in (medical products sold directly to patients) before the Initial Order was made on March 22, 2021, and it is doing so without qualified management. It is attempting to become a landlord for other unlicensed companies to piggy-back on the HydRx license by generating fees from third parties who intend to manufacture cannabis products using

HydRx's facilities and license. A business of that nature is inherently difficult to control in terms of assuring quality of product and is fraught with more risk than Cobra is prepared to absorb. If the *status quo* continues, it will effectively enable Serafino's group to occupy the facility on a rent free basis.

8. Based upon the cash flow projections to October 29, 2021, attached as Appendix 1 to the Monitor's Third Report, assuming that such projections are achieved, they will only result in an increase of approximately \$32,000 in HydRx's existing cash position. The \$32,000 increase in cash represents a best case scenario, which is unlikely to be achieved given HydRx's historical failure to meet its projected revenue targets. In my view, given the quantum of the consulting fees and restructuring professional fees involved over the projected 90 day period, and the execution risk associated with the new business model, as the only party with an economic interest in HydRx, I do not believe that it is a commercially justified exercise.

9. Moreover, the cash flow projections do not contemplate any debt service to the Debenture, under which approximately \$150,000 in monthly interest is accruing, or payments of realty taxes, which are in arrears. The restructuring professional fees do not represent an estimate of HydRx's full liability, but simply the amount to be drawn down in cash during the period.

10. Although Serafino has given a personal indemnity to HydRx in respect of equipment repairs and "Operating Losses", it does not extend to the accrual of interest under the Debenture, or to realty taxes, and Cobra has no insight into Serafino's creditworthiness. According to the parcel register in respect of Serafino's personal residence at 25 Country Lane, in Toronto, the property is not held in Serafino's name personally. A copy of the parcel register is attached as **Exhibit B**. The indemnity is cold comfort to Cobra.



11. Attached as **Exhibit C** is a cash flow summary which Cobra's counsel received from the CRO at 11:17 pm on Wednesday, July 21, 2021. The summary compares Serafino's projected receipts and disbursements between the weeks of May 7 and July 16 to actual receipts and disbursements during that period. The summary reveals that under Serafino's leadership, HydRx has performed abysmally and has materially failed to meet any of its operating revenue targets. In the circumstances, Cobra has no confidence whatsoever in Serafino remaining at the helm of HydRx.

12. In Cobra's view, HydRx's existing business should be wound down in an orderly manner and expenses should be kept to a bare minimum, solely to keep the "lights on", secure the facility, and maintain the licenses. In so far as Serafino disagrees, I believe that giving the Monitor the enhanced powers to make such decisions represents a fair compromise over the coming 90 day stay extension.

**SWORN** remotely by Richard Goldstein at the City of Toronto, in the Province of Ontario, before me in the City of Toronto on July 23, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

*Jacky Cheung*  
 \_\_\_\_\_  
 Commissioner for Taking Affidavits  
 (or as may be)

**JACKY CHEUNG**

*Richard Goldstein*  
 \_\_\_\_\_

**RICHARD GOLDSTEIN**

This is Exhibit “A” referred to in the Affidavit of Richard Goldstein sworn by Richard Goldstein at the City of Toronto, in the Province of Ontario, before me on July 23, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

---

*Jacky Cheung*  
Commissioner for Taking Affidavits (or as may be)

**JACKY CHEUNG**

Court File No. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE  
MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX  
FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS  
PHARMA INC.

(the "Applicant")

**AFFIDAVIT OF DOMENICO SERAFINO  
(SWORN MAY 20, 2021)**

I, **DOMENICO SERAFINO**, of the City of Toronto, in the Province of Ontario,  
MAKE OATH AND SAY:

1. I am a significant shareholder and director of Hydrx Farms Ltd. ("**Hydrx**") and I am the Applicant in these CCAA Proceedings. In my capacity as a director, and in conjunction with the management team of Hydrx, I am responsible for, among other things, ensuring that Hydrx has effective operational procedures to support its business operations. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and believe them to be true.

98. On April 28, 2021, a Special Meeting of Shareholders was held and Goldstein was removed as a director of Hydrx by approximately 83% of voting shareholders. As a face saving exercise, Goldstein subsequently tendered his resignation on April 30, 2021, in escrow pending issuance of the Order appointing the CRO and approving the SISP.

### **Credit Bidding**

99. Unlike Goldstein, it is my intention to restructure Hydrx through a plan of arrangement. This will be possible if the court accepts my position that the entitlement of Cobra/Goldstein should be limited to a maximum of actual dollars expended to acquire the Aphria Secured Debenture and any additional advances proven to have been made by Cobra to Hydrx.

100. If, for whatever reason, the SISP is considered necessary, I am firmly of the view that Cobra should not be permitted to credit bid any of the indebtedness which is determined to be owing to it.

101. Goldstein has made it abundantly clear that it is his intention to take the Hydrx Assets and its business for his own and he intends to acquire the same for the \$5 million purchase price Cobra paid under the Aphria Transaction. Should

106. This Affidavit is administered in accordance with O. Reg. 431/20:

Administering Oath or Declaration Remotely:

Location of Commissioner administering the Affidavit: Vaughan, ON, Canada

Location of Affiant of the Affidavit at the time of administration: Toronto, ON, Canada

**SWORN BEFORE ME** in the )  
City of Vaughan, in the Province )  
of Ontario, this 20<sup>th</sup> day of )  
May, 2021 )

DocuSigned by:  
*Sepideh Nassabi*  
9A5A673DA59F432...

DocuSigned by:  
*Domenico Serafino*  
FE97100D6F50476...

**DOMENICO SERAFINO**

A Commissioner, etc.  
**Commissioned by Video Conference**  
**Sepideh Nassabi (LSO# 60139B)**

This is Exhibit “B” referred to in the Affidavit of Richard Goldstein sworn by Richard Goldstein at the City of Toronto, in the Province of Ontario, before me on July 23, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

*Jacky Cheung*

---

*Commissioner for Taking Affidavits (or as may be)*

**JACKY CHEUNG**

LAND  
REGISTRY  
OFFICE #66

10126-0258 (LT)

PREPARED FOR Hartej01  
ON 2021/07/21 AT 14:12:52

\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*

PROPERTY DESCRIPTION: LT 4 PL 5005 NORTH YORK; PT LT 3 PL 5005 NORTH YORK AS IN NY597381; TORONTO (N YORK) , CITY OF TORONTO

PROPERTY REMARKS:

ESTATE/QUALIFIER:

FEE SIMPLE  
LT CONVERSION QUALIFIED

RECENTLY:

RE-ENTRY FROM 10126-0711

PIN CREATION DATE:

2002/04/29

OWNERS' NAMES

SERAFINO, JOANNE CHARLOTTE

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES (DELETED INSTRUMENTS NOT INCLUDED) **						
**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:						
** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES *						
** AND ESCHEATS OR FORFEITURE TO THE CROWN.						
** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF						
** IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY						
** CONVENTION.						
** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.						
**DATE OF CONVERSION TO LAND TITLES: 2002/04/29 **						
AT4778765	2018/01/12	TRANSFER	\$5,975,000	KARBALAEI HEIDAR, AMIR HOSSEIN ZOLFAGHARI, FATEMEH	SERAFINO, JOANNE CHARLOTTE	C
REMARKS: PLANNING ACT STATEMENTS.						
AT5567983	2020/11/09	CHARGE	\$5,000,000	SERAFINO, JOANNE CHARLOTTE	ROYAL BANK OF CANADA	C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

This is Exhibit “C” referred to in the Affidavit of Richard Goldstein sworn by Richard Goldstein at the City of Toronto, in the Province of Ontario, before me on July 23, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

*Jacky Cheung*

---

*Commissioner for Taking Affidavits (or as may be)*

**JACKY CHEUNG**



Schedule "A"  
Hydrex Farms Ltd.  
Cash Flow Summary  
Actual v Projections

Week Ending (Friday)	Week 1 07-May		Week 2 14-May		Week 3 21-May		Week 4 28-May		Week 5 04-Jun		Week 6 11-Jun		Week 7 18-Jun		Week 8 25-Jun		Week 9 02-Jul		Week 10 09-Jul		Week 11 16-Jul		Note:
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	
<b>Receipts</b>																							
Medical Cannabis Sales	3,000	545	4,000	472	4,800	1,836	5,760	-	6,912	226	750	342	750	1,587	750	1,384	750	189	750	293	750	-	2
Contract Processing	7,500	-	7,500	-	7,500	-	7,500	-	7,500	-	4,500	-	750	-	7,000	-	7,000	-	7,000	-	7,000	-	-
Retail Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cultivation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Costs Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Garnishment Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	6,359	6,880	-	6,880	-	6,880	-	6,880	-	-
Bulk Sale of Product Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,500	-	-	-	-	-	-	-	3
Insurance refunds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	795	-	-	-	-	-	-	-
Advances	-	-	-	50,000	-	70,000	-	-	-	50,000	70,000	-	-	50,000	20,000	-	-	19,775	-	-	-	-	-
<b>Total Receipts</b>	10,500	545	11,500	50,472	12,300	71,836	13,260	-	14,412	50,226	75,250	342	750	57,947	38,130	22,179	14,630	19,964	14,630	293	138,110	71,390	
<b>Operating Disbursements</b>																							
Payroll and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consulting Fees	8,700	-	10,500	-	10,500	33,070	10,500	-	10,500	30,664	-	-	24,000	1,788	-	-	-	-	-	-	22,950	25,000	7,200
General Labour	4,800	-	4,800	-	4,800	-	-	-	4,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COGS	-	-	1,125	-	1,125	435	1,125	1,076	1,500	-	-	-	-	-	-	-	-	-	-	-	-	94,981	19,775
Supplies and Raw Materials	-	-	600	-	1,845	-	1,989	-	2,162	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory Advisor	1,800	-	-	-	1,800	-	-	3,505	-	-	-	-	-	-	-	-	-	2,500	-	-	-	-	3,081
Office Administration	-	-	500	-	500	-	500	-	500	-	300	-	-	-	300	-	300	-	300	-	300	-	-
Insurance	-	-	-	-	21,211	21,211	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	2,625	-	2,625	-	2,625	931	2,625	-	2,625	-	4,500	3,582	4,500	-	4,500	9,209	4,500	-	4,500	-	4,500	-	5
Other Operating Expenses	7,025	-	7,025	1,610	7,025	975	7,025	-	9,500	-	8,300	7,583	8,300	-	-	485	8,300	-	-	-	8,300	7,806	
Bank Fees / Interest	-	129	-	-	-	-	-	-	-	131	-	-	-	-	-	-	150	-	-	-	-	309	-
CRA Excise Taxes	-	-	-	-	2,075	-	-	-	-	150	-	-	-	-	4	360	300	-	-	-	-	-	-
Capital Expenditures	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Disbursements</b>	34,950	129	27,175	1,610	51,431	58,697	28,564	4,581	31,587	30,945	13,100	11,165	36,800	1,792	4,800	30,893	41,050	-	4,800	22,950	133,081	50,033	
Restructuring Professional Fees	50,000	-	50,000	-	5,000	42,673	5,000	-	5,000	-	36,000	11,045	-	28,250	-	13,765	7,500	-	15,000	-	15,000	-	6
<b>Net Cash Inflows / (Outflows)</b>	- 74,450	416	- 65,675	48,862	- 44,131	- 29,534	- 20,304	- 4,581	- 22,175	19,281	26,150	- 21,868	- 36,050	27,905	33,330	- 22,479	- 33,920	19,964	- 5,170	- 22,658	- 9,971	20,557	
<b>Cash</b>																							
Opening Balance	199,000	-	124,550	416	58,875	49,278	14,744	19,744	5,560	15,163	27,735	34,444	1,585	12,577	37,635	40,482	4,305	18,003	38,225	37,967	43,395	15,309	
Net cash flows	- 74,450	416	- 65,675	48,862	- 44,131	- 29,534	- 20,304	- 4,581	- 22,175	19,281	26,150	- 21,868	- 36,050	27,905	33,330	- 22,479	- 33,920	19,964	- 5,170	- 22,658	- 9,971	20,557	
<b>Ending Balance</b>	124,550	416	58,875	49,278	14,744	19,744	5,560	15,163	27,735	34,444	1,585	12,577	37,635	40,482	4,305	18,003	38,225	37,967	43,395	15,309	53,366	35,866	7

- Notes:
- The cash flow projections have been revised for the period from July 17, October 29, 2021.
  - Revenue is per the actual bank statement receipts to July 16, 2021.
  - This is a first invoice for extraction services and has been funded by a factoring facility, at an interest rate of 4% for a 100% funded invoice, on a non recourse basis.
  - Consulting fees and general labour. These are independent contractors and there is no payroll or employees.
  - I have not factored into this scheduled the requested security deposits for Hydro and Gas totaling \$40,000, as the request is being challenged and the utilities will not be cut off in the current circumstances and per the CCAA Initial Order. The costs shown are actual costs billed and paid to date.
  - Professional Fees are estimated fees for the Monitor and its counsel and the CRO, as well as various assistance provided by the former controller and an interim bookkeeper engaged by the CRO.
  - We are managing the accounting system including accruals in a separate QB file as noted in our report. We are managing accruals at this time and attempting to remain materially current with the operating liabilities, excluding the municipal property tax.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

Court File No.: CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

**AFFIDAVIT OF RICHARD GOLDSTEIN  
(Sworn July 23, 2021)**

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Lawyers for Cobra Ventures Inc.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
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Court File No. CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**RESPONDING MOTION RECORD**

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Lawyers for Cobra Ventures Inc.