

**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 SARAFINO AS A PERSON INTERESTED IN THE MATTER OF A
PLAN OF COMPROMISE OR ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.**

(the "Applicant")

**MOTION RECORD
(SALE APPROVAL)
(Returnable November 23, 2021)**

November 12, 2021

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TO: THE SERVICE LIST

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

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**NOTICE OF MOTION
(Sale Approval)**

SCHWARTZ LEVITSKY FELDMAN INC ("SLF"), in its capacity as Monitor of Hydrx Farms Ltd. ("Hydrx"), Scientus Pharma Inc., and CannScience Innovations Inc. (collectively, the "Companies"), will make a motion before a Judge of the Ontario Superior Court of Justice (Commercial List) on November 23, 2021, or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard by videoconference due to the COVID-19 crisis. The details of the videoconference are attached at Schedule "A".

THE MOTION IS FOR:

1. an Order, substantially in the form of the draft Order attached as Schedule "B", hereto:
 - (a) approving the Share Purchase Agreement (the "SPA") dated November 4, 2021 between Hydrx and Cobra Ventures Inc. ("Cobra") and the transaction contemplated therein (the "Credit Bid Transaction");
 - (b) approving the Monitor entering into the SPA, on behalf of Hydrx;
 - (c) authorizing the Monitor to carry out and give effect to the Credit Bid Transaction on behalf of Hydrx including carrying out the share restructuring contemplated in the SPA;
 - (d) approving the activities of the Monitor as described in the Fifth Report to the Court dated November 12, 2021; and
 - (e) approving of the Monitor's fees for the period March 12, 2021 to November 2, 2021, the fees of its counsel, Paliare Roland Rosenberg Rothstein LLP ("Paliare") for the period March 16, 2021 to October 31, 2021 and the fees of the Macpherson & Associates Inc, the Chief Restructuring Officer, (the "CRO") for the period April 30, 2021 to October 31, 2021;
2. Such further relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:**A. Background**

3. On March 22, 2021, Domenic Serafino, as an interested party, brought an application before this Court seeking an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("CCAA") to, among other things, obtain a stay of proceedings to allow them an opportunity to obtain funding to restructure the affairs of the company or to market the company for sale;
4. On March 22, 2021, the Court granted an initial order in these proceedings (the "Initial Order") that, among other things, appointed SLF as Monitor;
5. On March 31, 2021, the Court made the Amended and Restated Initial Order pursuant to which the Court extended the Stay Period to May 3, 2021 and granted an administration charge in first ranking priority to a maximum of \$250,000.00 (the "Administration Charge");
6. On April 30, 2021, the Court approved an Order (the "CRO Appointment and SISP Approval Order"):
 - (a) appointing Macpherson & Associates Inc. as the CRO (the "CRO") of HydRx;
 - (b) establishing the Sale and Investment Solicitation Process for the Companies ("SISP");
 - (c) increasing the Administration Charge to \$400,000;

- (d) instituting a process for determining the value of the claim of Cobra Ventures Inc. (“Cobra”), HydRx’s first secured creditor (the “Cobra Claims Process”); and
 - (e) extending of the stay of proceedings to July 30, 2021;
7. On July 26, 2021, the Court approved an Order:
- (a) expanding of the powers of the Monitor to allow the Monitor, among other things, to enter into agreements for and on behalf of HydRx and in respect of HydRx’s property; and
 - (b) extending of the Stay of Proceeding to October 28, 2021;
8. On October 26, 2021, the Court approved an extension of the stay of proceedings to January 28, 2022;

B. The SISP

9. In connection with the SISP, the Monitor canvassed potentially interested parties and carried out the following activities:
- (a) prepared a list of potential bidders;
 - (b) arranged for a notice of the SISP to be published in The Globe and Mail; and
 - (c) prepared a teaser letter with information about the Companies and the opportunity (the “Teaser Letter”); and

- (d) prepared a non-disclosure agreement (the “NDA”) for interested parties;
10. In total:
- (a) 127 parties were sent the Teaser Letter;
 - (b) 9 NDAs were executed;
 - (c) 9 parties were given access to the data room;
 - (d) several parties had calls with management, the Monitor or the CRO (or a combination thereof); and
 - (e) certain parties visited HydRx’s facility;
11. The Monitor received six Letters of Intent (an “LOI”) by the Phase 1 Bid Deadline of July 27, 2021;
12. Cobra submitted one of the six LOIs (the “Cobra LOI”);
13. The Cobra LOI provided for a bid for the assets or shares of the Companies by way of a credit bid of the outstanding Cobra indebtedness (the “Cobra Debt”) under its debenture (the “Debenture”);
14. The Cobra Debt was \$14,857,014.00 as at March 31, 2021, plus continuing interest since that date;
15. After considering all of the LOIs, the Monitor, in consultation with the CRO, determined that:

- (a) the Cobra LOI represented the highest and best bid; and
- (b) none of the other offers was in an amount sufficient to repay the Cobra Debt;

16. In accordance with the SISP Procedure (and, in particular, paragraph 29 thereof), the Monitor decided not to proceed with Phase 2 of the SISP and, instead, began working, together with the CRO and counsel, to structure and document the Credit Bid Transaction with Cobra;

C. *The Credit Bid Transaction*

17. The Credit Bid Transaction will be effected by the issuance of a “reverse vesting order” pursuant to which all of the Companies’ liabilities will be transferred to a new company affiliated with or established by Hydrx such that Hydrx owns the assets free and clear of all encumbrances, security interests and rights of others whatsoever;

18. As part of the transaction, Cobra will acquire all of the common shares of Hydrx, free of all liabilities, claims, liens security, interests, charges or other encumbrances;

19. All of the existing common shares of Hydrx will be cancelled;

20. The purchase price payable by Cobra will be the amount of the “Priority Payables” (being the amount owing under the Administration Charge to a maximum of \$400,000) plus the assumption of the indebtedness under the Debenture in the amount of \$14,857,014 as at March 31, 2021, plus interest since then;

21. The amount of the Priority Payables will be paid in cash to the Monitor on closing;

22. In the Monitor's opinion, after carrying out a comprehensive SISP, the Credit Bid Transaction represents, by far, the highest and best offer for the Companies' assets and should be approved by this Court;

23. The Monitor recommends to the Court that the Credit Bid Transaction be approved;

D. Statutory and other grounds

24. The provisions of the CCAA, the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, and the inherent and equitable jurisdiction of this Honourable Court;

25. Rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 16, 37 and 39 of the Ontario *Rules of Civil Procedure*, R.R.O 1990, Reg. 194, as amended and sections 106 and 137 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and

26. Such further and other grounds as counsel may advise and this Court may permit.

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

- (a) The Fifth Report of the Monitor dated November 12, 2021, and the appendices attached thereto; and
- (b) such further and other evidence as the lawyers may advise and this Court may permit.

November 12, 2021

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Lawyers for the Monitor, Schwartz Levitsky Feldman Inc.

TO: THE SERVICE LIST

SCHEDULE "A"

Zoom Conference Details

Date: November 23, 2021 at 12:30 p.m.

Meeting ID: 862 5391 1890

Passcode: 831106

<https://us02web.zoom.us/j/86253911890?pwd=eEVVdzFSMkpkWkJoATRheigzUHdDUT09>

SCHEDULE "B"

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)	TUESDAY DAY, THE 23 rd
)	
JUSTICE McEWEN)	DAY OF NOVEMBER, 2021

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

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

**ORDER
(Approval and Vesting Order)**

THIS MOTION, made by Schwartz Levitsky Feldman Inc. ("**SLF**"), in its capacity as monitor of Hydrx Farms Ltd. ("**Hydrx**"), Cannscience Innovations Inc. and Scientus Pharma Inc. (together with Hydrx, collectively, the "**Companies**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, among other things: (i) approving the Share Purchase Agreement (the "**SPA**") between Hydrx and Cobra Ventures Inc. (the "**Purchaser**") dated as of November 4, 2021, and the transactions contemplated thereby (the "**Transactions**"), (ii) adding 13404994 Canada Inc. ("**ResidualCo**") as a party to these CCAA proceedings, (iii) transferring and vesting all of the Companies' right, title and interest in and to the Excluded Contracts and Excluded Liabilities (as defined in the SPA) to and in ResidualCo, and (iv) vesting all of the right, title and interest in and to the New Shares (as defined in the SPA) in the Purchaser, was heard this day by video conference due to the COVID-19 pandemic.

ON READING the Notice of Motion, and the Fifth Report of SLF dated November 12, 2021, in its capacity as Monitor of the Companies (the "**Monitor**"), filed (the "**Fifth Report**"),

and on hearing the submissions of counsel for the Monitor, counsel for the Purchaser, and counsel for those other parties appearing as indicated by the counsel slip, no one appearing for any other party, although duly served as appears from the affidavit of service of [▶], filed,

SERVICE

1. **THIS COURT ORDERS** that the time for service 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.

DEFINED TERMS

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the SPA.

APPROVAL AND VESTING

3. **THIS COURT ORDERS AND DECLARES** that the SPA and the Transactions be and are hereby approved and that the execution of the SPA by SLF, on behalf of Hydrx and in its capacity as Monitor, is hereby authorized and approved, with such minor amendments as the parties thereto may deem necessary, with the approval of the Monitor. Each of the Companies and SLF in its capacity as Monitor are hereby authorized and directed to perform its obligations under the SPA and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions and for the conveyance of the New Shares to the Purchaser.

4. **THIS COURT ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Companies and SLF in its capacity as Monitor to proceed with the

Transactions (including, for certainty, the Pre-Closing Reorganization), and that no shareholder or other approval shall be required in connection therewith.

5. **THIS COURT ORDERS** that the Monitor is hereby authorized to execute Articles of Amendment in respect of Hydrx reflecting the Transactions and to take all other steps for and on behalf of the Companies as may be necessary to give effect to the Transactions.

6. **THIS COURT ORDERS AND DECLARES** that upon the delivery of the Monitor's certificate (the "**Monitor's Certificate**") to the Purchaser (the "**Effective Time**") confirming, among other things, that the Transaction has closed, the following shall occur and shall be deemed to have occurred at the Effective Time in the following sequence:

- (a) first, all Excluded Contracts and Excluded Liabilities (which for certainty includes all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) of the Companies (other than the Assumed Liabilities) shall be channelled to, assumed by and vest absolutely and exclusively in ResidualCo such that the Excluded Contracts and Excluded Liabilities shall become obligations of ResidualCo and shall no longer be obligations of the Companies, and the Companies and all of their assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate (including, for certainty, the Serafino Indemnity (as defined below) and Retained Assets, the "**Companies' Property**") shall be and are hereby forever released and discharged from such Excluded Contracts and Excluded Liabilities and all related security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not

they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”), including without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Amended and Restated Initial Order of the Court dated March 31, 2021 (the “**Initial Order**”) or any other Order of the Court in this CCAA Proceeding; (ii) those encumbrances listed on Schedule A hereto and (iii) the security interests listed on Schedule B hereto; (all of which are collectively referred to as the “**Encumbrances**”), and all such Claims and all Encumbrances affecting or relating to the Companies’ Property (other than the Assumed Liabilities and permitted encumbrances listed on Schedule “C” hereto), are hereby expunged and discharged as against the Companies’ Property;

- (b) second, all options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (defined below) and are convertible or exchangeable for any securities of the Companies or which require the issuance, sale or transfer by the Companies, of any shares or other securities of the Companies and/or the share capital of the Companies, or otherwise relating thereto, shall be deemed terminated and cancelled;
- (c) third, all of the right, title and interest in and to the New Shares shall vest absolutely in the Purchaser, free and clear of and from all Claims and Encumbrances and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the New Shares are hereby expunged and discharged as against the New Shares; and
- (d) fourth, the Companies shall be deemed to cease being parties in these CCAA proceedings, and the Companies shall be deemed to be released from the purview of the Initial Order and all other Orders of this Court granted in respect of this CCAA Proceeding, save and except for this Order, the provisions of which (as they relate to the Companies) shall continue to apply in all respects.

7. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof in connection with the Transactions.
8. **THIS COURT ORDERS** that the Monitor may rely on written notice from Hydrx and/or the Purchaser regarding the fulfilment of conditions to closing under the SPA and shall have no liability with respect to delivery of the Monitor's Certificate.
9. **THIS COURT ORDERS** that following the Effective Time, no shares of the Companies shall be issued by Domenico Serafino without the prior written consent of the Purchaser, which consent may be unreasonably withheld.
10. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the New Shares (including, for greater certainty, the Priority Payables (as defined in the SPA) (the "**Proceeds**") shall stand in the place and stead of the Companies' Property, and that from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the Proceeds with the same priority as they had with respect to the Companies' Property immediately prior to the sale.
11. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended, the Monitor is authorized, permitted and directed to, at the Effective Time, disclose to the Purchaser all human resources and payroll information in the Companies' records pertaining to past and current employees of the Companies. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it

in a manner that is in all material respects identical to the prior use of such information by the Applicant.

12. **THIS COURT ORDERS AND DECLARES** that, at the Effective Time, the Purchaser and the Companies shall be deemed released from any and all claims, liabilities, (direct, indirect, absolute or contingent) or obligations with respect to any Taxes (including penalties and interest thereon) of, or that relate to, the Companies (provided, as it relates to the Companies, such release shall not apply to Taxes in respect of the business and operations conducted after the Effective Time), including without limiting the generality of the foregoing, all Taxes that could be assessed against the Purchaser or the Companies (including their affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act*, R.S.C. 1985 c. 1 (5th Supp.), or any provincial equivalent, in connection with the Companies. For greater certainty, nothing in this paragraph shall release or discharge any Claims with respect to Taxes that are transferred to ResidualCo.

13. **THIS COURT ORDERS**, for greater certainty, that (a) nothing in this Order shall waive, compromise or discharge any obligations of the Companies in respect of any Assumed Liabilities, and (b) the designation of any Claim as an Assumed Liability is without prejudice to the Companies' rights to dispute the existence, validity or quantum of any such Assumed Liability, and (c) nothing in this Order or the SPA shall affect or waive the Companies' rights and defences, both legal and equitable, with respect to any Assumed Liability, including, but not limited to, all rights with respect to entitlements to set offs or recoupments against such Assumed Liability.

14. **THIS COURT ORDERS** that from and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of the Companies then existing or previously

committed by the Companies, or caused by the Companies, directly or indirectly, or non-compliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition, or obligation, expressed or implied in any Contract existing between such Person and the Companies (including for certainty, those Contracts constituting Retained Assets) arising directly or indirectly from the CCAA Proceedings and implementation of the Transactions, including without limitation any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a Contract shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein shall be deemed to excuse the Companies from performing their obligations under the SPA or be a waiver of defaults by Hydrx under the SPA and the related documents.

15. **THIS COURT ORDERS** that from and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Companies relating in any way to or in respect of any Excluded Liabilities or Excluded Contracts and any other claims, obligations and other matters that are waived, released, expunged or discharged pursuant to this Order.

16. **THIS COURT ORDERS** that from and after the Effective Time:

- (a) the nature of the Assumed Liabilities retained by the Companies including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transactions or this Order;

- (b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to ResidualCo;
 - (c) any Person that prior to the Effective Time had a valid right or claim against the Companies under or in respect of any Excluded Contract or Excluded Liability (each an “**Excluded Liability Claim**”) shall no longer have such right or claim against the Companies but will have an equivalent Excluded Liability Claim against ResidualCo in respect of the Excluded Contract or Excluded Liability from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against ResidualCo; and
 - (d) the Excluded Liability Claim of any Person against ResidualCo following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the Companies prior to the Effective Time.
17. **THIS COURT ORDERS AND DECLARES** that, as of the Effective Time:
- (a) ResidualCo shall be a company to which the CCAA applies; and
 - (b) ResidualCo shall be added as a party this CCAA Proceeding and all references in any Order of this Court in respect of this CCAA Proceeding to (i) the Companies shall refer to and include ResidualCo, and (ii) “Property” shall include the current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, of ResidualCo (the “**ResidualCo Property**”), and, for greater certainty, the Administration Charges (as defined in the Initial Order), shall constitute a charge on the ResidualCo Property.
18. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 195, c. B-3, as amended (the “**BIA**”), in respect of ResidualCo and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of ResidualCo;

the SPA, the implementation of the Transactions (including without limitation the transfer and vesting of the Excluded Assets, Excluded Contracts and Excluded Liabilities in and to ResidualCo, the transfer and vesting of the New Shares in and to the Purchaser) and any payments by or to the Purchaser, ResidualCo or the Monitor authorized herein shall be binding on any trustee in bankruptcy that may be appointed in respect of ResidualCo and shall not be void or voidable by creditors of ResidualCo, as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the CCAA, the BIA or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

MONITOR’S ENHANCED POWERS

19. **THIS COURT ORDERS** that in addition to the powers and duties of the Monitor set out in the Initial Order or any other Order of this Court in this CCAA Proceeding, and without altering in any way the limitations and obligations of ResidualCo as a result of these proceedings, the Monitor be and is hereby authorized and empowered, but not required, to:

- (a) take any and all actions and steps, and execute all documents and writings, on behalf of, and in the name of ResidualCo in order to facilitate the performance of any ongoing obligations of ResidualCo, including with respect to any Excluded Liability Claim, and to carry out the Monitor’s duties under this Order or any other Order of this Court in this CCAA Proceeding;

- (b) exercise any powers which may be properly exercised by a board of directors of ResidualCo;
- (c) cause ResidualCo to retain the services of any person as an employee, consultant, or other similar capacity all under the supervision and direction of the Monitor and on the terms as agreed with the Monitor;
- (d) open one or more new accounts (the “**ResidualCo Accounts**”) into which all funds, monies, cheques, instruments and other forms of payment payable to ResidualCo shall be deposited from and after the making of this Order from any source whatsoever and to operate and control, as applicable, on behalf of ResidualCo, the ResidualCo Accounts in such manner as the Monitor, in its sole discretion, deems necessary or appropriate to assist with the exercise of the Monitor’s powers and duties;
- (e) cause ResidualCo to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the winding-down of ResidualCo or the distribution of the proceeds of the ResidualCo Property or any other related activities, including in connection with bringing this CCAA Proceeding to an end;
- (f) engage, deal, communicate, negotiate, agree and settle with any creditor or other stakeholder of ResidualCo (including any governmental authority) in the name of or on behalf of ResidualCo;
- (g) claim or cause ResidualCo to claim any and all insurance refunds or tax refunds, including refunds of harmonized sales taxes, to which ResidualCo is entitled;
- (h) have access to all books and records that are the property of ResidualCo in ResidualCo’s possession or control;
- (i) assign ResidualCo, or cause ResidualCo to be assigned, into bankruptcy, and the Monitor shall be entitled but not obligated to act as trustee in bankruptcy thereof;

- (j) consult with Canada Revenue Agency or Health Canada with respect to any issues arising in respect of this CCAA Proceeding; and
- (k) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter.

20. **THIS COURT ORDERS** that notwithstanding anything contained in this Order, the Monitor is not and shall not be or be deemed to be, a director, officer, or employee of ResidualCo or the Companies.

21. **THIS COURT ORDERS** that, without limiting the provisions of the Initial Order, ResidualCo shall remain in possession and control of its Property and Business (each as defined in the Initial Order) and the Monitor shall not take, or be deemed to have taken, possession or control of the Property or the Business of ResidualCo, or any part thereof.

22. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor and its legal counsel shall continue to have the benefit of all of the indemnities, charges, protections and priorities as set out in the Initial Order and any other Order of this Court and all such indemnities, charges, protections and priorities shall apply and extend to the Monitor and the fulfillment of its duties and the carrying out of the provisions of this Order.

23. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Monitor as receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of the Companies or ResidualCo within the meaning of any

relevant legislation and that any distributions to creditors of ResidualCo or the Companies by the Monitor will be deemed to have been made by ResidualCo.

24. **THIS COURT ORDERS** that 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 ResidualCo with respect to such matters and, in the event of a conflict between the terms of this Order and those of the Initial Order or any other Order of this Court, the provisions of this Order shall govern.

RELEASES

25. **THIS COURT ORDERS** that effective upon filing of the Monitor's Certificate, (i) the current and former directors and officers of the Companies (collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released and discharged from any and all present and future claims (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place prior to the filing of the Monitor's Certificate and that relate in any manner whatsoever to the Companies or any of their assets (current or historical), obligations, business or affairs or this CCAA Proceeding, including any actions undertaken or completed pursuant to the terms of this Order, or arising in connection with or relating to the SPA or the completion of the Transactions (collectively, the "**Released Claims**"), which Released Claims are hereby fully, finally,

irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, *provided that* nothing in this paragraph shall waive, discharge, release, cancel or bar any claim: (i) that is not permitted to be released pursuant to section 5.1(2) of the CCAA, (ii) against the directors and officers of the Applicant for breach of trust arising from acts or omissions occurring before the date of the Initial Order, (iii) that may be made against any applicable insurance policy of the Companies prior to the date of the Initial Order, (iv) in respect of the indemnity dated April 8, 2021 given by Domenic Serafino to HydRx and the Monitor (the “**Serafino Indemnity**”) or (v) by Minden Gross LLP against Domenic Serafino for their fees in connection with this and related matters.

GENERAL

26. **THIS COURT ORDERS** that, following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the New Shares.

27. **THIS COURT ORDERS** that, following the Effective Time, the title of these proceedings is hereby changed to

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED AND IN THE MATTER OF THE
COMPROMISE OR ARRANGEMENT OF 13404994
CANADA INC.

28. **THIS COURT ORDERS** that, notwithstanding Rule 59.05, this Order is effective from the date that it is made, and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a

motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing when the Court returns to regular operations.

29. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

30. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist ResidualCo, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to ResidualCo and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist ResidualCo and the Monitor and their respective agents in carrying out the terms of this Order.

31. **THIS COURT ORDERS** that each of ResidualCo and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

SEALING

32. **THIS COURT ORDERS** that Confidential Appendix 1 to the Fifth Report be and is hereby sealed pending the closing of the Transaction.

CONDUCT AND ACTIVITIES

33. **THIS COURT ORDERS** that the conduct and activities of the Monitor, as described in the Fifth Report, are hereby approved.

FEES

34. **THIS COURT ORDERS** that the fees and disbursements of the Monitor, its counsel and the CRO, all as described and detailed in the Fifth Report, are hereby approved.

Schedule “A” – Encumbrances to be Deleted

1. Instrument No. DR1938121 registered 2020/10/23 - Transfer of Charge to Cobra Ventures Inc.
2. Instrument No. DR1964611 registered 2021/01/18 – Transfer of Charge to Rydan Financial Inc.
3. Instrument No. DR1964673 registered 2021/01/18 – Transfer of Charge to Cobra Ventures Inc.
4. Instrument No. DR1990505 registered 2021/04/09 – Notice

Schedule “B” – PPSA Registrations to be Deleted

PPSA Registration Number	Debtor	Secured Party	Collateral	Collateral Description	Registration Period
20171115 1432 1530 7267	Hydrx Farms Ltd.	Royal Bank of Canada	Accounts, Other	None	5 Years
20171220 1324 2550 7568	Hydrx Farms Ltd.	Alpine Specialty Chemicals Ltd.	Equipment	CMA EST 44 DISHWASHER SERIAL NO 210001	5 Years

Schedule “C” – Permitted Encumbrances

1. Instrument No. DR1626830 registered 2017/08/15 – Charge in favour of Aphria Inc.
2. Instrument No. DR1932365 registered 2020/10/02 – Transfer of Charge from Aphria Inc. to Cobra Ventures Inc.
3. PPSA Registration No. 2020/11/09 160892344149 in favour of Cobra Ventures Inc.
4. PPSA Registration No. 2021/11/10 151215903974 in favour of Cobra Ventures Inc.

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

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

**AND DOMENICO SARAFINO 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.**

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

ORDER

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
155 Wellington Street West
35th Floor
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**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**NOTICE OF MOTION
(APPROVAL AND VESTING ORDER)**

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

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**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 ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

(the "Applicants")

FIFTH REPORT OF THE MONITOR

INTRODUCTION

1. On March 22, 2021, Domenic Serafino, as an interested person (the "Serafino Group"), brought an application (the "CCAA Application") before this Court seeking an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("CCAA") to, among other things, obtain a stay of proceedings to allow them an opportunity to obtain funding to restructure the affairs of HydRx Farms Ltd. ("HydRx" or the "Company") or to market HydRx for sale.
2. On March 22, 2021, the Court granted an initial order (the "Initial Order") that, among other things, appointed Schwartz Levitsky Feldman Inc. ("SLF") as monitor of the Applicants in these CCAA proceedings (in such capacity, the "Monitor"), and granted a stay of proceedings for the initial 10-day period (the "Stay Period"). A copy of the Initial Order is attached as **Appendix "A"**.

3. On March 31, 2021, the Court made the Amended and Restated Initial Order pursuant to which the Court extended the Stay Period to May 3, 2021 and granted an administration charge in first ranking priority to a maximum of \$250,000.00 (the “Administration Charge”). A copy of the Amended and Restated Initial Order is attached as **Appendix “B”**.

4. On April 30, 2021, the Court approved an Order (the “CRO Appointment and SISP Approval Order”), a copy of which is attached as **Appendix “C”**:
 - (a) the appointment of Macpherson & Associates Inc. as the Chief Restructuring Officer (the “CRO”) of HydRx;
 - (b) the Sale and Investment Solicitation Process (“SISP”);
 - (c) an increase in the Administration Charge to \$400,000;
 - (d) a process for determining the value of the claim of Cobra Ventures Inc. (“Cobra”), HydRx’s first secured creditor (the “Cobra Claims Process”); and
 - (e) an extension of the Stay of Proceedings to July 30, 2021.

5. On July 26, 2021, the Court approved an Order (the “Expansion of Power Order”), a copy of which is attached as **Appendix “D”**:
 - (a) an expansion of the powers of the Monitor to allow the Monitor, among other things, to enter into agreements for and on behalf of HydRx and in respect of HydRx’s property; and
 - (b) an extension of the Stay of Proceeding to October 28, 2021.

6. On October 26, 2021, the Court approved an extension of the Stay of Proceeding to January 28, 2022.

PURPOSE

7. The purpose of this Fifth Report of the Monitor (the “Fifth Report”) is to:
 - (a) report to the Court on Hydrx’s activities since the Fourth Report of the Monitor dated October 22, 2021 (the “Fourth Report”);
 - (b) report to the Court on the Monitor’s activities since the Fourth Report;
 - (c) update the court on the status of the Cobra Claim Process (as defined below);
 - (d) provide the Court with further details of the SISP;
 - (e) seek approval of the Share Purchase Agreement (the “SPA”) dated November 4, 2021 between the Company and Cobra and the transaction contemplated therein (the “Credit Bid Transaction”), a copy of which SPA is attached as **Appendix “E”** to this report;
 - (f) seek approval for entering into the SPA, on behalf of Hydrx, and authorizing the Monitor to carry out the Credit Bid Transaction on behalf of Hydrx;
 - (g) seek approval of the Monitor’s fees (the “Monitor’s Fees”) for the period March 12, 2021 to November 2, 2021, the fees of its counsel, Paliare Roland Rosenberg Rothstein LLP (“Paliare”) for the period March 16, 2021

to October 31, 2021 and the fees of the CRO for the period April 30, 2021 to October 31, 2021;

- (h) provide the Court with the Monitor's recommendations with respect to the above.

TERMS OF REFERENCE

8. In preparing this Fourth Report, and making comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Companies (as defined below), discussions with management of the Companies ("Management"), and information from other third-party sources (collectively, the "Information"). Except as described in this Report:

- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards ("GAAS") pursuant to the Chartered Professional Accountants Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
- (b) some of the information referred to in this Fifth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Handbook, has not been performed.

9. Future oriented financial information referred to in this Fifth Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
10. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fifth Report concerning the Companies' and their business is based on the Information, and not independent factual determinations made by the Monitor.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND

12. HydRx is a private corporation incorporated under the Canada Business Corporations Act on April 29, 2014.
13. HydRx has two wholly owned subsidiaries, Scientus Pharma Inc. (Scientus Pharma) and CannScience Innovations Inc. ("CannScience" and with Scientus Pharm and Hydrx, the "Companies").
14. Scientus Pharma was incorporated with the expectation that it would be the corporate vehicle through which HydRx would carry on business in the event of an initial public offering. CannScience was acquired in March 2017 principally for its

patents. Neither company has carried on any active business while owned by HydRx.

15. HydRx is a vertically-integrated biopharmaceutical company with a focus on developing and commercializing pharmaceutical grade cannabinoid derivative products.
16. HydRx was approved by Health Canada as a Controlled Dry Substance Licensed Dealer in October of 2016 and subsequently received a Licensed Product Cultivation License in September of 2017.
17. HydRx operates out of a 46,000 square foot facility which it owns at 1130 Champlain Court, Whitby, Ontario.

HYDRX'S ACTIVITIES SINCE THE FOURTH REPORT

18. Since the filing of the Fourth Report, HydRx has carried out the following activities, among others:
 - (a) terminated operations and began restoring the plant to its original state;
 - (b) continued working with Libra Advisory Inc. regarding regulatory and compliance support to help HydRx administer its licenses and address regulatory issues with Health Canada;
 - (c) maintained all required filings with Health Canada including the renewal and payment of the Health Canada and Excise Tax licences;

- (d) addressed outstanding compliance issues with Canada Revenue Agency; and
- (e) worked with the Monitor and the Chief Restructuring Officer (the “CRO”), Jim Macpherson of Macpherson & Associates Inc., towards finalizing the SPA on behalf of HydRx and the Credit Bid Transaction contemplated therein.

ACTIVITIES OF THE MONITOR SINCE THE FOURTH REPORT

19. Since the Fourth Report, the Monitor has undertaken the following activities:

- (a) communicated with various suppliers and stakeholders of HydRx to provide them with information about the CCAA Proceedings and to answer any questions;
- (b) assisted HydRx in respect to its communications with Health Canada regarding the CCAA Proceedings and the preservation of HydRx licences;
- (c) with the CRO, managed the clean-up of the plant and the restoration of the plant to its state at the time of the Initial Order; and
- (d) finalized the SISP, together with the CRO;
- (e) updated its website as necessary from time to time to post copies of all court orders, motion materials and related documents; and
- (f) maintained an information hotline (phone: 1-844-572-2235; email: insolvency@slf.ca) and responded to all inquiries regarding the CCAA proceedings.

THE COBRA CLAIM PROCESS

20. The Serafino Group brought a motion seeking, among other things, to determine the quantum of the indebtedness secured by the Debenture and prevent Cobra, the holder of the first-ranking secured debenture (the “Debenture”), from credit-bidding the full quantum of the indebtedness in the SISP.
21. Justice Wilton-Siegel heard the motion on June 30, 2021.
22. In an endorsement released on July 12, 2021, Justice Wilton-Siegel determined that the Cobra could credit bid the full amount of the indebtedness owing under the Debenture and that the quantum of such indebtedness was \$14,857,014.00 as at March 31, 2021 (the “Cobra Claims Decision”).
23. On July 14, 2021, the Serafino Group served a Notice of Motion for Leave to Appeal from the Cobra Claims Decision (the “Leave Motion”).
24. On August 16, 2021, Cobra filed its responding factum in response to the Leave Motion.
25. As of the date of this Fifth Report, the Court of Appeal has not rendered a decision on the Leave Motion.
26. The Credit Bid Transaction cannot be completed until the appeal of the Cobra Claims Decision is dealt with by the Court of Appeal.

THE SALES AND INVESTMENT SOLICITATION PROCESS (SISP)

Approval and Background to the SISP

27. As noted above, this Court approved the SISP pursuant to the CRO Appointment and SISP Approval Order dated April 30, 2021.
28. The procedures governing the SISP (the “SISP Procedure”) is attached as Schedule “A” to the CRO Appointment and SISP Approval Order (which Order is attached at Appendix C to this Report). All capitalized terms not otherwise defined herein have the meaning ascribed to those terms in the SISP Procedure.
29. In the Third Report (a copy of which is attached as **Appendix “F”**), the Monitor described the steps taken to solicit interest under the SISP. These steps included:
 - (a) preparing a list of potential bidders including:
 - a. parties that approached the company or the Monitor indicating an interest in the Opportunity; and
 - b. local and international strategic and financial parties who the Company, in consultation with the Monitor, believes may be interested in purchasing all or part of the Business or property or investing in the Company pursuant to the SISP (collectively, the “Known Potential Bidders”);
 - (b) arranging for a notice of the SISP to be published in The Globe and Mail which occurred on May 14, 2021; and
 - (c) preparing a Teaser Letter and a non-disclosure agreement in form and substance satisfactory to the Company and the Monitor (the “NDA”).

30. Parties who requested a copy of the Teaser Letter and NDA, or who are identified by the Companies as a potential bidder, were provided with the Teaser Letter and NDA as soon as reasonably practicable after such request or identification.
31. In total:
- (a) 127 Parties were sent the Teaser Letter;
 - (b) 9 NDAs were executed;
 - (c) 9 parties were given access to the data room;
 - (d) several parties had calls with management, the Monitor or the CRO (or a combination thereof); and
 - (e) certain parties visited HydRx's facility.

Review of LOIs

32. Phase 1 of the SISP contemplated that potentially interested parties were required to deliver non-binding expressions of interest by the Phase 1 Bid Deadline which the Monitor set for July 27, 2021 at 5:00 PM EST.
33. The Monitor received six Letters of Intent (an "LOI") by the Phase 1 Bid Deadline. The identify of the offerors and the key terms of the six LOIs are summarized in **Confidential Appendix "1"** to this Fifth Report.

34. Cobra submitted one of the six LOIs (the “Cobra LOI”). The Cobra LOI provided for a bid for the assets or shares of the Companies by way of a credit bid of the outstanding Cobra indebtedness (the “Cobra Debt”).
35. The Cobra Debt was \$14,857,014.00 as at March 31, 2021, plus continuing interest since that date, as determined in the Cobra Claims Decision.
36. After receipt of the LOIs, the Monitor contacted all parties who submitted LOIs to clarify certain details of their offers including, as necessary, the amount of the offer, the source and availability of their financing, any conditions precedent, the due diligence period and the closing period.
37. After considering all of the LOIs, the Monitor, in consultation with the CRO, determined that:
 - (a) the Cobra LOI represented the highest and best bid; and
 - (b) none of the other offers was in an amount sufficient to repay the Cobra Debt (as determined by the court in the Cobra Claims Process).
38. Therefore, in accordance with the SISP Procedure (and, in particular, paragraph 29 thereof), the Monitor decided not to proceed with Phase 2 of the SISP and, instead, began working, together with the CRO and counsel, to structure and document the Credit Bid Transaction with Cobra.

THE TRANSACTION

Overview

39. The Credit Bid Transaction contemplates that Cobra will effectively acquire all of the real and personal property (the “Property”) of the Companies (the “Assets”), including the real property municipally known as 1130 Champlain Court, Whitby, Ontario and all Cannabis licences (the “Cannabis Licences”), tax losses, and equipment.
40. It is further contemplated that the Credit Bid Transaction will be effected by the issuance of a “reverse vesting order” pursuant to which all of the Companies’ liabilities are transferred to a new company affiliated with or established by HydRx such that HydRx owns the Assets free and clear of all encumbrances, security interests and rights of others whatsoever.
41. The Monitor has received an opinion from Paliare Roland Rosenberg Rothstein LLP that, based on the assumptions and subject to the qualifications set out therein, the Debenture is a valid first charge on the Property (the “Legal Opinion”).
42. The comments provided herein reflect the Monitor’s summary of the SPA and the Credit Bid Transaction and are not intended to be an exhaustive summary of all the terms and conditions that may be relevant to stakeholders of the Company. Readers of the Fifth Report are encouraged to read the SPA and the court materials filed in connection with this motion and should not rely solely on the Fifth Report for information in connection with the SPA or the Credit Bid Transaction.

The Restructuring

43. The SPA sets out the terms whereby Cobra will acquire 100% ownership of the issued and outstanding shares of HydRx through the following steps:
- (a) Share Issuance: In consideration for the Purchase Price (defined below) HydRx shall issue new common shares to Cobra (the “New Shares”);
 - (b) Share Consolidation: HydRx’s Articles shall be amended to consolidate the New Shares and the existing common shares (“Existing Shares”);
 - (c) Share Cancellation: all Existing Shares will be reduced to fractional amounts and cancelled; and
 - (d) Equity Interests Extinguished: all existing equity interests, including the Existing Shares, will be extinguished, such that the only remaining issued and outstanding shares will be the post-consolidation shares held by Cobra.
44. As a result of the foregoing, all of the common shares of HydRx that exist following the steps described immediately above will be vested in Cobra upon closing, free of all liabilities, claims, liens security, interests, charges or other encumbrances.
45. Cobra will therefore own all of the equity of HydRx following the completion of the Credit Bid Transaction. The Existing Shares will be cancelled.

Vesting of Liabilities in ResidualCo

46. In connection with the Credit Bid Transaction, all of the liabilities that will not be assumed by Cobra (the “Excluded Liabilities”) will be transferred to 13404994

Canada Inc. (“ResidualCo”), a new corporation that has been incorporated to receive the Excluded Liabilities.

47. The Approval and Vesting Order, a draft of which is attached as Schedule “A” to the Notice of Motion, provides that the Excluded Liabilities shall be transferred to and vest absolutely in ResidualCo such that, from and after the close of the Credit Bid Transaction, the Excluded Liabilities will be obligations of ResidualCo and HydRx will be discharged from such Excluded Liabilities. HydRx will exit the CCAA Proceedings upon the completion of the Credit Bid Transaction.
48. All claims in respect of the Excluded Liabilities, if any, shall continue to exist against ResidualCo. However, given that the Credit Bid Transaction is proceeding by way of a credit bid, there will not be any cash with which to satisfy any continuing claims; rather, as explained below, the only cash that will be provided in connection with the Credit Bid Transaction is the amount necessary to satisfy the “Priority Payables”, being the amount owing under the Administration Charge.
49. The only contract or liability that is being assumed by Cobra is the liability of HydRx under Debenture.
50. As a result of the Transaction, HydRx (which will become fully owned and controlled by Cobra) will retain all the Assets.

Purchase Price

51. The purchase price payable by Cobra (the "Purchase Price") is the amount of the Priority Payables plus the assumption of the indebtedness under the Debenture in the amount of \$14,857,014 as at March 31, 2021, plus interest since then.
52. The amount of the Priority Payables will be paid in cash to the Monitor on closing.

The Closing Date

53. The closing of the Credit Bid Transaction (the "Closing") shall be ten business days after the later of:
- (a) the date that the Approval and Vesting Order is obtained from the Court;
and
 - (b) the date on which the motion for leave to appeal the Cobra Decision is dismissed or, if leave is granted, the date on which the appeal is dismissed or abandoned.

Interim Period

54. Pursuant to the SPA, during the Interim Period between the date of the SPA and the Closing:
- (a) the Company shall:
 - a. continue to operate and maintain the business in the normal course;
 - b. not, without the prior written approval of Cobra, sell or transfer any assets for greater amounts than \$ 1,000.00; and

- c. not enter into any transaction involving the business or the assets for an amount greater than \$ 1,000.00, without prior written approval of Cobra.
- (b) HydRx shall retain Hamish Sutherland (the “Employee Consultant”) as an officer of HydRx with no salary or benefits and will provide unfettered access to HydRx’s property located in Whitby, Ontario; and
- (c) HydRx shall allow Mr. Sutherland to employ a consultant at Cobra’s expense.

RELEASES

- 55. The Approval and Vesting Order provides, among other things, for a full and final release of the Companies’ current and former officers and directors, from any and all present and future claims (including, without limitation, claims for contribution or indemnity), of any nature or kind whatsoever based in whole or in part on any act or omissions, transaction, dealing or other occurrence existing or taking place prior to the completion of the Credit Bid Transaction and that relate in any manner whatsoever to the Companies or any of their assets, obligations, business or affairs or this CCAA Proceeding, including the actions undertaken or completed pursuant to the terms of the Approval and Vesting Order or arising in connection with or relating to the SPA or the completion of the Credit Bid Transaction
- 56. The Monitor notes that nothing in the proposed release shall waive, discharge, release, cancel or bar any claim that:
 - (a) is not permitted to be release pursuant to section 5.1(2) of the CCAA;

- (b) is against the directors and officers for breach of trust arising from acts or omissions occurring before the date of the Initial Order;
- (c) may be made against any applicable insurance policy of the Companies prior to the date of the Initial Order; and
- (d) claims against Domenic Serafino in connection with the indemnity that he gave to HydRx and the Monitor and the fees of Minden Gross LLP.

57. The Monitor is of the view that the proposed release is reasonable in the circumstances for the following reasons:

- (a) the release, as included in the form of the Approval and Vesting Order, is a condition precedent to the closing of the Credit Bid Transaction; and
- (b) the release has appropriately carved out certain claims that are not released, namely those claims described in the preceding paragraph.

MONITOR'S ANALYSIS OF THE TRANSACTION

58. As describe above, the Monitor ran a SISP from April 30, 2021 to July 27, 2021.

59. In connection with the SISP, the Monitor received a total of six LOIs, including the Cobra LOI which contemplated the Credit Bid Transaction.

60. The Cobra LOI provided consideration equal to the entirety of the Cobra Debt plus the Priority Payables. None of the other LOIs provided consideration that was in excess of the Cobra Debt (and, in fact, all of the other LOIs offered consideration

that was materially below the amount of the Cobra Debt as summarized in Confidential Appendix 1).

61. In the Monitor's view, the Credit Bid Transaction, as contemplated in and formalized with the SPA, represents, by far, the highest and best offer for the Companies' assets. The Credit Bid Transaction, if consummated, will allow the Companies to exit CCAA and continue in operation with the existing Cannabis Licences.

MONITOR'S FEES AND COUNSEL'S FEES

62. The Monitor's accounts total \$153,882 in fees, plus HST of \$20,004.66 for a total amount of \$173,886.66 for the period from March 12, 2021 to November 2, 2021 (the "Monitor's Invoices"). A copy of the Monitor's Invoices, together with a summary of the accounts, the total billable hours charged per account, and the average hourly rate charged per account, is set out in the Affidavit of Alan Page sworn November 12, 2021 that is attached to this report as **Appendix "G"**.
63. The total fees of Paliare for the period March 16, 2021 to October 31, 2021 were \$118,969.50. Inclusive of disbursements and HST, Paliare's accounts totaled \$134,917.99 (the "Paliare Invoices"). A copy of the Paliare Invoices and the time spent by Paliare is more particularly described in the Fee Affidavit of Megan Bradt sworn November 12, 2021, which is attached to this report as **Appendix "H"**.
64. The total fees of the CRO for the period April 30, 2021 to October 31, 2021 were \$102,892.51. Inclusive of disbursements and HST, the CRO's accounts totaled \$116,268.54 (the "CRO Invoices"). A copy of the CRO Invoices and the time spent

by the CRO is more particularly described in the Fee Affidavit of Jim Macpherson sworn November 12, 2021, which is attached to this report as **Appendix "I"**.

MONITOR'S ENHANCED POWERS

65. After closing the Transaction, HydRx will exit the CCAA Proceeding but ResidualCo will not operate a business and will no longer have any officers or employees; instead, ResidualCo will serve solely as a vehicle for the distribution of the Priority Payables under the SPA.
66. The Monitor is seeking to expand its current powers of the Monitor to, among other things, enable the Monitor to efficiently complete the CCAA Proceeding and any related wind-down or other activities.
67. The Monitor is of the view that the enhanced powers are all items that the Monitor is well positioned to supervise and administer and as such, the granting of these powers to the Monitor would be reasonable in the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

68. For the reasons described in this Fifth Report, the Monitor recommends that this Court grant an Order, among other things:
 - (a) approving the SPA and the Credit Bid Transaction contemplated herein;
 - (b) approving the Monitor's entering into the SPA on behalf of HydRx and authorizing the Monitor, on behalf of HydRx, to give effect to the Credit Bid Transaction;

- (c) approving the Release; and
- (d) approving the Monitor's fees, Paliare's fees and the CRO's fees.

All of which is respectfully submitted this 12th day of November, 2021.

SCHWARTZ LEVITSKY FELDMAN INC.,
in its capacity as Monitor of the Applicants,
and not in its corporate or personal capacity.



Per. Alan Page, CPA, CA, CIRP, LIT

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	MONDAY, THE 22 nd
)	
JUSTICE HAINEY)	DAY OF MARCH, 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**")



INITIAL ORDER

THIS APPLICATION, made by Domenico Serafino (the "**Applicant**") as person interested in 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 on an urgent basis and without notice by ZOOM videoconference at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Domenico Serafino sworn March 19, 2021 and the Exhibits thereto (the "**Serafino Affidavit**"), and the Pre-Filing Report of the proposed monitor, Schwartz Levitsky Feldman Inc. ("**SLF**") dated March 19, 2021, the factum of the Applicant and on hearing submissions for counsel for the Applicant, counsel for SLF, and on reading the consent of SLF to act as monitor (the "**Monitor**"),

SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today.
2. THIS COURT ORDERS that the Application Record, Factum, Pre-Filing Report of the Monitor and a copy of this Order be served on all affected parties forthwith by email.
3. THIS COURT ORDERS that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Serafino Affidavit.

APPLICATION

4. THIS COURT ORDERS that the Applicant is a person interested in the matter pursuant to section 11 of the CCAA.
5. THIS COURT ORDERS AND DECLARES that Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. are insolvent and to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

6. THIS COURT ORDERS that Hydrx shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, Hydrx shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. Hydrx is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.
7. THIS COURT ORDERS that Hydrx shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by Hydrx in respect of these proceedings, at their standard rates and charges.

8. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, Hydrx shall be entitled but not required to pay all reasonable expenses incurred in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to Hydrx following the date of this Order.

9. THIS COURT ORDERS that Hydrx shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by Hydrx in connection with the sale of goods and services by Hydrx, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Hydrx.

10. THIS COURT ORDERS that, except as specifically permitted herein, Hydrx is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by Hydrx to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

NO PROCEEDINGS AGAINST HYDRX OR THE PROPERTY

11. THIS COURT ORDERS that until and including April 1, 2021, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of Hydrx or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of Hydrx or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

12. THIS COURT ORDERS that during the Stay Period, Hydrx is directed to maintain its licenses and regulatory compliance with Health Canada under the *Cannabis Act* and *Excise Tax Act* and there shall be no amendments or modifications to its existing licenses including any changes to the Health Canada designated personnel save and except in the event of the resignation of any designated personnel. In the event of a resignation of a designated person, Thomas Jefferd, current Head of Security for Hydrx, shall appoint any and all qualified persons to ensure continued compliance with all Health Canada regulations.

13. THIS COURT ORDERS that no person shall take any steps, or refuse to take any steps, that would cause Hydrx to be unable to conduct its business operations in compliance with Health Canada regulations or otherwise.

NO EXERCISE OF RIGHTS OR REMEDIES

14. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of Hydrx or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower Hydrx to carry on any business which Hydrx is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by Hydrx, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with Hydrx or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or Hydrx, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by Hydrx, and that Hydrx shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the

date of this Order are paid by Hydrx in accordance with normal payment practices of Hydrx or such other practices as may be agreed upon by the supplier or service provider and each of Hydrx and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to Hydrx. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of Hydrx with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of Hydrx whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of Hydrx, if one is filed, is sanctioned by this Court or is refused by the creditors of Hydrx or this Court.

APPOINTMENT OF MONITOR

19. THIS COURT ORDERS that Schwartz Levitsky Feldman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of Hydrx with the powers and obligations set out in the CCAA or set forth herein and that Hydrx and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant and Hydrx pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

20. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor Hydrx's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Hydrx in its preparation of the Hydrx's cash flow statements;
- (d) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of Hydrx, to the extent that is necessary to adequately assess Hydrx's business and financial affairs or to perform its duties arising under this Order;
- (e) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (f) perform such other duties as are required by this Order or by this Court from time to time.

21. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

22. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law 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, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

23. THIS COURT ORDERS that that the Monitor shall provide any creditor of Hydrx with information provided by Hydrx in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by Hydrx is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and Serafino may agree.

24. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

SERVICE AND NOTICE

25. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the *Globe and Mail*, National Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, by email, a notice to every known creditor who has a claim against Hydrx of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “Protocol”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL www.slfinc.ca

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to Hydrx’s creditors or other interested parties at their respective addresses as last shown on the records of Hydrx and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

SEALING PROVISION

28. THIS COURT ORDERS that the Confidential Appendices is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

29. THIS COURT ORDERS that the Applicant, Hydrx or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

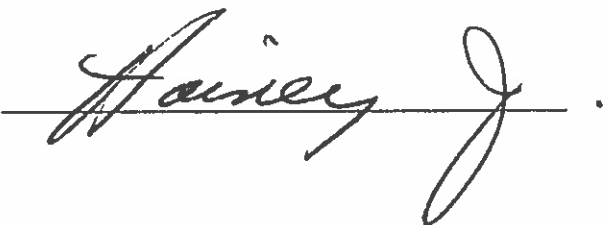
30. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of Hydrx, the Business or the Property.

31. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, Hydrx, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant, Hydrx and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant, Hydrx and the Monitor and their respective agents in carrying out the terms of this Order.

32. THIS COURT ORDERS that each of the Applicant, Hydrx and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

33. THIS COURT ORDERS that any interested party (including the Applicant, Hydrx and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

34. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order and is enforceable without any need for entry and filing.

A handwritten signature in cursive script, reading "Hainey J.", is written over a horizontal line. The signature is fluid and stylized, with a large, looping final flourish.

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.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

INITIAL ORDER

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ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	WEDNESDAY, THE 31 ST
)	
JUSTICE HAINEY)	DAY OF MARCH, 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**")



AMENDED AND RESTATED INITIAL ORDER
(amending Initial Order dated March 22, 2021)

THIS APPLICATION, made by Domenico Serafino (the "**Applicant**") as a person interested in 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 affidavits of Domenico Serafino sworn March 29, 2021 and March 31, 2021 and the Exhibits thereto (the "**Serafino Affidavit**"), and the first report of the monitor, Schwartz Levitsky Feldman Inc. (the "**Monitor**") dated March 29, 2021 (the "**Report**"), the factum of the Applicant, the affidavits of Richard Goldstein sworn March 29, 2021 and March 30, 2021 and the Exhibits thereto, and on hearing submissions for counsel for the Applicant, counsel for Cobra Ventures Inc., counsel for the Monitor and such other parties listed on the counsel slip, no one appearing for any other party although duly served as appears from the affidavit of service of Hayley Morgan sworn March 30, 2021,

SERVICE AND DEFINITIONS

1. THIS COURT ORDERS that the time for serving and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application 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 Serafino Affidavit.

APPLICATION

3. THIS COURT ORDERS that the Applicant is a person interested in the matter pursuant to section 11 of the CCAA.
4. THIS COURT ORDERS AND DECLARES that Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. are insolvent and to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

5. THIS COURT ORDERS that Hydrx shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, Hydrx shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. Hydrx is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.
6. THIS COURT ORDERS that Hydrx shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:
 - (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the fees and disbursements of any Assistants retained or employed by Hydrx in respect of these proceedings, at their standard rates and charges.

7. THIS COURT ORDERS that, except as otherwise provided to the contrary herein, Hydrx shall be entitled but not required to pay all reasonable expenses incurred in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to Hydrx following the date of this Order.

8. THIS COURT ORDERS that Hydrx shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by Hydrx in connection with the sale of goods and services by Hydrx, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured

creditors and which are attributable to or in respect of the carrying on of the Business by the Hydrx.

9. THIS COURT ORDERS that, except as specifically permitted herein, Hydrx is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by Hydrx to any of its creditors as of the date of the Initial Order; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

NO PROCEEDINGS AGAINST HYDRX OR THE PROPERTY

10. THIS COURT ORDERS that until and including May 3, 2021, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of Hydrx or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of Hydrx or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

11. THIS COURT ORDERS that during the Stay Period, Hydrx is directed to maintain its licenses and regulatory compliance with Health Canada under the *Cannabis Act* and *Excise Tax Act* and there shall be no amendments or modifications to its existing licenses including any changes to the Health Canada designated personnel save and except in the event of the resignation of any designated personnel. In the event of a resignation of a designated person, Thomas Jefferd, current Head of Security for Hydrx, shall appoint any and all qualified persons to ensure continued compliance with all Health Canada regulations.

12. THIS COURT ORDERS that no person shall take any steps, or refuse to take any steps, that would cause Hydrx to be unable to conduct its business operations in compliance with Health Canada regulations or otherwise.

NO EXERCISE OF RIGHTS OR REMEDIES

13. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of Hydrx or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower Hydrx to carry on any business which Hydrx is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

14. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by Hydrx, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

15. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with Hydrx or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or Hydrx, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by Hydrx, and that Hydrx shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by Hydrx in accordance with normal payment practices of Hydrx or such other practices as may be agreed upon by the supplier or service provider and each of Hydrx and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

16. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to Hydrx. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

17. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of Hydrx with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of Hydrx whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of Hydrx, if one is filed, is sanctioned by this Court or is refused by the creditors of Hydrx or this Court.

APPOINTMENT OF MONITOR

18. THIS COURT ORDERS that Schwartz Levitsky Feldman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of Hydrx with the powers and obligations set out in the CCAA or set forth herein and that Hydrx and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant and Hydrx pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

19. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor Hydrx's receipts and disbursements;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Hydrx in its preparation of the Hydrx's cash flow statements;
- (d) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of Hydrx, to the extent that is necessary to adequately assess Hydrx's business and financial affairs or to perform its duties arising under this Order;
- (e) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (f) perform such other duties as are required by this Order or by this Court from time to time.

20. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

21. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law 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*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in

pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

22. THIS COURT ORDERS that that the Monitor shall provide any creditor of Hydrx with information provided by Hydrx in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by Hydrx is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and Serafino may agree.

23. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

24. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by Hydrx as part of the costs of these proceedings. Hydrx is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis.

25. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

26. THIS COURT ORDERS that the Monitor, counsel to the Monitor, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$250,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of

these proceedings. The Administration Charge shall have the priority set out in paragraphs 28 and 30 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

27. THIS COURT ORDERS that the Administration Charge shall have first ranking priority to the maximum amount of \$250,000.

28. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge (the "**Charge**") shall not be required, and that the Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

29. THIS COURT ORDERS that the Charge shall constitute a charge on the Property and such Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

30. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, Hydrx shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Administration Charge, unless Hydrx also obtains the prior written consent of the Monitor, and the beneficiaries of the Administration Charge, or further Order of this Court.

31. THIS COURT ORDERS that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charge (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease,

sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds Hydrx, and notwithstanding any provision to the contrary in any Agreement:

- (a) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from creation of the Charge; and
- (b) the payments made by Hydrx pursuant to this Order and the granting of the Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

SERVICE AND NOTICE

32. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in the Globe and Mail, National Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, by email, a notice to every known creditor who has a claim against Hydrx of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

33. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL www.slfinc.ca

34. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or

distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to Hydrx's creditors or other interested parties at their respective addresses as last shown on the records of Hydrx and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

SEALING PROVISION

35. THIS COURT ORDERS that the Confidential Appendices is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

36. THIS COURT ORDERS that the Applicant, Hydrx, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties hereunder.

37. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of Hydrx, the Business or the Property.

38. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, Hydrx, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant, Hydrx and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant, Hydrx and the Monitor and their respective agents in carrying out the terms of this Order.

39. THIS COURT ORDERS that each of the Applicant, Hydrx and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or

administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

40. THIS COURT ORDERS that any interested party (including the Applicant, Hydrx and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

41. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order and is enforceable without any need for entry and filing.

A handwritten signature in blue ink, appearing to read "Hawley J.", is written over a horizontal line. The signature is cursive and includes a large, stylized initial "H" and a long, sweeping tail.

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.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

AMENDED AND RESTATED INITIAL ORDER

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Lawyers for the Applicant

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY, THE
)	
JUSTICE HAINEY)	30 th DAY OF APRIL, 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 ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.**

(the "Applicant")

ORDER

(CRO APPOINTMENT AND SISP APPROVAL)

THIS MOTION, made by the Schwartz Levitsky Feldman Inc. in its capacity as Court-appointed monitor (the "**Monitor**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, *inter alia*, appointing a Chief Restructuring Officer ("**CRO**") of Hydrx Farms Ltd. ("**Hydrx**"), Cannscience Innovations Inc. ("**CII**") and Scientus Pharma Inc. ("**SPI**" and together with Hydrx and CII, the "**Debtors**"), and approving the SISP (as defined below) and certain related relief, was heard this day by Zoom videoconference at Toronto, Ontario.

ON READING the Monitor's Motion Record (the "**Motion Record**"), including the Monitor's Notice of Motion dated April 26, 2021 (the "**Notice of Motion**"), and the Monitor's second report dated April 26, 2021 (the "**Second Report**"), filed, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, and counsel for Cobra Ventures Inc., and such other counsel as were present, no one else

appearing although duly served as appears from the affidavit of service of Michelle Jackson, sworn April 26, 2021;

SERVICE AND DEFINITIONS

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

2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them under the Sale and Investment Solicitation Process attached hereto as Schedule "A" (the "**SISP**") or the initial order, as subsequently amended and restated (the "**Initial Order**"), as applicable.

APPOINTMENT OF CRO

3. **THIS COURT ORDERS AND DIRECTS** Hydrx to execute the engagement letter appended hereto as Schedule "B" (the "**CRO Engagement Letter**"), and that Macpherson & Associates Inc. is hereby appointed as the chief restructuring officer of the Debtors (the "**CRO**") on the following terms:

- (a) subject to review by and any further order of this court, the CRO shall have the powers and obligations set out in the CRO Engagement Letter, to the exclusion of all others, which, for greater certainty, the CRO shall exercise in its discretion, without interference from Hydrx's board of directors;
- (b) the CRO shall be entitled to payment from the Debtors in accordance with the terms of the CRO Engagement Letter, for obligations owing thereunder and the expenses and disbursements contemplated therein (the "**CRO Fees**");

- (c) the CRO shall be responsible for performing its functions and obligations as set out in the CRO Engagement Letter for the benefit of the Debtors and shall provide timely updates to the Monitor in respect of such functions and obligation;
- (d) neither the CRO nor Jim Macpherson shall be nor be deemed to be a director, de facto director, or employee of any of the Debtors;
- (e) nothing in this Order shall be construed as resulting in the CRO or Jim Macpherson being an employer, successor employer, a responsible person, operator or person with apparent authority within the meaning of any statute, regulation or rule of law, or equity (including any Environmental Legislation) for any purpose whatsoever;
- (f) the CRO shall not, as a result of the performance of their respective obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation; provided however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO shall be entitled to the benefits and protections in relation to the Debtors and such Property as are provided to a monitor under Section 11.8(3) of the CCAA; provided further however, that nothing in this subparagraph 32(f) shall exempt the CRO from any duty to report or make disclosure imposed by a law and incorporated by reference in Section 11.8(4) of the CCAA;

- (g) no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO or Jim Macpherson, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this court on notice to the Monitor and the CRO, provided, however, that nothing in this order shall affect such investigations, actions, suits or proceedings by a regulatory body that are permitted by Section 11.1 of the CCAA;
- (h) the CRO Fees shall not be compromised pursuant to any plan of arrangement, any proposal under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), or any other restructuring and no such plan, proposal, restructuring or sale transaction shall be approved that does not provide for the payment in full of all amounts due to the CRO pursuant to the terms of the CRO Engagement Letter; and
- (i) the CRO, in respect of its monthly fees and expense reimbursement, shall be entitled to the benefit of and is hereby granted the Administration Charge as security for the CRO Fees.

4. **THIS COURT ORDERS** that, save and except for gross negligence or willful misconduct, neither the CRO nor Jim Macpherson, nor their respective employees and representatives acting in such capacities, shall incur any liability or obligation as a result of the appointment of CRO or the carrying out by it of the provisions of this Order or the CRO Engagement Letter.

APPROVAL OF THE SISP

5. **THIS COURT ORDERS** that the SISP (subject to any amendments thereto that may be made in accordance therewith and with this Order) be and is hereby approved and the Monitor, together with the CRO, are authorized and directed to carry out the SISP in accordance with its terms and this Order, and are hereby authorized and directed to take such steps as they consider necessary or desirable in carrying out each of their obligations thereunder, subject to prior approval of this Court being obtained before completion of any transaction(s) under the SISP.

6. **THIS COURT ORDERS** that the Monitor, the CRO, and their respective assistants, affiliates, partners, directors, employees, advisors, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing their duties under the SISP, except to the extent of such losses, claims, damages or liabilities arising or resulting from the gross negligence or wilful misconduct of the Monitor or CRO, as applicable, as determined by this court.

7. **THIS COURT ORDERS** that notwithstanding anything contained herein or in the SISP, the Monitor and the CRO shall not take possession of the Property or be deemed to take possession of the Property.

8. **THIS COURT ORDERS** that the Monitor may apply to this court for directions with respect to the SISP at any time.

INCREASE IN ADMINISTRATION CHARGE

9. **THIS COURT ORDERS** that the Administration Charge at paragraph 26 of the Amended and Restated Initial Order dated March 31, 2021, is hereby increased from \$250,000 to \$400,000.

CLAIMS PROCESS FOR COBRA CLAIM

10. **THIS COURT ORDERS** the process to be followed to determine the amount of the debt, if any, owing to Cobra Ventures Inc. ("**Cobra**") by HydRx (the "**Cobra Claim**"),

together with any issues impacting the ability to credit-bid the Cobra Claim as part of the SISP, including, without limitation, all issues pertaining to the validity, enforceability, and perfection of any security in respect the Cobra Claim, resulting in a final determination as expeditiously as possible and by no later than June 30, 2021 (the "**Cobra Claims Process**"), shall be determined by this court at a case conference to be held on Monday, May 10, 2021.

11. **THIS COURT ORDERS** that the Monitor shall, forthwith, send a copy of this order, by email, to everyone who has served a Notice of Appearance in these proceedings, and any person interested in and wishing to participate in the Cobra Claims Process shall give notice of their interest, together with a brief statement of their position in respect of the Cobra Claim, the basis for that position and the proposed process to be followed, to the Service List in these proceedings, and file the same with the court by no later than 1:00 p.m. on Friday, May 7, 2021, and anyone failing to provide such notice in accordance with the terms of this order shall be barred from participating in the Cobra Claims Process.

12. **THIS COURT ORDERS** that the Monitor shall provide a copy of the ultimate decision in respect of the issues raised in the Cobra Claims Process (the "**Cobra Claim Decision**"), to each Phase 1 Qualified Bidder, and advise them of the precise date of the Phase 1 Qualified Bid Deadline.

13. **THIS COURT ORDERS** that the costs of the Applicant, including the costs of the Applicant's counsel, associated with the Cobra Claims Process shall be paid in the first instance by the Applicant, and that the issue of the Applicant's entitlement to indemnification or reimbursement for such costs from the Debtors and the applicability of the Administrative Charge thereto is reserved and shall be determined by this court following the final determination of the Cobra Claim Decision.

PIPEDA

14. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Debtors, the CRO and the Monitor, and their respective advisors and representatives are hereby authorized and

permitted to disclose and transfer to each Phase 1 Qualified Bidder personal information of identifiable individuals but only to the extent desirable or required to negotiate or attempt to complete a transaction pursuant to the SISP (a "Transaction"). Each Phase 1 Qualified Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Transaction, and if it does not complete a Transaction, shall return all such information to the Monitor, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Monitor. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the Transaction(s) contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Companies and/or Property acquired pursuant to the SISP in a manner that is in all material respects identical to the prior use of such information by the Companies, and shall return all other personal information to the Monitor or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Monitor.

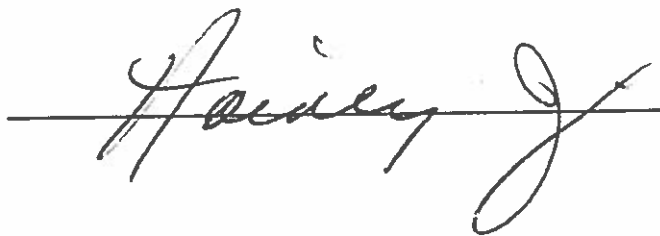
GENERAL

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, United States, or elsewhere to give effect to this Order and to assist the Monitor and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Monitor and its agents in carrying out the terms of this Order.

16. **THIS COURT ORDERS** that the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a

representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

17. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. on the date of this Order.

A handwritten signature in cursive script, appearing to read "Fawcett", is written over a horizontal line. The signature is fluid and stylized, with a large initial 'F' and a long, sweeping tail.

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
PROCEEDINGS COMMENCED
IN TORONTO

ORDER
(GRO APPOINTMENT AND SIS/P)

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Lawyers for the Monitor, Schwartz Levitsky Feldman Inc.

Procedures for the Sale and Investment Solicitation Process

1. Upon application by Domenico Serafino ("**Serafino**") to the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), on March 22, 2021, HydRx Farms Ltd. ("**HydRx**"), Cannscience Innovations Inc. ("**Cannscience**") and Scientus Pharma Inc. ("**Scientus**", and together with HydRx and Cannscience, the "**Companies**") were granted creditor protection pursuant to an initial order, as subsequently amended and restated (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* ("**CCAA**").
2. Pursuant to the Initial Order, Schwartz Levitsky Feldman Inc. was appointed as court-appointed monitor of the Companies (the "**Monitor**").
3. By order dated April 30, 2021 (the "**SISP Approval Order**"), the Court approved the Sale and Investment Solicitation Process ("**SISP**") set out herein.
4. This SISP shall govern the process for soliciting and selecting bids for (i) the acquisition of all or substantially all of the property, assets and undertakings of the Companies (the "**Property**") or all or substantially all of the equity of HydRx (either, a "**Sale Transaction**"), or (ii) the restructuring, recapitalization or refinancing of the Companies, including pursuant to any CCAA plan of compromise or arrangement (an "**Investment Transaction**"). Both a Sale Transaction and Investment Transaction will be referred to herein as an "**Opportunity**".
5. Set forth below are the procedures (the "**SISP Procedures**") to be followed with respect to the SISP and, following determination of a Successful Bid (as defined below), to complete the Transaction contemplated thereby.

Defined Terms

6. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Initial Order.

Solicitation Process and Timeline

7. These SISP Procedures describe the manner in which prospective bidders may gain access to or continue to have access to due diligence materials concerning the Companies, their businesses and operations (the "**Business**") and their Property, the manner in which a bid becomes a Qualified LOI, the receipt and negotiation of bids received, the ultimate selection of a Successful Bid, if any, and the approval thereof by the Court.
8. The Monitor shall independently implement these SISP Procedures without involvement or consultation with the Companies, Serafino or Cobra Ventures Inc. ("**Cobra**") except as expressly permitted herein. As set out herein, the Monitor will consult with [name of CRO], the Chief Restructuring Officer of HydRx (the "**CRO**"). In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have jurisdiction to hear and resolve any such dispute.

9. The following table sets out the key deadlines under this SISP pursuant to and in accordance with these SISP Procedures:

Milestone	Deadline
"Solicitation of Interest Deadline"	Preliminary solicitation efforts will commence immediately after issuance of the SISP Approval Order The Monitor will send the Teaser Letter and NDA to each Known Potential Bidder by no later than 14 days from the date of the SISP Approval Order. (collectively, the "Solicitation Period")
"Phase 1 Bid Deadline"	21 days from the Cobra Claim Decision (as defined in the SISP Approval order), or such later date as the Monitor, in its discretion, may specify, in writing, by notice given to each Known Potential Bidder.
"Phase 2 Bid Deadline"	To be specified in the Phase 2 Bid Process letter.

Solicitation of Interest

10. As soon as reasonably practicable following the granting of the SISP Approval Order, the Monitor shall, in consultation with the CRO, Serafino and Cobra (a) prepare a list of potential bidders, including (i) local and international strategic and financial parties who may be interested in pursuing an Opportunity; (ii) parties who have approached the Monitor, the CRO, Serafino, or Cobra and advised that they have an interest in an Opportunity; (iii) any other credible parties as determined by the Monitor and the CRO to be a potential bidder (**"Known Potential Bidders"**); (b) prepare a summary teaser describing the opportunity to participate in the SISP and an overview of the SISP Procedures (the **"Teaser Letter"**); (c) prepare a non-disclosure agreement (**"NDA"**); and (d) establish a data room (the **"Data Room"**) of due diligence materials (the **"Diligence Materials"**) that the Monitor believes may be useful for Known Potential Bidders. The Monitor may consult with, and obtain information from, the Companies, Serafino and Cobra as the Monitor may require in its discretion in preparing the Teaser Letter, the Data Room and the Diligence Materials.

11. As soon as reasonably practicable following the granting of the SISP Approval Order, and in any event no later than the Solicitation of Interest Deadline the Monitor shall contact the Known Potential Bidders to introduce the Opportunity, providing a copy of the Teaser Letter and NDA, and shall post a copy of the SISP and the Teaser Letter on the website maintained by the Monitor in respect of the CCAA proceedings. The Monitor shall also provide a copy of the Teaser Letter and NDA to any party who is identified to the Monitor as a potential bidder or who requests a copy of the Teaser Letter and NDA, if deemed a credible bidder by the Monitor as soon as reasonably practicable after such request or identification, as applicable.

Redemption of Secured Debt and Filing of CCAA Plan of Arrangement

12. Within 29 days of the Cobra Claim Decision becoming final, the Companies shall have the right to redeem the secured debt owing to Cobra as established by the Cobra Claims Decision and any appeals therefrom (the **"Cobra Secured Debt"**).

13. Upon payment of the Cobra Secured Debt in readily available funds, Cobra shall, at the sole option of the Companies, either discharge its security interest in the Property of the Companies or assign the same to a third party as directed by the Companies. For greater certainty: the form of any assignment of security shall be on an "as is, where is" basis with no

recourse to Cobra, and to avoid or reduce a potential residual security interest in favour of Windsor Private Capital Limited Partnership ("Windsor") in the assets of Hydrx, the first funds payable by Hydrx as part of its redemption of the Cobra Secured Debt shall be paid directly to Windsor up to the extent of any indebtedness owing by Cobra to Windsor, in the event that Windsor continues to hold a security interest in the assets of Hydrx at the time of such redemption payment. The quantum of any such payment to Windsor by Hydrx shall reduce on a dollar for dollar basis any indebtedness owing by Hydrx to Cobra in respect of the Cobra Secured Debt.

14. Upon payment being made to Cobra and/or Windsor, the Companies shall provide written notification to the Monitor of such payment (the "**Payment Notice**"). Immediately upon receipt of the Payment Notice, the SISP process shall be suspended for an initial period of 30 days (the "**Initial Suspension Period**") to permit the Companies to prepare and file a Plan of Arrangement (the "**Plan**"). The Monitor shall notify all interested parties in writing of the Initial Suspension Period.

15. Should the Companies fail to file a Plan on or before the expiration of the Initial Suspension Period, the SISP shall resume on and subject to the terms as set out herein.

16. In the event that the Plan is filed on or before the expiration of the Initial Suspension Period, the SISP shall be suspended pending consideration of the plan by creditors and the Court.

17. Should the Plan be accepted by the creditors and approved by the Court, the SISP shall be considered terminated upon the Order sanctioning the Plan becoming final and the Monitor shall notify all interested parties in writing of the SISP termination.

18. Should the Plan be rejected by the court or by creditors, with all appeals being unsuccessful and finally determined, the SISP shall resume on and subject to the terms as set out herein, with such modifications as may be required by the passage of time.

Phase 1: Non-Binding LOIs

19. Any party who wishes to participate in the SISP (a "**Potential Bidder**") must provide to the Monitor an NDA executed by it, which shall enure to the benefit of any purchaser of or investor in the Companies or Property, or any portion thereof, and a letter setting forth the identity of the Potential Bidder, and the contact information for such Potential Bidder (each a "**Phase 1 Qualified Bidder**").

20. The Monitor will provide access to the Data Room and Diligence Materials to each Phase 1 Qualified Bidder. The Monitor will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated, provided that, if such representative is not the CRO or an employee of the Monitor, such representative shall provide written confirmation satisfactory to the Monitor that he or she will not participate in the SISP as a Potential Bidder, Phase 1 Qualified Bidder or Phase 2 Qualified Bidder and is not and will not be affiliated with any Potential Bidder, Phase 1 Qualified Bidder or Phase 2 Qualified Bidder.

21. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Companies in connection with their participation in the SISP and any transaction they may enter into with the Monitor.

Non-Binding Letters of Intent from Phase 1 Qualified Bidders

22. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of interest (an "**LOI**") to the Monitor in accordance with these SISP Procedures

at the addresses specified in **Appendix "A"** hereto (including by email) so as to be received by the Monitor no later than 5:00 PM (Eastern Time) on the **Phase 1 Bid Deadline**.

23. Subject to paragraph 17, an LOI so submitted will be considered a qualified LOI (each, a **"Qualified LOI"**) only if it includes:

- (a) the identity of the Phase 1 Qualified Bidder, the contact information for such Phase 1 Qualified Bidder and full disclosure of the direct and indirect owners of the Phase 1 Qualified Bidder and their principals;
- (b) the identity of each entity or person that will be sponsoring or participating in or benefiting from the transaction contemplated by the LOI;
- (c) in the case of a Sale Transaction,
 - (i) the purchase price in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) evidence of the financial capability of the Phase 1 Qualified Bidder to consummate the transaction and the expected structure and financing of the transaction;
- (d) in the case of an Investment Transaction,
 - (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Companies in Canadian dollars;
 - (iii) key assumptions supporting the Phase 1 Qualified Bidder's valuation;
 - (iv) the underlying assumptions regarding the pro forma capital structure (including the form and amount of anticipated equity and/or debt levels, debt service fees, interests or dividend rates, amortization, voting rights or other protective provisions (as applicable), redemption, prepayment or repayment attributes and any other material attributes of the investment);
- (e) an outline of any additional due diligence required to be conducted to submit a final and binding offer;
- (f) a description of the Phase 1 Qualified Bidder's proposed treatment of any obligations or liabilities and information sufficient for the Monitor to determine whether the Phase 1 Qualified Bidder has the ability to satisfy such obligations or liabilities;
- (g) a description of all conditions to closing that the Phase 1 Qualified Bidder expects to include in its final and binding offer, including without limitation any regulatory approvals and any form of agreement required from a government body, stakeholder or other third party and an outline of the principal terms thereof;

- (h) a description of the conditions and approvals required for the Phase 1 Qualified Bidder to be in a position to submit a final and binding offer, including any anticipated corporate, security holder or other internal approvals and any anticipated impediments for obtaining such approvals;
- (i) such other information as requested by the Monitor.

24. The Monitor may waive compliance with any one or more of the requirements specified above and deem such non-compliant bids to be a Qualified LOI.

Review of Qualified LOIs

25. Following the Phase 1 Bid Deadline, the Monitor, in consultation with the CRO, will assess any Qualified LOIs received. If it is determined by the Monitor that a Phase 1 Qualified Bidder that has submitted a Qualified LOI: (i) has a bona fide interest in completing a Sale Transaction or Investment Transaction (as the case may be); and (ii) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided, then such Phase 1 Qualified Bidder will be deemed a **"Phase 2 Qualified Bidder"**, provided that the Monitor may, in its reasonable business judgment, limit the number of Phase 2 Qualified Bidders (and thereby eliminate any bidders from the process) taking into account the factors identified in paragraph 26 below. Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SISP.

26. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Monitor, in consultation with the CRO, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to: (i) the number of Qualified LOIs received; (ii) the extent to which the Qualified LOIs relate to the same Property or Companies or involve Investment Transactions predicated on certain Property or Companies; (iii) the scope of the Property or Companies to which any Qualified LOIs may relate; (iv) the conditions to closing contained in the Qualified LOIs; and (v) whether to proceed by way of sealed bid or auction (with or without a stalking horse bidder) with respect to some or all of the Property.

27. Following the receipt of any LOI, the Monitor may seek clarification with respect to any of the terms or conditions of such LOI and/or request one or more amendments to such LOI prior to determining if the LOI should be considered a Qualified LOI.

28. Upon the determination by the Monitor of the manner in which to proceed to Phase 2 of the SISP, the Monitor will prepare a bid process letter for Phase 2 (the **"Bid Process Letter"**), and the Bid Process Letter will be: (i) sent by the Monitor to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline; and (ii) posted by the Monitor on the Monitor's Website.

29. In the event that the Monitor determines that no Qualified LOIs are received or if the Qualified LOIs received are not in an amount sufficient to repay the secured indebtedness owing to Cobra (as determined by the Court pursuant to the Cobra Claim Decision) in immediately available funds on closing, the Monitor shall report to the Court, and subject to any contrary provision contained in the Cobra Claim Decision or any order contrary direction from the Court, or unless otherwise agreed by Cobra in writing, the Monitor shall not proceed with Phase 2 of the SISP and shall proceed to complete a credit-bid transaction with Cobra..

30. Notwithstanding the process and deadlines outlined above with respect to Phase 1 of the SISP and the process to supplement Phase 2 by way of the Bid Process Letter,

- (a) the Monitor may, in consultation with and on notice to both Serafino and Cobra, at any time:
 - (i) pause, terminate, amend or modify the SISP or these SISP Procedures;
 - (ii) remove any portion of the Companies and the Property from the SISP;
 - (iii) establish further or other procedures for Phase 1;
- (b) the Monitor may, in consultation with and on notice to both Serafino and Cobra, at any time bring a motion to the Court to seek approval of:
 - (i) a sale of, or investment in, all or part of the Property or the Companies whether or not such sale or investment is in accordance with the terms or timelines set out in this SISP Procedure or the Bid Process Letter; or
 - (ii) a stalking horse agreement in respect of some or all of the Property or Companies and related bid procedures in respect of such Property.

Phase 2: Formal Offers and Selection of Successful Bidder

31. Paragraphs 32 to 37 below and the conduct of Phase 2 are subject to: paragraphs 25 to 30, above; any adjustments made to Phase 2 in accordance with the Bid Process Letter; and, any further Court order regarding the SISP.

Formal Binding Offers

32. Phase 2 Qualified Bidders who wish to make a formal offer to purchase or make an investment in the Companies or their Property shall submit a binding offer (a "Phase 2 Bid") that complies with all of the following requirements to the Monitor at the addresses specified in Appendix "A" hereto (including by email), so as to be received by them no later than the date set out in the Bid Process Letter (the "Phase 2 Bid Deadline"):

- (a) the bid shall comply with all of the requirements set forth in paragraph 16 above in respect of Phase 1 Qualified LOIs;
- (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property and is consistent with any necessary terms and conditions established by the Monitor and communicated to Phase 2 Qualified Bidders;
- (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
- (d) the bid includes duly authorized and executed transaction agreements, including the purchase price (in an exact figure and not expressed as a range), investment amount and any other key economic terms expressed in Canadian dollars (the "Purchase Price"), together with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements), and proposed order to approve the transaction by the Court;

- (e) the bid includes a blackline comparison between the transaction agreements submitted and the template provided to Phase 2 Qualified Bidder in the data room;
- (f) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Monitor to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
- (g) the bid is not conditioned on: (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder; or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licenses required to operate its business, if necessary;
- (h) the bid fully discloses the identity of each entity that will be (directly or indirectly) entering into the transaction or the financing (including through the issuance of debt in connection with such bid), or that is participating or benefiting from such bid, and such disclosure shall include, without limitation: (i) in the case of a Phase 2 Qualified Bidder formed for the purposes of entering into the proposed transaction, the identity of each of the actual or proposed direct or indirect equity holders of such Phase 2 Qualified Bidder and the terms and participation percentage of such equity holder's interest in such bid; and (ii) the identity of each entity that has or will receive a benefit from such bid from or through the Phase 2 Qualified Bidder or any of its equity holders and the terms of such benefit;
- (i) for a Sale Transaction, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a deposit in the amount of not less than 5% of the cash Purchase Price offered upon the Phase 2 Qualified Bidder being selected as having a Qualified Bid or as being the Successful Bidder, as provided below;
- (j) for an Investment Transaction, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a deposit in the amount of not less than 5% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as having a Qualified Bid or as being the Successful Bidder, as provided below;
- (k) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder: (i) confirms that the transaction is on an "as is, where is" basis; (ii) has had an opportunity to conduct any and all due diligence regarding the Property and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder); (iii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and (iv) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Companies or the Property, or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Monitor on behalf of HydRx;

- (l) the bid contains other information required by the Monitor in consultation with the CRO including, without limitation, such additional information as may be required in the event Phase 2 is supplemented in accordance with paragraph 16 to contemplate that an auction of certain Property be conducted; and
- (m) the bid is received by the Phase 2 Bid Deadline.

33. Following the Phase 2 Bid Deadline, the Monitor, in consultation with the CRO, will assess the Phase 2 Bids received. The Monitor will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". Only Phase 2 Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).

34. The Monitor, in consultation with the CRO, may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant Phase 2 Bids to be a Qualified Bid.

35. The Monitor shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constituted a Qualified Bid within ten business days of the Phase 2 Bid Deadline, or at such later time as the Monitor deems appropriate, and within 7 days of the Monitor giving such notice, the Qualified Bidder shall provide a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Monitor) payable to the order of the Monitor, in trust, in an amount equal to 5% of the cash consideration in the Qualified Bid, which Deposit is to be held and dealt with in accordance with these SISP Procedures, provided that the Deposit provided by a credit bidder shall not exceed the amount of any prior ranking secured debt, as determined by the Monitor;

36. If the Monitor, in consultation with the CRO, is not satisfied with the number or terms of the Qualified Bids, the Monitor may, subject to contrary direction obtained from the Court, extend the Phase 2 Bid Deadline, or the Monitor may amend the SISP or this SISP Procedure in accordance with the terms set out herein.

37. The Monitor may aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

Evaluation of Competing Bids

38. A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the value provided by such bid; (ii) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions; (iii) the proposed transaction documents; (iv) factors affecting the speed, certainty and value of the transaction; (v) the assets or liabilities included or excluded from the bid; (vi) any related restructuring costs; (vii) whether the Qualified Bid would provide sufficient cash consideration to repay the secured debt owing to Cobra (as determined pursuant to the Cobra Claim Decision); and, (viii) the likelihood and timing of consummating such transaction, each as determined by the Monitor in consultation with the CRO.

Selection of Successful Bid

39. The Monitor, in consultation with the CRO, will: (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated between the Monitor on behalf of Hydrx and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**") for any particular Property or the Companies in whole

or part. The determination of any Successful Bid by the Monitor on behalf of Hydrx shall be subject to approval by the Court.

40. Upon identifying the Successful Bid, the Monitor shall notify each Qualified Bidder, in writing, of the identity of the Successful Bidder, and within 48 hours of the Monitor giving such notice or such later time as the Monitor may permit, the Successful Bidder shall supplement their Deposit, by wire transfer (to a bank account specified by the Monitor) payable to the order of the Monitor, in trust, such that the Deposit is equal to 5% of the cash consideration in the Successful Bid, which Deposit is to be held and dealt with in accordance with these SISP Procedures, provided that the Deposit provided by a credit bidder shall not exceed the amount of any prior ranking secured debt, as determined by the Monitor;

41. The Monitor shall have no obligation to enter into a Successful Bid on behalf of Hydrx, and it reserves the right to reject any or all Phase 2 Qualified Bids.

42. Notwithstanding the process and deadlines outlined above with respect to Phase 2 of the SISP and the process to supplement Phase 2 by way of the Bid Process Letter

- (a) the Monitor may at any time:
 - (i) pause, terminate, amend or modify the SISP or this SISP Procedure;
 - (ii) remove any portion of the Companies and the Property from the SISP;
 - (iii) establish further or other procedures for Phase 2;
- (b) the Monitor may at any time bring a motion to the Court to seek approval of:
 - (i) a sale of, or investment in, all or part of the Property or the Companies whether or not such sale or investment is in accordance with the timelines set out in this SISP Procedure or the Bid Process Letter; or
 - (ii) a stalking horse agreement in respect of some or all of the Property or Companies and related bid procedures in respect of such Property.

Sale Approval Motion Hearing

43. At the hearing of any motion to approve any transaction with a Successful Bidder (the "Sale Approval Motion"), the Monitor shall seek, among other things, approval from the Court to consummate such Successful Bid. To the extent other Phase 2 Qualified Bids other than the Successful Bid are in respect of the same Property as such Successful Bid, such other Phase 2 Qualified Bids shall be deemed to be rejected on and as of the date of approval of the Successful Bid by the Court.

44. For the avoidance of doubt, the completion of any Sale Transaction or Investment Transaction shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.

Confidentiality and Access to Information

45. The Monitor, the CRO, and their respective advisors make no representation or warranty as to the information contained in the Confidential Information Package, data room or otherwise made available pursuant to the SISP, except in respect of the Monitor to the extent expressly

contemplated in any definitive agreement with a Successful Bidder ultimately executed and delivered by the Monitor on behalf of Hydrx.

46. Participants and prospective participants in the SISP, including Serafino and Cobra, shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Monitor and such other bidders or Potential Bidders in connection with the SISP, except where the Monitor, in its discretion believes that it is advisable to share such information: (i) with the consent of the applicable participants, for the purpose of combining separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders; or (ii) to negotiate a compromise or arrangement of the debt owing to Cobra, as an alternative to a credit bid.

Supervision of the SISP

47. The Monitor shall oversee, in all respects, the conduct of the SISP and, without limitation to that role, the Monitor will participate in the SISP in the manner set out in these SISP Procedures, the SISP Approval Order, the Initial Order and any other orders of the Court, and is entitled to receive all information in relation to the SISP.

48. This SISP does not, and will not be interpreted to, create any contractual or other legal relationship between the Monitor and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Monitor on behalf of Hydrx.

49. Without limiting the preceding paragraph, the Monitor shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, Serafino, Cobra, or any other creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by these SISP Procedures, except to the extent such act or omission is the result from its gross negligence or wilful misconduct. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Monitor.

Court Approval

50. The Monitor shall apply to the Court (the "Approval Motion") for an order (the "Approval Order") approving a Successful Bid.

51. All Qualified Bids (other than a Successful Bid) shall be deemed rejected on and as of the date of the Approval Order.

Deposits

52. All Deposits shall be retained by the Monitor and deposited in a non-interest bearing trust account.

53. If there is a Successful Bid, the Deposit paid by the Successful Bidder whose bid is approved at the Approval Motion shall be applied (without interest) to the Purchase Price to be

paid or cash consideration amount to be paid by the Successful Bidder upon closing of the Successful Bid and will be non-refundable.

54. The Deposits of Qualified Bidders not selected as the Successful Bidder shall be returned (without interest) to such bidders within two Business Days of the earlier of (i) the date of the Approval Order or (ii) the date that this SISP is terminated.

Approvals

55. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA, or any other statute or as otherwise required at law in order to implement or complete a Successful Bid.

"As Is, Where Is"

56. Any Transaction will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by any member of the Companies or the Monitor or any of their employees, agents or estates, except to the extent expressly provided under a Definitive Agreement with a Successful Bidder executed and delivered by the Monitor on behalf of HydRx.

Further Orders

57. At any time during the SISP, the Monitor may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder.

Appendix "A"
Monitor Address for Notices

If to the Monitor:

SCHWARTZ LEVITSKY FELDMAN INC.
2300 Yonge Street
Suite 1500, Box 2434
Toronto, ON M4P 1E4

Attention : Alan Page
Email: alan.page@slf.ca
Tel : 416-780-2206

With a copy to:

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
Barristers & Solicitors
155 Wellington Street West, 35th Floor
Toronto, ON M5V 3H1

Attention: Jeffrey Larry, Max Starnino, Elizabeth Rathbone
Email: Jeff.Larry@paliareroland.com, Max.Starnino@paliareroland.com,
Elizabeth.Rathbone@paliareroland.com
Tel: 416-646-4330

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	MONDAY, THE 26 th
)	
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 23, 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 parties listed on the counsel slip, no one appearing for any other party although duly served as appears from the affidavit of service of Jacky Cheung sworn July 23, 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;

- (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) conduct, supervise and direct the continuation or commencement of any process or effort to recover Property or other assets belonging or owing to Hydrx;
- (i) 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;
- (j) 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;
- (k) 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;

- (l) 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;
- (m) 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;
- (n) exercise any shareholder, partnership, joint venture or other rights of Hydrx;
- (o) disclaim, in accordance with the CCAA, any contracts of Hydrx;
- (p) apply to this Court for advice and directions regarding the Monitor's powers hereunder; and
- (q) take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

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
- (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 ARIIO, 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 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 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-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 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.



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

ORDER

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Lawyers for Cobra Ventures Inc.

SHARE PURCHASE AGREEMENT

This Agreement is made as of the 4th day of November, 2021, between:

HYDRX FARMS LTD.
(the “Company”)

- and -

COBRA VENTURES INC.
(the “Purchaser”)

WHEREAS on March 22, 2021, the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the “Court”) granted an initial order in respect of the Company, Cannscience Innovations Inc. (“Cannscience”) and Scientus Pharma Inc. (“Scientus” and, together with Cannscience, the “Subsidiaries”) (as amended and restated from time to time, the “Initial Order”) under the *Companies’ Creditors Arrangement Act* (Canada), as amended (the “CCAA”) and appointed Schwartz Levitsky Feldman LLP as the monitor (the “Monitor”).

AND WHEREAS on June 30, 2021, the Honourable Mr. Justice Wilton-Siegel ordered and declared, among other things, that the Company was indebted to the Purchaser in the amount of \$14,857,014.00 as of March 31, 2021, plus interest and costs, and that the Purchaser is entitled to credit bid the entire amount owing to it by the Company;

AND WHEREAS the Company and the Monitor have decided to pursue a transaction with the Purchaser.

AND WHEREAS on July 27, 2021, the Purchaser submitted a letter of intent to the Monitor (the “LOI”) that, among other things, sets out the terms and conditions pursuant to which the Purchaser will acquire 100% ownership of the Company within the CCAA proceeding by way of a reverse approval and vesting order (the “Transaction”).

AND WHEREAS the Parties wish to enter into this Agreement to formalize the terms and conditions contained in the LOI.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

“Affiliate” has the meaning given to the term “affiliate” in the *Canada Business Corporations Act*.

“Agreement” means this share purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Monitor, and “Article” and “Section” mean and refer to the specified article, section and subsection of this Agreement.

“Applicable Law” means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, in each case, having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“Approval and Vesting Order” means an order, substantially in the form of the draft order attached hereto as Schedule “F” issued by the Court which, among other things, approves this Agreement and the Transaction.

“Assumed Contracts” means the Contracts listed in Schedule “B”.

“Assumed Liabilities” means all Liabilities which (i) relate to the Business under any Assumed Contracts or Permits and Licenses (in each case, to the extent forming part of the Retained Assets) arising out of events or circumstances that occur after the Closing; or (ii) are to be performed after the Closing.

“Benefit Plans” means all oral or written plans, arrangements, agreements, programs, policies, practices or undertakings of the Company with respect to some or all of the Employees and which provide for or relate to (i) bonus, profit sharing or deferred profit sharing, performance compensation, deferred or incentive compensation, supplemental retirement arrangements, share compensation, share purchase or share option, share appreciation rights, phantom stock, vacation or vacation pay, sick pay, employee loans, or any other compensation in addition to salary; or (ii) insured or self-insured benefits for or relating to income continuation or other benefits during absence from work (including short term disability, long term disability and workers compensation), hospitalization, health, welfare, legal costs or expenses, medical or dental treatments or expenses, life insurance, accident, death or survivor’s benefits, supplementary employment insurance, day care, tuition or professional commitments or expenses and perquisites or similar employment benefits.

“Books and Records” means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, used or intended for use by, and in the possession of the Company, in connection with the ownership of the Company, or operation of the Business, including the Assumed Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Business.

“Business” means the business conducted by the Company, being the development and commercialization of pharmaceutical grade cannabinoid derivative products.

“Business Day” means a day on which banks are open for business in Toronto, Ontario but does not include a Saturday, Sunday or statutory or civic holiday in the Province of Ontario.

“CCAA” has the meaning set out in the recitals hereto.

“CCAA Proceeding” means the Court proceeding in respect of the Company and the Subsidiaries under the CCAA.

“Claims” means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, chose in or cause of action, suit, default, assessment, litigation, third party action, arbitral proceeding or proceeding by or before any Person.

“Closing” means the closing and consummation of the Transaction.

“Closing Date” means the date that is ten (10) Business Days after the later of: (i) the date the Approval and Vesting Order is obtained, and (ii) the date that the motion for leave to appeal the judgement of the Honourable Mr. Justice Wilton-Siegel dated June 30, 2021 is dismissed or when the appeal of the judgment is dismissed or abandoned..

“Closing Time” means 12:01 a.m. (Toronto time) on the Closing Date.

“Consolidation and Cancellation” means the consolidation of all New Shares and Existing Shares in accordance with the Consolidation Ratio, and the cancellation of all fractional New Shares and Existing Shares in accordance with Article 2.

“Consolidation Ratio” means the ratio by which all New Shares and Existing Shares shall be consolidated, as determined by the Purchaser, acting reasonably and in consultation with the Company and the Monitor, given the intended effect of the Transaction.

“Contracts” means the written contracts, agreements, leases, understandings and arrangements that are related to the Business to which the Company is a party or by which the Company is bound or in which the Company has any rights, including any Contracts in respect of Employees.

“**Company**” means Hydrx Farms Ltd. For greater certainty, any reference to the Company in this Agreement shall be to the Company as it existed and was prior to the Closing Date and not the Company as it exists after the Closing Date.

“**Court**” has the meaning set out in the recitals hereto.

“**Discharged**” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property.

“**Employee**” means an individual who is employed by the Company, whether on a full-time or a part-time basis, whether active or inactive as of the Closing Date, and includes an employee on short term or long term disability leave, but, for greater certainty, excludes any Terminated Employees.

“**Employee Consultant**” has the meaning set out in Section 6.4.

“**Encumbrances**” means any security interest, lien, Claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Equity Interests**” has the meaning set out in section 2(1) of the CCAA and includes the Existing Shares, any shareholder agreement in respect of the Existing Shares, and any other interest or entitlement to shares in the capital of the Company, but, for greater certainty, does not include the Post-Consolidation Shares.

“**Excise License**” means the cannabis license number 8091044573 RD0002 obtained by the Company under the *Excise Act, 2001* (Canada).

“**Excluded Assets**” means those assets listed on Schedule “A”.

“**Excluded Contracts**” means all Contracts that are not Assumed Contracts.

“**Excluded Liabilities**” has the meaning set out in Section 2.3.

“**Existing Shares**” means all of the common shares of the Company that are issued and outstanding immediately prior to the Closing Time, which, for greater certainty, does not include the New Shares or the Post-Consolidation Shares.

“**Filing Date**” means March 22, 2021, the date on which the Company commenced proceedings under the CCAA.

“**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“**GST/HST**” means all goods and services tax and harmonized sales tax imposed under Part IX of the Excise Tax Act (Canada).

“**Health Canada License**” means all authorizations related to cannabis and issued by Health Canada to the Company, including authorizations to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation the license attached hereto as Schedule “D”.

“**Initial Order**” has the meaning set out in the recitals hereto.

“**Interim Period**” means the period from the date that this Agreement is entered into by the Parties to the Closing Time.

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“Monitor” has the meaning set out in the recitals hereto.

“New Shares” means the common shares of the Company to be issued to the Purchaser as part of Closing in exchange for the Purchase Price.

“Organizational Documents” means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

“Party” means a party to this Agreement and any reference to a Party includes its successors and permitted assigns and **“Parties”** means more than one of them.

“Permits and Licenses” means the permits, licenses, authorizations, approvals or other evidence of authority related to the Business, including (i) the permits, licenses, authorizations, approvals or other evidence of authority related to the Business and issued to, granted to, conferred upon, or otherwise created for, the Company, (ii) the Excise License, and (iii) the Health Canada Licenses.

“Person” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

“Post-Consolidation Shares” means the 10 common shares of the Company that will remain after the Consolidation and Cancellation, which shall: (i) represent 100% of the issued and outstanding shares of the Company after the Consolidation and Cancellation; and (ii) be solely owned and controlled by the Purchaser.

“Post-Filing” means the period of time after and including the Filing Date.

“Post-filing Tax Obligations” has the meaning set out in Section 6.6.

“Pre-Closing Reorganization” means the transactions, acts or events described in Exhibit “A” which are to occur immediately prior to the Closing Time.

“Pre-Filing” means the period of time prior to the Filing Date.

“Priority Payables” means the priority payables of the Company under the CCAA proceedings (or something) outstanding at Closing.

“Property” has the meaning set out in Section 6.4.

“Purchaser Debt” means the debt owing by the Company to the Purchaser.

“Purchase Price” has the meaning set out in Section 3.1.

“Refund Direction” has the meaning set out in Section 6.6.

“ResidualCo” means a corporation to be incorporated to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

“ResidualCo Shares” means all of the existing and outstanding shares of ResidualCo that are beneficially owned by the Company.

“Retained Assets” has the meaning set out in Section 4.1.

“Subsidiaries” means those companies listed in the recitals of this Agreement.

“Tax Direction” has the meaning set out in Section 6.6.

“**Tax Refunds**” means any tax or HST refund payable to the Company for any period up to and including the Closing Date.

“**Taxes**” means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers’ compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

“**Terminated Employee**” means any individuals currently employed by the Company whose employment will be terminated prior to Closing pursuant to Section 8.2(f), as determined by the Purchaser as soon as possible, but in any event by no later than ten (10) days before Closing.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular section hereof. The expression “Section” or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings and the term “third party” means any other person other than the Company or the Purchaser, or any affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules

The following exhibits and schedules attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A - Pre-Closing Reorganization

SCHEDULES

Schedule A - Excluded Assets
 Schedule B - Assumed Contracts
 Schedule C - Excluded Liabilities
 Schedule D - Health Canada Licenses
 Schedule E - Draft Approval and Vesting Order

The Parties acknowledge that as of today's date, the Schedules are not complete. The Parties shall cooperate with each other and shall use commercially reasonable efforts to complete the Schedules prior to the Closing Date.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2 PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Issuance of New Shares and Treatment of Existing Shares

At the Closing Time, the Company shall take the following steps:

- (a) Share Issuance. The Company shall issue the New Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Monitor, having regard to the intended effect of the Transaction, free and clear of all Encumbrances, in exchange for the payment of the Purchase Price.
- (b) Share Consolidation. The Company's Articles shall be amended to, among other things (i) consolidate the New Shares and the Existing Shares on the basis of the Consolidation Ratio, and (ii) provide for such additional changes to the rights and conditions attached to the New Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion in accordance with Applicable Law.
- (c) Share Cancellation. Any fractional New Shares and Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.
- (d) Equity Interests Extinguished. Any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof.

2.2 Post-Consolidation Shares

Subject to the terms and conditions of this Agreement, effective immediately after the Closing Time and following the Consolidation and Cancellation, the Purchaser shall be the sole owner of the Post-Consolidation Shares, which shall represent 100% of the Company's issued and outstanding shares.

2.3 Assumed Liabilities of the Company

- (a) Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or the Subsidiaries or relating to any Excluded Assets or Excluded Contracts as at the Closing Time, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule "C", any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company or the Subsidiaries may be bound as at the Closing Time, all Liabilities relating to or under the Excluded Contracts and Excluded Assets, Liabilities for Terminated Employees whose employment with the Company or the Subsidiaries or each of their respective Affiliates is terminated on or before Closing (collectively, the "Excluded Liabilities") shall be excluded and will no longer be binding on the Company or the Subsidiaries following the Closing Time including all liabilities for taxes and HST. For clarity, all tax refunds including HST refunds shall be vested in and belong

to Hydrx and all tax liabilities including for HST shall vest in and belong to ResidualCo.

- (b) Pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be channeled to and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Company and the Subsidiaries and each of their respective assets, undertakings, Business and/or business, whichever the case may be, and properties shall be Discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The purchase price (the “Purchase Price”) payable by the Purchaser for the New Shares shall be an amount equal to the Priority Payables and the Assumed Liabilities.

3.2 Satisfaction of Purchase Price

At the Closing Time, the Purchaser shall satisfy the Purchase Price by:

- (a) Payment to the Monitor in immediately available funds in an amount equal to the Priority Payables; and
- (b) Assumption of the Assumed Liabilities.

ARTICLE 4 TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo

On the Closing Date, the Company and the Subsidiaries shall retain all of the assets owned by them on the date of this Agreement and any assets acquired by them up to and including Closing, including Assumed Contracts, Permits and Licences and Books and Records (the “Retained Assets”) and all tax refunds, including HST refunds, save and except for inventory sold in the ordinary course of Business in the Interim Period, the Excluded Assets and Excluded Contracts, which the Company and the Subsidiaries shall transfer to ResidualCo on or before the Closing Time or shall be vested in ResidualCo pursuant to the Approval and Vesting Order. To the extent ResidualCo or the Manager receives any tax or HST refund before or after closing, they shall hold the same in trust for the Company and forthwith pay the same to the Company or Cobra as Cobra shall direct in writing.

4.2 Transfer of Excluded Liabilities to ResidualCo

At or before the Closing Time, the Excluded Liabilities shall have been channeled to and assumed by ResidualCo, in accordance with the Pre-Closing Reorganization and pursuant to the Approval and Vesting Order. Notwithstanding any other provision of this Agreement, neither the Purchaser, the Company nor the Subsidiaries shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Company and the Subsidiaries and each of their respective assets, undertakings, Business and/or business, whichever the case may be, and properties from and after the Closing Time.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Company

The Company hereby represents and warrants to and in favour of the Purchaser as of the Closing Time, and acknowledges that the Purchaser is relying on such representations and warranties being correct as of the Closing Time in connection with entering into this Agreement and performing its obligations hereunder:

- (a) The Company is not, and at the Closing Date will not be a non-resident of Canada within the meaning of section 116 of the *Income Tax Act*.

5.2 Assumed Contracts

The Company has provided to the Purchaser correct and complete copies of each Assumed Contract listed in Schedule “B” together with all amendments, modifications and supplements thereto.

5.3 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Company, and acknowledges that, as of the Closing Time, the Company is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.
- (f) HST Registrant. The Purchaser is, or will be on the Closing Date, an HST registrant.

5.4 As is, Where is

The representations and warranties of the Company shall survive the Closing Time on the Closing Date provided, however, that the Purchaser's recourse for any breach or inaccuracy of such representations and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the New Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever, including with respect to the New Shares, the Post-Consolidation Shares, and the Retained Assets.

ARTICLE 6 COVENANTS

6.1 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Closing Date.

6.2 Motion for Approval and Vesting Order

As soon as practicable after the execution of this Agreement, the Monitor shall bring a motion for the Approval and Vesting Order seeking relief that will (i) vest all of the Liabilities of the Company and the Subsidiaries in ResidualCo except the Assumed Liabilities, (ii) authorize the Company to take all necessary actions and steps to: (A) issue the New Shares and vest the New Shares in the Purchaser, (B) consolidate the Existing Shares and the New Shares and (C) cancel any fractional Existing Shares and New Shares existing after consolidation, (iii) Vest all Tax Refunds in the Purchaser and all tax liabilities in ResidualCo, and (iv) release the former officers and directors of the Company. The Monitor shall diligently use its commercially reasonable efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Monitor in its efforts to obtain the issuance and entry of the Approval and Vesting Order, including for greater certainty, supporting the approval of the releases of the directors and officers of the Company sought in the Approval and Vesting Order.

6.3 Interim Period

During the Interim Period, except as contemplated or permitted by this Agreement (including the Approval and Vesting Order and the Pre-Closing Reorganization): (i) the Company shall continue to maintain its business and operations in substantially the same manner as conducted on the date of this Agreement, (ii) the Company shall not, without the prior written approval of the Purchaser, sell or transfer any assets for amounts greater than \$1,000.00 and (iii) the Company shall not enter into any transaction involving the Business or the Retained Assets for an amount greater than \$1,000.00 without the prior written approval of the Purchaser.

6.4 Access During Interim Period

During the Interim Period, the Company shall retain Hamish Sutherland (the “**Employee Consultant**”) as an officer of the Company. The Employee Consultant shall not be entitled to any salary or benefit, and shall not have any authority to bind the Company, but shall be provided with unfettered access to the premises at which the Company conducts its Business, known municipally as 1130 Champlain Court, Whitby, Ontario (the “**Property**”). The Company shall allow the Employee Consultant to employ a consultant, at the Purchaser’s expense, and such consultant shall also be provided with unfettered access to the Property. Without limiting the generality of the foregoing, the Employee Consultant and the consultant shall be permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement, including documents relating to the Employees. The Company shall co-operate reasonably in facilitating investigations, inspections, surveys and tests and shall furnish copies of all Contracts, documents, materials and information relating to the Business as may be reasonably requested by or on behalf of the Employee Consultant or the consultant including, but not limited to, employment agreements, service contracts, the Health Canada License, and any other agreement. Notwithstanding any of the foregoing, all communication, information requests, recommendations regarding the Company’s operations and discussions regarding employment matters shall occur through the counsel for the Monitor, which shall relay such matters through the appropriate channels, and Employee Consultant and his consultant shall not be permitted to have any direct discussion with Employees of the Company or direct access to the Company’s computer systems or books and records during the Interim Period. Notwithstanding the foregoing, the Purchaser shall be entitled to conduct interviews with Employees for the purpose of determining the Employees that will be retained by the Purchaser.

6.5 Insurance Matters

Until Closing, the Company shall keep in full force and effect all of its and the Subsidiaries’ existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice in the ordinary course of business.

6.6 Tax and Other Obligations

The Company shall pay any and all Post-Filing Taxes owed or owing or accrued due by the Company or the Subsidiaries prior to the Closing Time (the “**Post-Filing Tax Obligations**”).

All Taxes owed or owing or accrued due by the Company or the Subsidiaries prior to the Filing Date (the “**Pre-Filing Tax Obligations**”) shall be transferred to and vest in ResidualCo. For greater certainty, any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Filing Date shall be a Pre-Filing Tax Obligation, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo.

Prior to Closing, the Company shall provide evidence in form and substance satisfactory to the Purchaser that all such Post-Filing Tax Obligations have been paid in full. To the extent that any Post-Filing Tax Obligations remain outstanding at Closing, the Company shall provide an irrevocable direction to the Purchaser (the “**Tax Direction**”) authorizing and directing the Purchaser to pay a portion of the Purchase Price to the relevant Tax authorities to satisfy such outstanding amounts. For certainty, the Post-Filing Tax Obligations include, but are not limited to, any and all withholding taxes, property taxes, and excise taxes. All tax Refunds shall vest in the Purchaser. To the extent any Tax Refunds are paid to the Company or the Monitor before or after closing they shall hold the same in trust for the Purchaser and forthwith pay the same to the Purchaser. On closing, the Company and the Monitor shall provide a direction (the “**Refund Direction**”) to Canada Revenue Agency to pay all Tax Refunds to the Purchaser.

6.7 ResidualCo

On the Closing Date, the Company shall convey the ResidualCo Shares to Gropper Professional Corporation to hold the ResidualCo Shares as agent and bare trustee on behalf of the common shareholders of the Company immediately prior to the Consolidation and Cancellation as their interests may be agreed or as they may be determined by the Court in the CCAA Proceeding. For greater certainty, Gropper Professional Corporation shall not have any obligation or duties to take any actions, steps or otherwise in respect of the Residual Co Shares, subject to direction from the Monitor or Order of the Court in the CCAA Proceeding.

**ARTICLE 7
CLOSING ARRANGEMENTS**

7.1 Closing

Closing shall take place electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

7.2 Pre-Closing Reorganization

- (a) Subject to the other terms of this Agreement, the Company shall effect the Pre-Closing Reorganization.
- (b) The Purchaser and the Company shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

7.3 Company's Closing Deliveries

At or before the Closing Time, the Company shall deliver or cause to be delivered to the Purchaser the following:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court.
- (b) an executed certificate of the Monitor substantially in the form attached to the Approval and Vesting Order (the "**Monitor's Certificate**").
- (c) share certificates representing the New Shares.
- (d) an executed copy of the Tax Direction, if applicable.
- (e) An executed copy of the Refund Direction.
- (f) confirmation, in form and substance satisfactory to the Purchaser, that Health Canada has approved the change of control contemplated by the Transaction such that the Health Canada Licenses will be valid and in good standing following the Closing.
- (g) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Company contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Company has performed in all material respects the covenants to be performed by it prior to the Closing Time.
- (h) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

7.4 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Company (or to the Monitor, as applicable), the following:

- (a) the Purchase Price;
- (b) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time.
- (c) such other agreements, documents and instruments as may be reasonably required by the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 8 CONDITIONS OF CLOSING

8.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed, which joint conditions may not be waived by either Party:

- (a) Approval and Vesting Order. The Court shall have granted the Approval and Vesting Order in form and substance satisfactory to each of the Purchaser and the Company, in their sole discretion, substantially in the form attached hereto as Schedule "F"; and
- (b) the motion for leave to appeal the judgment of the Honourable Mr. Justice Wilton-Siegel dated June 30, 2021 is dismissed, or, if leave is granted, the appeal of the judgment is dismissed.

8.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

- (a) Court Approval. The Approval and Vesting Order shall have been issued and entered by the Court and shall not have been vacated, set aside or stayed.
- (b) Health Canada Approval. The Purchaser shall have obtained approval in a form satisfactory to the Purchaser (acting reasonably) from Health Canada in connection with the change of control arising from this Agreement.
- (c) Company's Deliverables. The Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.3.
- (d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 5.1 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (e) No Breach of Covenants. The Company shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Company on or before the Closing Date.
- (f) Company Employees. The Company shall have terminated the employment of the Terminated Employees, as requested by the Purchaser in its sole discretion, and all liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, shall be Excluded Liabilities pursuant to the Approval and Vesting Order.
- (g) ResidualCo. Pursuant to the Approval and Vesting Order, (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price, and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.
- (h) CCAA Proceeding. Upon Closing, the CCAA Proceeding shall have been terminated in respect of the Company and the Subsidiaries, their Business or business, whichever the case may be, and property, as set out in the Approval and Vesting Order, but, for greater certainty, shall continue in respect of Residual Co.
- (i) Taxes. The Company shall have delivered evidence satisfactory to the Purchaser that the Post-Filing Tax Obligations have been paid or Discharged against the Company and the Subsidiaries and the Purchaser and their respective assets and undertakings pursuant to the Approval and Vesting Order.
- (j) Disclaim Excluded Contracts. The Company and the Subsidiaries shall have sent notices of disclaimer for all such known Excluded Contracts and other agreements, and such known Excluded Contracts shall form part of the Excluded Assets.

- (k) Cannabis Licenses. The Health Canada License and the Excise License shall be in good standing at the Closing Time and shall remain in good standing immediately following and notwithstanding Closing.

8.3 Conditions Precedent in favour of the Company

The obligation of the Company to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

- (a) Court Approval. The Approval and Vesting Order shall have been issued and entered by the Court and shall not have been vacated, set aside or stayed.
- (b) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 10.5 hereof.
- (c) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 5.3 hereof shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (d) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.
- (e) Monitor's Certificate. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Company.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

- (a) By the mutual written agreement of the Company and the Purchaser.
- (b) By either Party upon written notice to the other Party if the Court declines at any time to grant the Approval and Vesting Order, for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement.

9.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder. For certainty, if this Agreement is terminated pursuant to Section 9.1 the Purchaser Debt shall become immediately repayable on demand in accordance with the terms of the Purchaser Debt.

ARTICLE 10 GENERAL

10.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for ResidualCo (or any trustee in bankruptcy of the estate of ResidualCo) to comply with Applicable Law, the Purchaser shall cause the Company to retain all original Books and Records. So long as any such Books and Records are retained by the Company pursuant to this Agreement, ResidualCo (and any representative, agent, former director or officer of the Company or trustee in bankruptcy of the estate of ResidualCo, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Company.

10.2 Notice

Any notice or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by prepaid courier service, or (iii) sent by email or other similar means of electronic communication, in each case to the applicable address set out below:

- (a) in the case of the Purchaser, as follows:

Dickinson Wright LLP
199 Bay Street, Suite 2200
Commerce Court West
Toronto, Ontario, M5L 1G4
Attention: David Preger
Email: DPreger@dickinsonwright.com

- (b) in the case of the Company, as follows:

Paliare Roland Rosenberg Rothstein LLP
155 Wellington Street West, 35th Floor
Toronto, Ontario M5V 3H1
Attention: Jeff Larry, Max Starnino and Elizabeth Rathbone
Email: jeff.larry@paliareroland.com; max.starnino@paliareroland.com;
Elizabeth.rathbone@paliareroland.com;

with a copy to:

Gropper Professional Corporation
1701 Avenue Road, Suite 200
Toronto, Ontario M5M 3Y3

Attention: Bernie Gropper and Yaakov Eizicovics
E-mail: bernie@gropperlaw.com; yaakov@gropperlaw.com

- (c) in each case, with a further copy to the Monitor or ResidualCo as follows:

Schwartz Levitsky Feldman LLP
2300 Yonge St #1500
Toronto, Ontario M4P 1E4

Attention: Alan Page
Email: alan.page@slf.ca

with a copy to:

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

10.3 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Company and the Purchaser.

10.4 Survival

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect. Notwithstanding the foregoing, the Purchaser expressly acknowledges and

agrees that it shall not be entitled to exercise any right of set-off in respect of any breach of any representation, warranty or covenant occurring on or after the Closing Date and the Purchaser expressly and permanently waives any such rights.

10.5 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, Residual Co.

10.6 Entire Agreement

This Agreement, the attached Schedules hereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by all of the Parties.

10.7 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

10.8 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.9 Assignment by Purchaser

This Agreement may be assigned by the Purchaser with the consent of the Monitor.

10.10 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

10.11 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

10.12 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

10.13 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, an executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received. Upon such confirmation being given, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

10.14 Monitor's Capacity

In addition to all of the protections granted to the Monitor under the CCAA or any Order of the Court in this CCAA Proceeding, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

[SIGNATURE PAGE FOLLOWS]

EXECUTED effective as of the date first set forth above.

HYDRX FARMS LTD.,
by **SCHWARTZ LEVITSKY FELDMAN INC.**, solely
in its capacity as Monitor of Hydrx Farms Ltd., and
not in its personal capacity

Per: _____
Name: *Alan Page*
Title: *President*

COBRA VENTURES INC.

Per: _____
Name:
Title:

I have authority to bind the Corporation

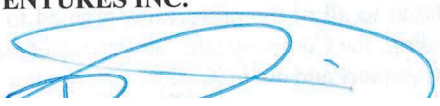
EXECUTED effective as of the date first set forth above.

**HYDRX FARMS LTD.,
by SCHWARTZ LEVITSKY FELDMAN INC.,
solely in its capacity as Monitor of Hydrx Farms
Ltd., and not in its personal capacity**

Per: _____

Name:
Title:

COBRA VENTURES INC.


Per: _____

Name: **Richard Goldstein**
Title: **President.**

I have authority to bind the Corporation

Exhibit "A" – Pre-Closing Reorganization**EXHIBIT "A"
PRE-CLOSING AND CLOSING REORGANIZATION STEPS****Pre-Closing**

1. ResidualCo shall be incorporated by the Company with nominal consideration for common shares and shall be added to the CCAA Proceeding as an Applicant, but taking no other steps or actions in respect thereof.

Upon Closing

The following steps shall be deemed to happen concurrently:

2. Share Issuance, Consolidation, Cancellation:
 - a. the Company shall issue, assign and transfer the New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Monitor, having regard to the intended effect of the Transaction, free and clear of all Encumbrances, in exchange for the payment of the Purchase Price.
 - b. the Company's Articles shall be amended to, among other things (i) consolidate the New Common Shares and the Existing Shares on the basis of the Consolidation Ratio, and (ii) provide for such additional changes to the rights and conditions attached to the New Common Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion.
 - c. any fractional New Common Shares and Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.
 - d. any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof.
 3. The Excluded Assets and Excluded Liabilities shall vest in ResidualCo pursuant to the Approval and Vesting Order.
 4. The Company shall convey the ResidualCo Shares to Gropper Professional Corporation as agent and bare trustee for the holders of the Existing Shares.
-

Schedule "A" – Excluded Assets

Schedule “B” – Assumed Contracts

The only contract, or liability of Hydrx to be assumed by Cobra Ventures Inc. is the debt and related security granted under a Senior Convertible Debenture of Hydrx Farms Ltd. in the principal amount of \$11,500,000.00, dated as of August 14, 2017, as amended by agreements dated August 14, 2019, and November 14, 2019, and as the same has or may be further amended.

Schedule "C" – Excluded Liabilities

Schedule “D” – Health Canada Licenses

1. Health Canada License granted to HydRx Farms Ltd., effective as of September 22, 2020 (License Number: LIC-WQZAS68WY2-2020).
2. Letter confirming renewal of Health Canada License LIC-WQZAS68WY2-2020, dated September 22, 2020.

Schedule “E” – Draft Approval and Vesting Order

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

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

THE HONOURABLE.) DAY, THE
)
)
 JUSTICE) DAY OF , 2021

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

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

**ORDER
(Approval and Vesting Order)**

THIS MOTION, made by Schwartz Levitsky Feldman Inc. (“**SLF**”), in its capacity as monitor of Hydrx Farms Ltd. (“**Hydrx**”), Cannscience Innovations Inc. and Scientus Pharma Inc. (together with Hydrx, collectively, the “**Companies**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), for an order, among other things: (i) approving the Share Purchase Agreement (the “**SPA**”) between Hydrx and Cobra Ventures Inc. (the “**Purchaser**”), dated October 1, 2021, and the transactions contemplated thereby (the “**Transactions**”), (ii) adding a corporation to be incorporated (“**ResidualCo**”) as a party to these CCAA proceedings; (iii) transferring and vesting all of the Companies’ right, title and interest in and to the Excluded Assets, Excluded Contracts and Excluded Liabilities (as defined in the SPA) to and in ResidualCo; (iv) vesting all of the right, title and interest in and to the New Common Shares (as defined in the SPA) in the Purchaser; was heard this day by video conference due to the COVID-19 pandemic.

ON READING the Notice of Motion, and the *** Report of SLF , in its capacity as Monitor of the Companies (the “**Monitor**”), filed (the “*****Report**”), and on hearing the submissions of counsel for the Monitor, counsel for the Purchaser, and counsel for those other parties appearing as indicated by the counsel slip, no one appearing for any other party, although duly served as appears from the affidavit of service of [▶], filed,

- 2 -

SERVICE

1. **THIS COURT ORDERS** that the time for service 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.

DEFINED TERMS

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the SPA.

APPROVAL AND VESTING

3. **THIS COURT ORDERS AND DECLARES** that the SPA and the Transactions be and are hereby approved and that the execution of the SPA by SLF in its capacity as Monitor is hereby authorized and approved, with such minor amendments as the parties thereto may deem necessary, with the approval of the Monitor. Each of the Companies and SLF in its capacity as Monitor are hereby authorized and directed to perform its obligations under the SPA and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions and for the conveyance of the New Common Shares to the Purchaser.

4. **THIS COURT ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Companies and SLF in its capacity as Monitor to proceed with the Transactions (including, for certainty, the Pre-Closing Reorganization), and that no shareholder or other approval shall be required in connection therewith.

5. **THIS COURT ORDERS** that the Monitor is hereby authorized to execute Articles of Amendment in respect of Hydrx reflecting the Transactions.

6. **THIS COURT ORDERS AND DECLARES** that upon the delivery of the Monitor's certificate (the "**Monitor's Certificate**") to the Purchaser (the "**Effective Time**"), substantially in the form attached as Schedule "A" hereto, the following shall occur and shall be deemed to have occurred at the Effective Time in the following sequence:

- (a) first, all of the right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo, and all Claims and Encumbrances (each as defined below) shall continue to attach to the Excluded Assets and to the

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Proceeds (as defined below) in accordance with paragraph 8 of this Order, in either case with the same nature and priority as they had immediately prior to the transfer;

- (b) second, all Excluded Contracts and Excluded Liabilities (which for certainty includes all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) of the Applicant (other than the Assumed Liabilities) shall be channelled to, assumed by and vest absolutely and exclusively in ResidualCo such that the Excluded Contracts and Excluded Liabilities shall become obligations of ResidualCo and shall no longer be obligations of the Companies, and the Companies and all of their assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate (including, for certainty, the Retained Assets, the “**Companies’ Property**”) shall be and are hereby forever released and discharged from such Excluded Contracts and Excluded Liabilities and all related Claims and all Encumbrances affecting or relating to the Companies’ Property are hereby expunged and discharged as against the Companies’ Property;
- (c) third, all options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (defined below) and are convertible or exchangeable for any securities of the Companies or which require the issuance, sale or transfer by the Companies, of any shares or other securities of the Companies and/or the share capital of the Companies, or otherwise relating thereto, shall be deemed terminated and cancelled;
- (d) fourth, all of the right, title and interest in and to the New Common Shares shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens,

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executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”), including without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Initial Order or any other Order of the Court in this CCAA Proceeding; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry systems; and (iii) those Claims listed on Schedule “B” hereto (all of which are collectively referred to as the “**Encumbrances**”, which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule “C” hereto) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the New Common Shares are hereby expunged and discharged as against the New Common Shares; and

- (e) fifth, the Companies shall be deemed to cease being parties in these CCAA proceedings, and the Companies shall be deemed to be released from the purview of the Initial Order and all other Orders of this Court granted in respect of this CCAA Proceeding, save and except for this Order, the provisions of which (as they relate to the Companies) shall continue to apply in all respects.

7. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor’s Certificate, forthwith after delivery thereof in connection with the Transactions.

8. **THIS COURT ORDERS** that the Monitor may rely on written notice from Hydrx and the Purchaser regarding the fulfilment of conditions to closing under the SPA and shall have no liability with respect to delivery of the Monitor’s Certificate.

9. **THIS COURT ORDERS** that following the Effective Time, no shares of the Companies shall be issued by Domenico Serafino without the prior written consent of the Purchaser, which consent may be unreasonably withheld.

10. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the New Common Shares (including, for greater certainty, the Purchase Price) (the “**Proceeds**”) shall stand in the place and stead of the Companies’ Property,

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and that from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the Proceeds and the Excluded Assets with the same priority as they had with respect to the Companies' Property immediately prior to the sale.

11. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended, the Monitor is authorized, permitted and directed to, at the Effective Time, disclose to the Purchaser all human resources and payroll information in the Companies' records pertaining to past and current employees of the Companies. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner that is in all material respects identical to the prior use of such information by the Applicant.

12. **THIS COURT ORDERS AND DECLARES** that, at the Effective Time and without limiting the provisions of paragraph 5 hereof, the Purchaser and the Companies shall be deemed released from any and all claims, liabilities, (direct, indirect, absolute or contingent) or obligations with respect to any Taxes (including penalties and interest thereon) of, or that relate to, the Companies (provided, as it relates to the Companies, such release shall not apply to Taxes in respect of the business and operations conducted after the Effective Time), including without limiting the generality of the foregoing, all Taxes that could be assessed against the Purchaser or the Companies (including their affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act*, R.S.C. 1985 c. 1 (5th Supp.), or any provincial equivalent, in connection with the Companies. For greater certainty, nothing in this paragraph shall release or discharge any Claims with respect to Taxes that are transferred to ResidualCo.

13. **THIS COURT ORDERS** that except to the extent expressly contemplated by the SPA, all Contracts to which any of the Companies is a party at the time of delivery of the Monitor's Certificate will be and remain in full force and effect upon and following delivery of the Monitor's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:

- (a) any event that occurred on or prior to the delivery of the Monitor's Certificate and is not continuing that would have entitled such Person to enforce those rights or

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remedies (including defaults or events of default arising as a result of the insolvency of the Companies);

- (b) the insolvency of the Companies or the fact that the Companies sought or obtained relief under the CCAA;
- (c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the SPA, the Transactions or the provisions of this Order, or any other Order of the Court in these proceedings; or
- (d) any transfer or assignment, or any change of control of the Companies arising from the implementation of the SPA, the Transactions or the provisions of this Order.

14. **THIS COURT ORDERS**, for greater certainty, that (a) nothing in paragraph 11 hereof shall waive, compromise or discharge any obligations of the Companies in respect of any Assumed Liabilities, and (b) the designation of any Claim as an Assumed Liability is without prejudice to the Companies' rights to dispute the existence, validity or quantum of any such Assumed Liability, and (c) nothing in this Order or the SPA shall affect or waive the Companies' rights and defences, both legal and equitable, with respect to any Assumed Liability, including, but not limited to, all rights with respect to entitlements to set offs or recoupments against such Assumed Liability.

15. **THIS COURT ORDERS** that from and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of the Companies then existing or previously committed by the Companies, or caused by the Companies, directly or indirectly, or non-compliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition, or obligation, expressed or implied in any Contract existing between such Person and the Companies (including for certainty, those Contracts constituting Retained Assets) arising directly or indirectly from the CCAA Proceedings and implementation of the Transactions, including without limitation any of the matters or events listed in paragraph 11 hereof and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a Contract shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein

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shall be deemed to excuse the Companies from performing their obligations under the SPA or be a waiver of defaults by Hydrx under the SPA and the related documents.

16. **THIS COURT ORDERS** that from and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Companies relating in any way to or in respect of any Excluded Assets, Excluded Liabilities or Excluded Contracts and any other claims, obligations and other matters that are waived, released, expunged or discharged pursuant to this Order.

17. **THIS COURT ORDERS** that from and after the Effective Time:

- (a) the nature of the Assumed Liabilities retained by the Companies including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transactions or this Order;
- (b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to ResidualCo;
- (c) any Person that prior to the Effective Time had a valid right or claim against the Companies under or in respect of any Excluded Contract or Excluded Liability (each an “**Excluded Liability Claim**”) shall no longer have such right or claim against the Companies but will have an equivalent Excluded Liability Claim against ResidualCo in respect of the Excluded Contract or Excluded Liability from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against ResidualCo; and
- (d) the Excluded Liability Claim of any Person against ResidualCo following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the Companies prior to the Effective Time.

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18. **THIS COURT ORDERS AND DECLARES** that, as of the Effective Time:

- (a) ResidualCo shall be a company to which the CCAA applies; and
- (b) ResidualCo shall be added as a party this CCAA Proceeding and all references in any Order of this Court in respect of this CCAA Proceeding to (i) the Companies shall refer to and include ResidualCo, and (ii) “Property” shall include the current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, of ResidualCo (the “**ResidualCo Property**”), and, for greater certainty, each of the Charges (as defined in the Amended and Restated Initial Order dated April 17, 2020), shall constitute a charge on the ResidualCo Property.

19. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 195, c. B-3, as amended (the “**BIA**”), in respect of ResidualCo and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of ResidualCo;

the SPA, the implementation of the Transactions (including without limitation the transfer and vesting of the Excluded Assets, Excluded Contracts and Excluded Liabilities in and to ResidualCo, the transfer and vesting of the New Common Shares in and to the Purchaser) and any payments by or to the Purchaser, ResidualCo or the Monitor authorized herein shall be binding on any trustee in bankruptcy that may be appointed in respect of ResidualCo and shall not be void or voidable by creditors of ResidualCo, as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the CCAA, the BIA or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

MONITOR'S ENHANCED POWERS

20. **THIS COURT ORDERS** that in addition to the powers and duties of the Monitor set out in the Initial Order or any other Order of this Court in this CCAA Proceeding, and without altering in any way the limitations and obligations of ResidualCo as a result of these proceedings, the Monitor be and is hereby authorized and empowered, but not required, to:

- (a) take any and all actions and steps, and execute all documents and writings, on behalf of, and in the name of ResidualCo in order to facilitate the performance of any ongoing obligations of ResidualCo, including with respect to any Excluded Liability Claim, and to carry out the Monitor's duties under this Order or any other Order of this Court in this CCAA Proceeding;
- (b) exercise any powers which may be properly exercised by a board of directors of ResidualCo;
- (c) cause ResidualCo to retain the services of any person as an employee, consultant, or other similar capacity all under the supervision and direction of the Monitor and on the terms as agreed with the Monitor;
- (d) open one or more new accounts (the "**ResidualCo Accounts**") into which all funds, monies, cheques, instruments and other forms of payment payable to ResidualCo shall be deposited from and after the making of this Order from any source whatsoever and to operate and control, as applicable, on behalf of ResidualCo, the ResidualCo Accounts in such manner as the Monitor, in its sole discretion, deems necessary or appropriate to assist with the exercise of the Monitor's powers and duties;
- (e) cause ResidualCo to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the winding-down of ResidualCo or the distribution of the proceeds of the ResidualCo Property or any other related activities, including in connection with bringing this CCAA Proceeding to an end;

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- (f) engage, deal, communicate, negotiate, agree and settle with any creditor or other stakeholder of ResidualCo (including any governmental authority) in the name of or on behalf of ResidualCo;
 - (g) claim or cause ResidualCo to claim any and all insurance refunds or tax refunds, including refunds of harmonized sales taxes, to which ResidualCo is entitled;
 - (h) have access to all books and records that are the property of ResidualCo in ResidualCo's possession or control;
 - (i) assign ResidualCo, or cause ResidualCo to be assigned, into bankruptcy, and the Monitor shall be entitled but not obligated to act as trustee in bankruptcy thereof;
 - (j) consult with Canada Revenue Agency or Health Canada with respect to any issues arising in respect of this CCAA Proceeding; and
 - (k) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter.
21. **THIS COURT ORDERS** that notwithstanding anything contained in this Order, the Monitor is not and shall not be or be deemed to be, a director, officer, or employee of ResidualCo or the Companies.
22. **THIS COURT ORDERS** that, without limiting the provisions of the Initial Order, ResidualCo shall remain in possession and control of its Property and Business (each as defined in the Initial Order) and the Monitor shall not take, or be deemed to have taken, possession or control of the Property or the Business of ResidualCo, or any part thereof.
23. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor and its legal counsel shall continue to have the benefit of all of the indemnities, charges, protections and priorities as set out in the Initial Order and any other Order of this Court and all such

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indemnities, charges, protections and priorities shall apply and extend to the Monitor and the fulfillment of its duties and the carrying out of the provisions of this Order.

24. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Monitor as receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of the Companies or ResidualCo within the meaning of any relevant legislation and that any distributions to creditors of ResidualCo or the Companies by the Monitor will be deemed to have been made by ResidualCo.
25. **THIS COURT ORDERS** that 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 ResidualCo with respect to such matters and, in the event of a conflict between the terms of this Order and those of the Initial Order or any other Order of this Court, the provisions of this Order shall govern.

RELEASES

26. **THIS COURT ORDERS** that effective upon filing of the Monitor's Certificate, (i) the current and former directors and officers of the Companies (,collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released and discharged from any and all present and future claims (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place prior to the filing of the Monitor's Certificate and that relate in any manner whatsoever to the Companies or any of their assets (current or historical), obligations, business or affairs or this CCAA Proceeding, including any actions undertaken or completed pursuant to the terms of this Order, or arising in connection with or relating to the SPA or the completion of the Transactions (collectively, the "**Released Claims**"), which Released Claims are hereby fully, finally, irrevocably and forever

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waived, discharged, released, cancelled and barred as against the Released Parties, *provided that* nothing in this paragraph shall waive, discharge, release, cancel or bar any claim: (i) that is not permitted to be released pursuant to section 5.1(2) of the CCAA, (ii) against the directors and officers of the Applicant for breach of trust arising from acts or omissions occurring before the date of the Initial Order, (iii) that may be made against any applicable insurance policy of the Companies prior to the date of the Initial Order, or (iv) that may be made against the current directors and officers that would be covered by the Directors' Charge granted pursuant to the Initial Order.

GENERAL

27. **THIS COURT ORDERS** that, following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the New Common Shares.

28. **THIS COURT ORDERS** that, following the Effective Time, the title of these proceedings is hereby changed to

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF [▶]

29. **THIS COURT ORDERS** that, notwithstanding Rule 59.05, this Order is effective from the date that it is made, and is enforceable without any need for entry and filing. In accordance with Rules 77.07(6) and 1.04, no formal order need be entered and filed unless an appeal or a motion for leave to appeal is brought to an appellate court. Any party may nonetheless submit a formal order for original signing, entry and filing when the Court returns to regular operations.

30. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

31. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist ResidualCo, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby

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respectfully requested to make such orders and to provide such assistance to ResidualCo and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist ResidualCo and the Monitor and their respective agents in carrying out the terms of this Order.

32. **THIS COURT ORDERS** that each of ResidualCo and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

Schedule A – Form of Monitor’s Certificate

Court File No. CV-20-00639217-00CL


**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 IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE
INNOVATIONS INC. AND SCIENTUS PHARMA INC.

RECITALS

A. Pursuant to the Initial Order of the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List), dated March 22, 2021, as amended, Hydrx Farms Ltd., Cannscience Innovations Inc. and Scientus Pharma Inc. (collectively, the “**Companies**”) were granted protection from their creditors pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and Schwartz Levitsky Feldman Inc. was appointed as the monitor (“**Monitor**”) of the Companies.

B. Pursuant to the Approval and Vesting Order of the Court, dated , 2021 (the “**Order**”), the Court approved the transactions (the “**Transactions**”) contemplated by the Share Purchase Agreement dated October 1, 2021 (the “**SPA**”), between Hydrx Farms Ltd. and Cobra Ventures Inc. (the “**Purchaser**”), and ordered, *inter alia*, that: (i) all of the Companies’ right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo; (ii) all of the Excluded Contracts and Excluded Liabilities shall be transferred to, assumed by and vest in ResidualCo; and (iii) all of the right, title and interest in and to the New Common Shares shall vest absolutely and exclusively in the Purchaser, which vesting is, in each case, to be effective upon the delivery by the Monitor to the Purchaser of a certificate confirming that the Monitor has received written confirmation in the form and substance satisfactory to the Monitor from the Purchaser and Hydrx that all conditions to closing have been satisfied or waived by the parties to the SPA.

C. Capitalized terms not defined herein shall have the meaning given to them in the Order.

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THE MONITOR CERTIFIES the following:

1. The Monitor has received written confirmation from the Purchaser and from Hydrx, in form and substance satisfactory to the Monitor, that all conditions to closing have been satisfied or waived by the parties to the SPA.
2. This Monitor's certificate was delivered by the Monitor at _____ on _____, 2021.

Schwartz Levitsky Feldman Inc., in its capacity as Monitor of the Companies, and not in its personal capacity.

Per: _____

Name:

Title:

Schedule B – Claims to be Deleted or Expunged

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

APPROVAL AND VESTING ORDER

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Lawyers for Cobra Ventures Inc.

Court File No. 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 ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.

(the "Applicants")

THIRD REPORT OF THE MONITOR

INTRODUCTION

1. On March 22, 2021, the Applicants brought an application (the "CCAA Application") before this Court returnable on March 22, 2021, seeking an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("CCAA") to, among other things, obtain a stay of proceedings to allow them an opportunity to obtain funding to restructure the affairs of the company or to market the company for sale.
2. On March 22, 2021, the Court granted an initial order in these proceedings (the "Initial Order") that, among other things, appointed Schwartz Levitsky Feldman Inc. ("SLF") as monitor of the Applicants in these CCAA proceedings (in such capacity, the "Monitor"), and granted a stay of proceedings for the initial 10-day period (the "Stay Period").

3. On March 31, 2021, the Court extended the Stay of Proceedings to May 3, 2021 and granted an Administration Charge in first ranking priority to a maximum of \$250,000.00.
4. On April 30, 2021, the Court approved:
 - (a) the appointment of Macpherson & Associates Inc. as the Chief Restructuring officer (the "CRO") of HydRx;
 - (b) the Sale and Investment Solicitation Process ("SISP");
 - (c) an increase in the Administration Charge to \$400,000;
 - (d) a process for determining the value of the claim of Cobra Ventures Inc. ("Cobra"), HydRx's first secured creditor (the "Cobra Claims Process"); and
 - (e) an extension of the Stay of Proceedings to July 30, 2021.

PURPOSE

5. The purpose of this Third report of the Monitor (the "Third Report") is to provide information to the Court on:
 - (a) HydRx's activities since the Second Report of the Monitor dated April 26, 2021 (the "Second Report");
 - (b) the Monitor's activities since the Second Report dated April 26, 2021;
 - (c) the Applicant's motion for an order extending the Stay Period to October 28, 2021; and

- (d) the Monitor's recommendations with respect to the above.

TERMS OF REFERENCE

6. In preparing this Third Report, and making comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("Management"), and information from other third-party sources (collectively, the "Information"). Except as described in this Report:

- (a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards ("GAAS") pursuant to the Chartered Professional Accountants Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
- (b) some of the information referred to in this Third Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Handbook, has not been performed.

7. Future oriented financial information referred to in this Third Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since

projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

8. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Report concerning the Applicants' and their business is based on the Information, and not independent factual determinations made by the Monitor.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BACKGROUND

10. HydRx Farms Ltd. ("HydRx") is a private corporation incorporated under the *Canada Business Corporations Act* on April 29, 2014.

11. HydRx has two wholly owned subsidiaries, Scientus Pharma Inc. (Scientus Pharma) and CannScience Innovations Inc. ("CannScience"). Scientus Pharma was incorporated with the expectation that it would be the corporate vehicle through which HydRx would carry on business in the event of an initial public offering. CannScience was acquired in March 2017 principally for its patents. Neither company has carried on any active business while owned by HydRx.

12. HydRx is a vertically-integrated biopharmaceutical company with a focus on developing and commercializing pharmaceutical grade cannabinoid derivative products.

13. The company was approved by Health Canada as a Controlled Dry Substance Licensed Dealer in October of 2016 and subsequently received a Licensed Product Cultivation License in September of 2017 which was subsequently amended to include among other things:

- (a) cultivation;
- (b) the sale of dried flowers;
- (c) the processing of capsules and oils;
- (d) the sale of capsules and oils; and
- (e) the processing and sale of edibles and extracts.

14. HydRx operates out of a 46,000 square foot facility which it owns at 1130 Champlain Court, Whitby, Ontario.

HYDRX'S ACTIVITIES SINCE THE SECOND REPORT

15. Since the filing of the Second Report, HydRx has carried out the following activities, among others:

- (a) continued limited operations, including by signing a contract to become a supplier to the Ontario Cannabis Store and obtaining licenses to sell retail cannabis flower, oils, extracts and edibles in Saskatchewan, Manitoba and New Brunswick.

- (b) managed its cash flow and made disbursements in accordance with its cash flow for the period March 22, 2021 to July 31, 2021.
- (c) prepared a new cash flow for the period July 12, 2021 to October 29, 2021 which is included as Appendix 1 in this Report.
- (d) worked with Libra Advisory Inc. to obtain regulatory and compliance support to help HyDRx administer its licenses and address regulatory issues with Health Canada. A copy of Libra's latest report dated July 19, 2021 in Appendix 2 to this Report.
- (e) maintained all required filings with Health Canada and replaced Philip Hemans with Tom Jerrard as the Responsible Person for HyDRx.
- (f) held a shareholders meeting on April 28, 2021 whereby Robert Goldstein resigned as director and Tom Jerrard was appointed a director.
- (g) worked with the Monitor and CRO in conducting the SISP process; and
- (h) canvassed the market to engage with potentially interested parties in the SISP Process and by responding to parties who have contacted the Company about the SISP Process. The SISP Process is described in further detail below.

ACTIVITIES OF THE MONITOR SINCE THE SECOND REPORT

16. Since the Second Report, the Monitor has undertaken the following activities:
-

- (a) communicated with various suppliers and stakeholders of HydRx to provide them with information about the CCAA Proceedings and to answer any questions;
- (b) assisted HydRx in respect to its communications with Health Canada regarding the CCAA Proceedings and the preservation of HydRx licenses;
- (c) along with the CRO, reviewed HydRx's weekly cash flow for the period March 22, 2021 to July 31, 2021 to ensure all payments made by HydRx were consistent with previously filed cash flow statements and consisted of essential payments and reimbursements to the secured creditor for any essential payments made by the secured creditor after the CCAA filing;
- (d) along with the CRO, reviewed the updated HydRx cash flow for the period July 12, 2021 to October 29, 2021 to ensure it is fair and reasonable and that HydRx will have sufficient liquidity to fund its operations;
- (e) with the CRO, actively solicited and engaged numerous interested parties in the SISF; and
- (f) with the CRO, toured the premises with numerous interested parties and the secured creditor; and
- (g) updated its website as necessary from time to time to post copies of all court orders, motion materials and related documents; and

- (h) maintained an information hotline (phone: 1-844-572-2235; email: insolvency@slf.ca) and responded to all inquiries regarding the CCAA proceedings.

CHIEF RESTRUCTURING OFFICER

17. Pursuant to the Court Order dated April 30, 2021, HydRx appointed Macpherson & Associates Inc. as the Chief Restructuring Officer (the "CRO") of HydRx. The role of the CRO has been to:

- (a) provide direction in respect of HydRx's limited operations, including, among other things, by reviewing any short-term supply and distribution contracts and ensuring compliance with Health Canada and other regulatory requirements;
- (b) provide direction in respect of the preparation of ongoing cash flow projections and statements, liaising with HydRx's former accountant, managing cash requirements and ensuring adequate funding is available and in place;
- (c) attend to HydRx's banking needs and establishing a protocol for receipts and disbursements whereby the CRO is acting as signatory to HydRx's operating account;
- (d) provide direction in respect of communications between HydRx and its stakeholders, including, where necessary, dealings with HydRx's

lenders, creditors, and other stakeholders in connection with the CCAA proceedings;

- (e) help maintain stable and efficient business operations throughout the SISP Process;
- (f) manage costs in connection with the successful consummation of the CCAA restructuring, whether by way of the SISP Process or otherwise;
- (g) provide information, advice and assistance required by the CCAA Monitor in its administration of the SISP Process and in its reporting to Court;
- (h) report to the directors and secured creditor on a bi-weekly basis; and
- (i) assist with the preparation of all filings, applications or similar materials necessary or desirable for any regulatory approvals in connection with the CCAA proceedings.

COBRA CLAIM PROCESS

18. On June 30, 2021, the Honourable Justice Wilton-Siegel heard the issues arising out of the Cobra Claims Process including the value of the claim that Cobra could assert by way of a credit bid as part of the SISP Process.

19. In an endorsement released on July 12, 2021, Justice Wilton-Siegel determined that the Cobra could credit bid in the full amount of the indebtedness owing under the debenture being \$14,857,014.00 as at March 31, 2021 in the SISP Process (the "Cobra Claims Decision").

20. On July 14, 2021, the Serafino Group served a Notice of Motion for Leave to Appeal from the Cobra Claims Decision.

SALES AND INVESTMENT SOLICITATION PROCESS (SISP)

21. In the Monitor's Second Report, the Monitor provided a summary of the proposed SISP Process, which was subsequently approved pursuant to the CRO Appointment and SISP Approval Order dated April 30, 2021. The SISP Procedure is attached to the CRO Appointment and SISP Approval Order. All capitalized terms not defined herein are otherwise defined in the SISP Procedure.

22. As of the date of this Third Report, the Monitor and/or CRO have taken the following steps in furtherance of the SISP Process:

- (a) prepared a list of potential bidders including:
 - (i) parties that have approached the company or the Monitor indicating an interest in the Opportunity; and
 - (ii) local and international strategic and financial parties who the Company, in consultation with the Monitor, believes may be interested in purchasing all or part of the Business or Property or investing in the Company pursuant to the SISP (collectively, the "Known Potential Bidders");
- (b) arranged for a notice of the SISP to be published in the Globe and Mail (National Edition) which occurred on May 14, 2021; and

- (c) prepared a Teaser Letter (as defined in the SISP) and a non-disclosure agreement in form and substance satisfactory to the Company and the Monitor (the "NDA").

23. Parties who request a copy of the Teaser Letter and NDA, or who are identified by the Company as a potential bidder, were provided with the Teaser Letter and NDA as soon as reasonably practicable after such request or identification. In total, as of the date of this Third Report:

- (a) 127 Parties were sent the Teaser Letter;
- (b) 12 NDAs have been sent to Known Potential Bidders;
- (c) 9 NDAs have been executed;
- (d) 9 parties have accessed the Company's data room;
- (e) several parties have had calls with management, the Monitor or the CRO (or a combination thereof) and the Monitor is not aware of any party who has requested a meeting and not received such a meeting; and
- (f) certain parties have requested to schedule site visits at the Company's operating facility, and such site visits have all taken place.

24. Phase 1 of the SISP Process contemplates that potentially interested parties shall deliver non-binding expressions of interest by the Phase 1 Bid Deadline. In accordance with the SISP Process, the Monitor set the Phase 1 Bid Deadline for July 27, 2021 at 5:00 PM EST.

STAY EXTENSION

25. The Stay Period is currently set to expire on July 30, 2021. The Applicants are requesting an extension of the Stay Period until October 28, 2021.

26. The Monitor is of the view that the requested extension of the Stay Period is appropriate for the following reasons:

- (a) it appears to the Monitor that Hydrx and the Applicant have been acting in good faith and with due diligence since the date of the Initial Order;
- (b) Hydrx will require at least 3 more months to complete the SISF, have the Leave to Appeal determined (and, if successful, the appeal itself) and the balance of its restructuring. In the Monitor's view, an extension of less than 3 months will only serve to increase costs;
- (c) Hydrx's updated cash flow statement for the period July 12, 2021 to October 29, 2021, which the Monitor believes to be a fair and reasonable forecast and indicates that Hydrx will have sufficient liquidity to fund its operations through to the end of the proposed Stay Period; and
- (d) the Monitor will take steps to immediately report to stakeholders and the court in the event of a material change in circumstances.

CONCLUSIONS AND RECOMMENDATIONS

27. In view of the foregoing, the Monitor recommends that the Stay Period be extended to October 28, 2021.

All of which is respectfully submitted this 21st day of July 2021.

**SCHWARTZ LEVITSKY FELDMAN INC., in its capacity
as Monitor of the Applicants, and not in
its corporate or personal capacity.**



Per: Alan Page, CPA, CA, CIRP, LIT

Appendix 1

Hydon Group Ltd
 Cash Flow Projections 19 October 2021 to 23 October 2021
 Unaudited Cash Flow - prepared for management
 (Theoretical Forecast (2))

Week Ending (Friday)	Notes	Week 1 16-Jul	Week 2 23-Jul	Week 3 30-Jul	Week 4 06-Aug	Week 5 13-Aug	Week 6 20-Aug	Week 7 27-Aug	Week 8 03-Sep	Week 9 10-Sep	Week 10 17-Sep	Week 11 24-Sep	Week 12 01-Oct	Week 13 08-Oct	Week 14 15-Oct	Week 15 22-Oct	Week 16 29-Oct	Total	
RBC Bank account (07842-1012350)																			
Receipts																			
Medical Cannabis Sales	2	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	12,000	
Extraction B2B	3		25,800																25,800
Beverage Line - OCS	3		127,000																127,000
Retail/provincial Sales	3			15,886	25,575	25,575													67,036
Bulk sales of product	4		21,852																21,852
Advances																			
Total Receipts		22,602	153,550	36,486	26,325	26,325	79,250	91,607	750	189,770	750	750	750	26,229	750	64,500	750	723,346	
Operating Disbursements																			
Consulting Fees			27,500	27,500		27,500		27,500		27,500		27,500		27,500		27,500		210,000	
General Labour																			
COGS																			
Supplies and Raw Materials			3,500								3,500							31,000	
Regulatory Advisor			1,000	7,000	1,000													14,000	
Office Administration							1,000			1,000								15,000	
Insurance										20,000								20,000	
Utilities			14,000							22,000								49,000	
Other operating costs			8,300					8,300		8,300								49,000	
Bank fees/interest																			
CRA Excise Taxes										750								750	
Total Operating Disbursements		9,300	54,100	37,100	500	56,800	34,500	28,500	37,050	78,800	3,500	28,500	13,050	63,000		40,300	29,750	514,750	
Restructuring Professional Fees		15,000	27,500		37,500						32,500			32,500				177,500	
Net Cash inflows / (Outflows)		1,688	71,950	1,288	11,675	30,475	44,850	30,607	38,300	110,970	35,250	27,750	12,300	69,171	750	24,200	29,000	31,096	
Cash																			
Beginning Balance		33,755	32,057	104,007	105,385	93,720	63,245	108,095	138,702	102,402	213,372	178,122	150,372	138,072	64,901	69,651	93,851	39,755	
Net Cash inflows / (Outflows)		1,688	71,950	1,288	11,675	30,475	44,850	30,607	38,300	110,970	35,250	27,750	12,300	69,171	750	24,200	29,000	31,096	
Ending Balance		32,057	104,007	105,385	93,720	63,245	108,095	138,702	102,402	213,372	178,122	150,372	138,072	64,901	69,651	93,851	64,851	64,851	

Notes:
 1. These cash flows have been revised to reflect the projected cash receipts and disbursements from the limited business operations for the period from the week ending July 16, 2021 to the week ending October 29, 2021. They are subject to any uncontrollable externalities or barriers to execution, which may arise.
 2. This specific work has been completed and the invoice is due and payable prior to shipping.
 3. Based on specific purchase orders from either OCS or provincial customers.
 4. Where certain customers are unable or unwilling to agree to COD terms, Hydon has access to a factoring facility to ensure cash is received prior to shipment and will hold minimal, if any, accounts receivable at any one time.

Appendix 2

Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.



Regulatory and Operational Compliance Monitoring Report #3 for Hydrx Farms Ltd.

Prepared By: Samuel Bouabane
Principal Consultant
Libra Advisory Inc.

A handwritten signature in black ink, appearing to read "S. Bouabane", written over a horizontal line.

Signature

July 19, 2021

Date

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



Background:

Hydrx Farms Ltd. requires a third-party firm to provide regulatory and operational compliance monitoring services with respect to the Cannabis Act and Regulations, and specifically, Good Production Practices (GPP) as outlined in the Regulations.

Libra Advisory Inc. is a privately owned, independently operated consulting firm that provides quality, regulatory and compliance consultation services to operators in consumer packaged goods industries including pharmaceuticals, controlled substances, natural health products, food and cannabis.

Libra Advisory Inc. is qualified to practice such activities based on quality, regulatory and industry experience. Please refer to the enclosed curriculum vitae for Samuel Bouabane, Principal Consultant, Libra Advisory Inc. that was previously provided.

Executive Summary:

An 7.5 hour onsite follow up visit was performed at Hydrx Farms Ltd. on June 24, 2021 which included a discussion with Quality Assurance and the Responsible Person, a tour and a review of select site documentation with respect to site regulatory and operational compliance. The review was conducted by Samuel Bouabane, Principal Consultant, Libra Advisory Inc., and will be conducted as part of an ongoing review of regulatory and operational compliance.

Based on the follow up visit, a number of concerns were identified and addressed immediately or are minor in nature and are subject to follow up during the next site monitoring visit. These concerns are detailed in this report.

Nonetheless, the site was found to be compliant and operating within the permissions of the site licence that was issued under the Cannabis Regulations, which include standard cultivation, standard processing, medical sales and sales authorization for all classes of cannabis products.

Note: Consistent with Health Canada's model for inspection, major and critical observations are only issued in cases where public safety concerns, fraud or malicious/illegal activity are observed.

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



Scope:

The enclosed report provides a point-in-time review of regulatory and operational compliance of the Hydrx Farms Ltd. site located at 1130 Champlain Court, Whitby, ON, L1N 6K9, as assessed by Samuel Bouabane, Principal Consultant, Libra Advisory Inc., as an 7.5 hour onsite follow up visit on June 24, 2021 which included a discussion with Quality Assurance and the Responsible Person, a tour and a review of select site documentation with respect to site regulatory and operational compliance.

The on-site meeting was hosted by the following attendees from Hydrx Farms Ltd.:

- Thomas Jefferd, Responsible Person, Head of Security, Hydrx Farms Ltd.
- Carol-Ann Scott, Quality Assurance Person (QAP), Hydrx Farms Ltd.

The following was reviewed:

- Follow up items from Monitoring Report #2
- Licence administration
- Operational, quality and regulatory concerns

This report serves solely to describe observations and recommendations as presented. It does not require any response.

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



Key Observations/Recommendations:

1. Follow-up Items from Monitoring Report #2 (MR2):

a) Responsible Person Changes (MR2 Item 1a)

As part of changes to the Responsible Person at the site, the site is required to continue to file monthly Canada Revenue Agency (CRA) Excise Tax reports. It was confirmed that the site is indeed filing its monthly CRA reports. However, additionally, as per Section 158.3 (a)(iv) of the Excise Act, 2001, the site is required to seek CRA approval for changes to the manner in which cannabis is destroyed.

During discussion with the Mr. Jefferd, the Responsible Person, it became apparent that the site had not yet informed the CRA of changes to the method of destruction, which includes shredding followed by composting, which the site had adopted into its standard operating procedures in May/June 2021. Although there are no concerns with the method of destruction since it has been previously approved by the CRA, the concern remains that the site did not inform or seek approval from the CRA prior to using the new destruction method.

The site is recommended to document a deviation and inform the CRA immediately. This matter will be followed up during the next site monitoring event.

a) Research and Development (R&D) Batch Records (MR2 Item 2a)

Discussions held on June 24, 2021 were focused on commercial product manufacture based on business urgency. As such, review to determine if an R&D batch record program had been established was not performed. This matter will be followed up during the next site monitoring event.

b) Product Formulation (MR2 Item 2b)

During discussions held on June 24, 2021, the site was still actively working toward commercialization of the following products: a dried cannabis product, cannabis beverage, a cannabis concentrate and a cannabis topical. The site continues to advance quickly on product development, including making decisions related to ingredients, packaging and labelling, which are heavily regulated. Mistakes due to requests for rapid assessment, poor implementation of changes, or missed regulatory steps could lead to recall or non-compliance. The site is still recommended to hire a QA project manager to help ensure key operational, quality and regulatory tasks/milestones are met for product launches, and that the time to complete such tasks is appropriately planned and allocated to avoid costly mistakes that could occur during rush situations.

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



c) Compliant Packaging and Labelling (MR2 Item 2c)

During the onsite assessment held on June 24, 2021, the site provided the finalized packaging and labelling for its prospective cannabis concentrate product. The finalized packaging configuration packaging includes an opaque external child resistant bag serving as the principal display, and an interior vessel which contains the cannabis concentrate product. The packaging configuration and labelling were found to be compliant based on the Cannabis Regulations.

The dried cannabis product label was also reviewed and found to be complaint.

No further follow up is required for either of the above mentioned products with respect to packaging configuration and labelling.

d) Conduct of Activities by Trained Individuals (MR2 Item 2d)

During the tour conducted as part of the onsite assessment, the sanitation record for the Trimming Room, being used for cannabis concentrate manufacture, was reviewed. Sanitation records were found to be inconsistent or incomplete.

The matter was immediately addressed by the site QAP who informed area staff of the deficiencies. Staff confirmed that they had already been trained on how to complete and record sanitation tasks but that the sanitation log had been misplaced. Staff were reminded to escalate missing records situations to the QAP immediately.

No further follow up is required for this matter.

2. Kalvara Cannabis Beverage:

a) Images on the Product Packaging

Images such as branding and logos are regulated, and they must meet regulatory requirements with respect to image size. The instructional use images found on the product packaging were deemed acceptable since they are not related to the brand or logo. As such, they qualify as "other information" which is permitted under of Section 130(8) of the Cannabis Regulations, which could include instructional information such as direction for use. This permission is further clarified under Section 8.4 of Health Canada's *Packaging and Labelling Guide for Cannabis Products*.

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



b) Shiny or Metallic Colour on Label

Section 113 (2)(a)(b) of the Cannabis Regulations indicates that the exterior surface and panel a cannabis product must not have a lustre of metal or have metallic properties in the ink, such as Pantone Metallics or Pantone Premium Metallics. Packaging must also not be fluorescent, have fluorescent properties in the ink or have pigments that absorb ultraviolet energy and transmit it as a longer wavelength, such as the Pantone 800 series.

The packaging for the Kalvara Cannabis Beverage was found to be a shiny metallic orange which may contravene the Section 113(2)(a) or (b) of the Cannabis Regulations. The site is required to demonstrate the Pantone colour that is being used. This matter will be followed up in a subsequent site monitoring event.

c) Q-Naturelle (Quijila extract, or soap bark extract), and Other Ingredient Assessments

Quijila bark is a known poisonous substance that is not fit for human consumption. Nonetheless, once it is processed, it is made safe for human consumption and it is used in the manufacturing of a number of commercially available Canadian food products as an emulsifying agent (eg. root beer).

The site has performed sufficient due diligence to demonstrate that Quijila bark extract manufactured and distributed by Ingredion Canada Inc. is suitable for human use as an emulsifying agent. This was performed by review of the supplier's certificate of analysis, manufacturing statements, statements indicating food safety and quality standard during manufacture.

Supplementally, the site was also able to demonstrate records of assessment of the following concerns to qualify the ingredient as suitable for human use, including meeting ingredient prohibition requirements outlined in the Cannabis Regulations:

- i. Temporary Marketing Authorization Letter (TMAL) search to determine if the particular ingredient is listed as a TMAL ingredient. TMAL ingredients are prohibited under Section 102(2) of the Cannabis Regulations;
- ii. Assessment of ethyl alcohol which is limited to 0.5% w/w in cannabis edible products, which is required under Section 102.3 of the Cannabis Regulations;
- iii. Assessment of caffeine content which may only be naturally occurring and not be in excess of 30 mg per unit, which is required under Section 102.2 of the Cannabis Regulations; and,
- iv. Assessment of allergens which must be declared on the label if present, including in trace quantities, which is required in cannabis extract and edible products, based on the Cannabis Regulations.

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



The QAP also demonstrated acceptable assessments for the other ingredients used in the manufacture the Kalvara Cannabis Beverage product, including the use of reverse osmosis water and reverse osmosis + ozonated water, citrus flavour, Stevia, Monk Fruit extract, glycerin, caramel colour, malic acid and nitrogen gas.

Of note, for the malic acid ingredient, the site is still pending completion of supplier qualification and receipt of documentation to demonstrate that the ingredient is suitable for human use. This matter will be followed up during the next site monitoring visit.

3. Deficiencies During Tour:

- a) During the tour, the following deficiencies were identified based on industry best practices and Good Production Practices (GPP) as defined by the Cannabis Regulations. The address of the deficiencies will be followed up during the next site monitoring visit.

Kalvara Bottling Room:

- i. Standing water was found present in a pail in bottling room. Based on discussion, the water originated from the previous day's equipment flush and should have been discarded. Standing water, especially when kept in an unmarked container is not acceptable as it could contaminate cannabis.
- ii. Labelling was missing for the following containers: Wastewater; Rejected cannabis materials; and Unused caps.
- iii. Stress mats were found in the room were found to be porous and could serve as a potential source of contamination.
- iv. No controlled area/location was defined for labelling of cannabis beverage bottles.

Drying Room:

- i. Frozen, thawing cannabis product was placed in plastic bags on the drying room floor. Although the material was thawing and pending drying/processing, storing cannabis on the floor does not meet GPP requirements as the floor can serve as a point of contamination – even if the cannabis was cultivated outdoors.
- ii. As mentioned in Item 1d (above), sanitation records were found to be inconsistent or incomplete.

**Monitoring Report #3
Regulatory and Operational Compliance
Hydrx Farms Ltd.**



Secure Storage Room:

- i. Q-Naturelle, a non-cannabis containing ingredient, was being stored inside the Secure Storage Room which is intended for cannabis material storage only per the Cannabis Regulations. The material was being stored in the Secure Storage Room to limit access and also to keep it under refrigeration, since there were already refrigerator units located inside the Secure Storage Room. It has since been confirmed that both the refrigerator and Q-Naturelle were relocated to an alternate storage area outside of the Secure Storage Room.

Conclusion:

Based on the point-in-time on-site inspection conducted on June 24, 2021, the site was found to be operating in compliance with the Cannabis Act and Regulations.

Additional monitoring will be performed and reported on an ongoing basis.

Appendix “1”

Confidential document filed under court seal.

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 SARAFINO AS A PERSON INTERESTED IN THE MATTER OF A
PLAN OF COMPROMISE OR ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.**

(the "Applicant")

**AFFIDAVIT OF ALAN PAGE
(Sworn November 12, 2021)**

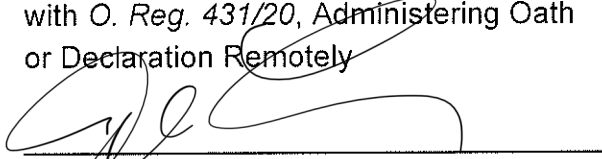
I, Alan Page, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the president of Schwartz Levitsky Feldman Inc. ("SLF"). I have personal knowledge of the matters to which I hereinafter refer.
2. Pursuant to the order of the Honourable Justice Hainey dated March 22, 2021 (the "Initial Order"), SLF was appointed as monitor (the "Monitor") without security, of Hydrx Farms Ltd., Scientus Pharma Inc. and CannScience Innovations Inc. (collectively "Hydrx").
3. SLF has provided services to and incurred disbursements as the Monitor. SLF's detailed invoices are attached hereto and marked as Exhibit "A" (the "Invoices") which describe the services provided for the period March 12, 2021 to November 2, 2021. The Dockets describe the services provided and the amounts charged by SLF.
4. The following is a summary of the Invoices including the date, invoice number, fees, HST and total amounts charged by SLF:


Date	Invoice	Fees	HST	Total
June 4, 2021	210335	\$79,272.00	\$10,305.36	\$89,577.36
July 6, 2021	210446	\$25,618.00	\$3,330.34	\$28,948.34

Date	Invoice	Fees	HST	Total
August 11, 2021	210575	\$19,992.00	\$2,598.96	\$22,590.96
September 8, 2021	210688	\$10,550.00	\$1,371.50	\$11,921.50
October 18, 2021	210721	\$11,000.00	\$1,430.00	\$12,430.00
November 2, 2021	210795	\$7,450.00	\$968.50	\$8,418.50
Subtotal		\$153,882.00	\$20,004.66	\$173,886.70

AFFIRMED remotely as a result of COVID-)
 19 by Alan Page at the City of Toronto, in)
 the Province of Ontario before me, on this)
 11th day of November, 2021 in accordance)
 with O. Reg. 431/20, Administering Oath)
 or Declaration Remotely)



JEFFREY LARRY
 A Commissioner for taking Affidavits



Alan Page

This is Exhibit "A" referred to in the Affidavit of Alan Page affirmed by Alan Page of the City of Toronto, in the Province of Ontario, before me on November 12, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

A handwritten signature in blue ink, appearing to read 'Jeffrey Larry', is positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

JEFFREY LARRY

Hydrx

Sif Billings

Date	Invoice	Fees	HST	Total
4-Jun-21	210335	79272	10305.36	89577.36
6-Jul-21	210446	25618	3330.34	28948.34
11-Aug-21	210575	19992	2598.96	22590.96
8-Sep-21	210688	10550	1371.5	11921.5
Oct 18,21	210721	11000	1430	12430
Nov 2,21	210795	7450	968.5	8418.5
		<u>153882</u>	<u>20004.66</u>	<u>173886.7</u>

Schwartz Levitsky Feldman Inc.
LICENSED INSOLVENCY TRUSTEE

Schwartz Levitsky Feldman Inc.
 2300 Yonge Street, Suite 1500
 Toronto, ON M4P 1E4

June 4, 2021

Invoice 210335

Re: Monitorship of HydrX Farms Ltd.

For: Professional Services rendered on this matter for the period March 12, 2021 to April 30, 2021.

DATE	STAFF	DESCRIPTION	HOURS
03/12/21	AP	Meeting with Domenic Serafino, Trevor Folk re financial status of Hydrx and issues re filing of CCAA	4.00
03/16/21	AP	Call with Jeff Larry re Monitors Report and company issues	1.70
03/19/21	AP	Meeting with Domenic Serafino and Trevor Folk re court Affidavits as to status of company affairs, financial issues and directors issues re Health Canada	4.70
03/19/21	DAR	Worked on preparation of Proposed Monitors Report	3.20
03/20/21	AP	Preparation of proposed Monitors Report and correspondence with Tim Dunn Jeff Larry re corporate filing issues and Serafino Affidavit	6.10
03/22/21	AP	Attendance at court hearing regarding appointment as Monitor and conference call with directors re plant and Health Canada security issues	2.90
03/23/21	DAR	Finalized Proposed Monitor's First Report	1.10
03/24/21	AP	Meeting with Trevor Folk, Tom Jerrard and Domenic Serafino regarding business plan, cash flow, and possible DIP financing alternatives and administration change	4.30
03/24/21	DAR	Forwarded Notice to Service List	2.30

Schwartz Levitsky Feldman Inc.
 LICENSED INSOLVENCY TRUSTEE

03/26/21	AP	Preparation of First Report of the Monitor to stakeholders and attendance at plant for tour and inspect equipment	6.10
03/29/21	AP	Review and finalization of First Report of the Monitor to the Court, review of Goldstein's Affidavit re Hydrx, corporate issues. Meeting with Trevor Folk re business plan and issues re starting operations	5.90
03/30/21	AP	Meeting with Monitors solicitor re amendments to the Court Report, Restart of operations, business plan Cobra Claim and administration change	4.20
03/30/21	DAR	Forwarding Notices to Service List	0.80
03/31/21	AP	Review of filed court reports and attendance at Court Motion re: extension of Stay, cash flow issues and administration change	4.80
04/01/21	AP	Attendance at plant to meet Trevor Folk and Tom Jerrard re production issues, Health Canada issues and banking problems	4.00
04/02/21	AP	Meeting with solicitor re, potential SISP program, sales process issues, indemnity and Health Canada correspondence. Meeting with Responsible Person Phil Heman re Health Canada issues	5.90
04/05/21	DAR	Worked on SLF's website, uploading all required documents	1.90
04/05/21	AP	Meeting with solicitor re response to Cobra letter re start up issues, RBC banking problems and indemnity agreement	4.20
04/06/21	DAR	Attendance at Hydrx premises	7.00
04/06/21	AP	Attendance at plant with Trevor Folk, Tom Jerrard re business plan, restart of operations, cash flow and appointment of Restructuring Officer and indemnity agreement	7.40
04/07/21	DAR	Preparation and uploading of documents to SLF's website	0.60
04/07/21	AP	Review of Serafino indemnity with solicitors and attendance at the plant re manufacturing issues and Health Canada reporting	4.00

Schwartz Levitsky Feldman Inc.
 LICENSED INSOLVENCY TRUSTEE

04/08/21	DAR	Spoke with CRA re status of Hydrx file	0.40
04/08/21	AP	Conference call with solicitor and Goldstein re manufacturing issues on startup, finalization of indemnity, appointment of the CRO and sales process	6.20
04/12/21	AP	Review of draft information re: Cobra SISP, Cobra claims process, credit bid issues and correspondence with solicitor	3.60
04/13/21	AP	Attendance at plant for tour and inspection with secured creditor, review of the cash flow and banking issues with Trevor Folk and Serafino	4.50
04/15/21	AP	Review of cash flow with Hydrx officers, preparation of draft report for court, re; start up operations, Health Canada inspectors, SISP and CRO	6.40
04/15/21	DAR	Corresponding with solicitors re Monitor's reports and materials to be uploaded to SLF's website	2.40
04/16/21	DAR	Amending reports and making changes to SLF's website	0.80
04/19/21	AP	Preparation of Second Monitor's Report, review of SISP process with solicitors, interviews of prospective CRO's	6.40
04/19/21	DAR	Spoke with possible bidder interested in assets of Hydrx	0.40
04/20/21	AP	Conference call with solicitor re CRA, issues re HST and Excise taxes as well as finalization of SISP process for the court	2.20
04/20/21	DAR	Preparation of Monitor's report and uploading documents to SLF's website	0.50
04/21/21	AP	Call with solicitor regarding reporting on SISP, Administration changes, Cobra claims process, extension of Stay and cash flow	4.70
04/22/21	DAR	Made changes to SLF's website and created share file and link	0.40
04/23/21	AP	Attendance at plant re tour with secured creditor and meeting re SISP process, production issues, CRO candidates and cash flow	5.50

Schwartz Levitsky Feldman Inc.
 LICENSED INSOLVENCY TRUSTEE

04/26/21	AP	Meeting and discussions with stakeholder and solicitors re Monitor's Report, CRO engagement and SISP process	4.90
04/26/21	DAR	Made changes to Confidentiality Agreement and Monitor's materials	1.20
04/27/21	AP	Review of Serafino motion and issues re CRA and Health Canada reporting problems	3.90
04/27/21	DAR	Worked on SISP documents and Confidentiality Agreement	0.30
04/28/21	AP	Multiple conference calls with Max Stemmo and solicitors regarding SISP process, credit bidding, CRO engagement letter, revision to court documents and settlement of issues	6.50
04/28/21	DAR	Made updates to SLF Inc.'s website and share file link	0.60
04/30/21	AP	Attendance at Court Hearing re approval of SISP, CRO appointment and extension of Stay	4.10

TIME SUMMARY

	Hours	Rate	
Alan Page	153.00	500.00	76,500.00
Darlene Deveaux	23.10	120.00	2,772.00
HST 13% 119425031RT0001			<u>10,305.36</u>
INVOICE TOTAL			<u>89,877.36</u>

Schwartz Levitsky Feldman Inc.
LICENSED INSOLVENCY TRUSTEE

Schwartz Levitsky Feldman Inc.
 2300 Yonge Street, Suite 1500
 Toronto, ON M4P 1E4

July 6, 2021

Invoice 210446

Re: Monitorship of HydrRx Farms Ltd.

For: Professional Services rendered on this matter for the period May 1, 2021 to June 30, 2021.

DATE	STAFF	DESCRIPTION	HOURS
05/03/21	AP	Review of SISP process and terms, re advertising, teaser letter, Phase 1 deadline and credit bid issue	2.30
05/04/21	AP	Attendance at plant with secured creditor and CRO to review operations, business plan and work out reporting schedule and information	4.50
05/07/21	AP	Meeting with Restart Group re budget, cash flow and financing options	3.60
05/11/21	AP	Review of cash flow with CRO and discussions with potential purchasers re SISP program	2.30
05/12/21	DAR	Corresponding with CRO regarding setting up tours of the plant	0.50
05/18/21	AP	Meeting and discussions with various groups regarding SISP process, Cobra Claims procedure and set up the Data Room	4.60
05/19/21	AP	Correspondence with potential purchasers re SISP information and timing	2.40
05/20/21	AP	Review of cash flow with CRO and Restart Group, attendance at plant re SISP tour	2.80
05/26/21	DAR	Sent several CA's to potential purchasers and forwarded link to Data Room to same	0.80
05/27/21	AP	Attendance at plant to review cash flow, operations and tour SISP participants	4.40

Schwartz Levitsky Feldman Inc.

LICENSED INSOLVENCY TRUSTEE

05/31/21	DAR	Uploaded materials to SLF Inc.'s website and corresponded potential purchasers re documents	0.60
06/01/21	DAR	Communicated with potential bidder re CA and link to Data Room	0.30
06/02/21	AP	Meeting with Restart Group re cash flow, funding needs and review of purchase orders re timing of receipts	3.40
06/02/21	DAR	Spoke to potential bidder re Data Room information	0.30
06/03/21	AP	Correspondence with CRO on Health Canada issues and discussion with SISP participants re Cobra Claims Process	2.70
06/03/21	DAR	Corresponding with lawyer re access to Data Room link	0.30
06/07/21	DAR	Spoke with creditor re claims process	0.30
06/10/21	AP	Review of contracts with CRO, HydRx cash flow and corresponding with SISP participants	2.60
06/17/21	AP	Attendance at plant for inspection by secured creditor and review of SISP claims process and production issues	3.00
06/23/21	AP	Meetings and discussions with SISP participants re Cobra Claim issue and Phase 1 Bid deadline	2.30
06/29/21	DAR	Uploaded documents to SLF Inc.'s website and updated site	0.80
06/30/21	AP	Attendance at Court re Cobra Claims hearing, review of SISP and issues re Court decision	5.50

TIME SUMMARY

	Hours	Rate	
Alan Page	50.30	500.00	25,150.00
Darlene Deveaux	3.90	120.00	<u>468.00</u>
HST 13% 119425031RT0001			<u>3,330.34</u>
INVOICE TOTAL			<u>28,948.34</u>

Schwartz Levitsky Feldman Inc.
LICENSED INSOLVENCY TRUSTEE

Schwartz Levitsky Feldman Inc.
 2300 Yonge Street, Suite 1500
 Toronto, ON M4P 1E4

August 11, 2021

Invoice 210575

Re: Monitorship of HydrX Farms Ltd.

For: Professional Services rendered on this matter for the period July 1, 2021 to July 31, 2021.

DATE	STAFF	DESCRIPTION	HOURS
07/06/21	AP	Attendance at court hearing re Cobra Claim and correspondence with SISP participants re Phase 1 bid deadline	2.00
07/06/21	DAR	Draft and preparation of Monitor's Third Report	2.20
07/07/21	DAR	Preparation of letter for potential bidders	0.90
07/09/21	AP	Attendance at HydrX with CRO to review Cash Flow, business plan and receipt of passwords from Tom Jerrard	3.40
07/12/21	AP	Preparation of Monitor's Report to stakeholders, correspondence and calls with SISP participants re process and review of Cobra Claim decision	3.50
07/13/21	DAR	Prepared and emailed letters to potential bidders	0.80
07/19/21	DAR	Worked on amendments to Monitor's Third Report	0.90
07/19/21	AP	Review of CRO reports, cash flow and Cobra report for preparation of the Monitor's Third Report to Court	2.40
07/20/21	AP	Finalization of Monitor's Third Report, review with solicitor re extension of Stay, correspondence with various groups re SISP information, process and bid deadline	4.00
07/21/21	AP	Execution of Monitor's Third Report, conference call with Pregar Group re extension of Stay and appointment of Super Monitor and terms	2.60

Schwartz Levitsky Feldman Inc.

LICENSED INSOLVENCY TRUSTEE

0722/21	AP	Correspondence with SISP participants, call with solicitor re court extension of Stay and Super Monitor appointment issues	2.40
07/22/21	DAR	Spoke with potential bidder and sent out SISP information	0.40
07/23/21	AP	Meeting with Restart Group re Cobra Claim decision and implications, review of Cash Flow and updated business plan	3.20
07/26/21	AP	Attendance at Court hearing re extension of CCAA Stay, appointment of Super Monitor and call with Stakeholders re Court decision implications and SISP issues	3.60
07/27/21	AP	Review of SISP results and Phase 1 offers with solicitor and review of new business plan issues with; Tom Jerrard, Jim Mcpherson and Trevor Folk	3.20
07/28/21	AP	Preparation of summary of SISP results and call with CRO and solicitor re offers and implication of results	2.60
07/28/21	DAR	Uploaded various court documents to our website	0.80
07/29/21	AP	Meeting with Restart Group re; claims decision, SISP results, ramifications, shut down issues and alternatives	3.20
07/30/21	DAR	Uploaded various court documents to our website	0.60
07/30/21	AP	Review of possible oppressive law suit with solicitor, SISP issues and operational issues re business	2.30

TIME SUMMARY

	Hours	Rate	
Alan Page	38.40	500.00	19,200.00
Darlene Deveaux	6.60	120.00	<u>792.00</u>
HST 13% 119425031RT0001			<u>2,598.96</u>
TOTAL			<u>22,590.96</u>

Schwartz Levitsky Feldman Inc.
 LICENSED INSOLVENCY TRUSTEE

Schwartz Levitsky Feldman Inc.
 2300 Yonge Street, Suite 1500
 Toronto, ON M4P 1E4

Sept 8, 2021

Invoice 210688

Re: Monitorship of HydRx Farms Ltd.

For: Professional Services rendered on this matter for the period August 1, 2021 to August 31, 2021.

DATE	STAFF	DESCRIPTION	HOURS
08/03/21	AP	Conference call with solicitor and CRO regarding review of SISP process and implications	2.50
08/04/21	AP	Calls with SISP participants to explain results and status of process	2.00
08/08/21	AP	Conference call with Jeff Larry, CRO, David Pregar and Cobra Group re appointment of Super Monitor and ramifications. Review of business operations to date regarding cash flow and work in process.	3.70
08/09/21	AP	Attendance at HydRx to meet with Restart Group an CRO re cash flow, contracts, shutdown of business and debenture proposal	3.80
08/12/21	AP	Attendance at HydRx for meeting with CRO and Restart Group to plan business shut down, cash flow and closing of contracts.	3.50
08/25/21	AP	Conference call with Cobra re status of business operations, update of WIP, PO's and cash flow	2.40
08/27/21	AP	Attendance at plant to review cash flow and WIP with Restart Group	3.20

TIME SUMMARY

	Hours	Rate	
Alan Page	21.10	500.00	\$ 10,550.00
HST 13% 119425031RT0001			<u>1,371.50</u>
TOTAL			<u>\$ 11,921.50</u>

2300 Yonge Street, Suite 1500, Box 2434
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 Tel: 416 785 5353
 Fax: 416 785 5663

Schwartz Levitsky Feldman Inc.

LICENSED INSOLVENCY TRUSTEE

Schwartz Levitsky Feldman Inc.
2300 Yonge Street, Suite 1500
Toronto, ON M4P 1E4

October 18, 2021

Invoice 210721

Re: Monitorship of HydrX Farms Ltd.

For: Professional Services rendered on this matter for the period September 1, 2021 to September 30, 2021.

DATE	STAFF	DESCRIPTION	HOURS
09/01/21	AP	Attendance at HydrX to meet representation of Cobra re: closing of operations, cancelling P.O.'s and cash flow	5.00
09/08/21	AP	Meeting and correspondence with CRO and Re Start Group re wind up of operations and timing	2.10
09/14/21	AP	Meeting with Re Start Group re: cash flow, P.O.'s, wind down of operations and potential purchase of Debenture	2.30
09/15/21	AP	Meeting with CRO and Cobra re wind up of operations, clean up plan and cash flow	3.70
09/17/21	AP	Meeting with solicitors regarding Asset Purchase Agreement, Reverse Vesting Order, issues re Cobra claim appeal and potential sale of the Debenture	2.80
09/21/21	AP	Conference call with solicitors and Cobra re Asset Purchase Agreement, Reverse Vesting Order and manufacturing wind down	1.60
09/27/21	AP	Meeting with solicitor and CRO re potential sale of Cobra Debenture and Reverse Vesting Order	2.00
09/30/21	AP	Review of draft Reverse Vesting Order with solicitor and correspondence with Cobra re stoppage of production, move out of Re Start Group and sale of Debenture	2.50

TIME SUMMARY

	Hours	Rate	
Alan Page	22.00	500.00	\$ 11,000.00
HST 13% 119425031RT0001			<u>1,430.00</u>
TOTAL			<u>\$ 12,430.00</u>

Schwartz Levitsky Feldman Inc.
 LICENSED INSOLVENCY TRUSTEE

Schwartz Levitsky Feldman Inc.
 2300 Yonge Street, Suite 1500
 Toronto, ON M4P 1E4

November 2, 2021

Invoice 210795

Re: Monitorship of HydRx Farms Ltd.

For: Professional Services rendered on this matter for the period October 1, 2021 to October 31, 2021.

DATE	STAFF	DESCRIPTION	HOURS
10/07/21	AP	Attendance at HydRx re meeting with Goldstein and Hamish re settlement and structuring of deal, conference call with solicitor re settlement	2.80
10/14/21	AP	Review of draft Share Purchase Agreement with Vesting Order and comments	1.40
10/19/21	AP	Preparation of Fourth Report to Court re extension of Stay	2.00
10/22/21	AP	Filing of amendment to Fourth Report with Court and review of Motion Materials by HydRx re extension	2.00
10/26/21	AP	Attendance at Court Motion re extensions of Stay and updates to Website	1.20
10/29/21	AP	Preparation of draft Fifth Report to Court re Share Purchase Agreement and draft Vesting Order	5.50

TIME SUMMARY

	Hours	Rate	
Alan Page	14.90	500.00	\$ 7,450.00
HST 13% 119425031RT0001			<u>968.50</u>
TOTAL			<u>\$ 8,418.50</u>

2300 Yonge Street, Suite 1500, Box 2434
 Toronto, Ontario M4P 1E4
 Tel: 416 785 5353
 Fax: 416 785 5663

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

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

ONTARIO

SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

FEE AFFIDAVIT OF ALAN PAGE

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP
155 Wellington Street West
35th Floor

Toronto, ON M5V 3H1
Tel: 416.646.4300

Jeffrey Larry (LSUC# 44608D)
Tel: 416.646.4330
jeff.larry@paliareroland.com

Lawyers for the Monitor, Schwartz Levitsky Feldman Inc.

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 SARAFINO AS A PERSON INTERESTED IN THE MATTER OF A
PLAN OF COMPROMISE OR ARRANGMENT OF HYDRX FARMS LTD.,
CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC.**

(the "Applicant")

**AFFIDAVIT OF MEGAN BRADT
(Sworn November 12, 2021)**

I, Megan Bradt, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND**

SAY:

1. I am an assistant at the law firm of Paliare Roland Rosenberg Rothstein LLP ("Paliare Roland"). I have personal knowledge of the matters to which I hereinafter refer.
2. Pursuant to the order of the Honourable Justice Hainey dated March 22, 2021 (the "Initial Order"), Schwartz Levitsky Feldman Inc. ("SLF") was appointed as monitor (the "Monitor") without security, of Hydrx Farms Ltd., Scientus Pharma Inc. and CannScience Innovations Inc. (collectively "Hydrx").
3. Paliare Roland has provided legal services to and incurred disbursements on behalf of the Monitor. The detailed invoices attached hereto and marked as Exhibit "A" (the "Dockets") set out Paliare Roland's fees and disbursements from March 16, 2021 to October 28, 2021. The Dockets describe the services provided and the amounts charged by Paliare Roland.
4. The following is a summary of the professionals whose services are reflected in the Dockets, including hourly rates, fees billed, hours billed and the average hourly rate charged by Paliare Roland. The hourly rates charged are the usual hourly rates charged by Paliare Roland for the listed professionals.

Professional	Hourly Rate	Hours Billed	Fees Billed
Jeff Larry, Partner, 2001 Call	\$775/hr	69.90	\$54,172.50
Max Starnino, Associate, 1999	\$750/hr	62.50	\$46,875.00
Elizabeth Rathbone, Associate, 2016 Call	\$500/hr	35.80	\$17,900.00
Deanna Watters, Law Clerk	\$220/hr	0.10	\$22.00
Subtotal		168.20	\$118,969.50

5. Inclusive of HST and disbursements, the total amount of the Dockets are **\$134,917.99.**

SWORN remotely as a result of COVID-19)
 by Megan Bradt at the City of Toronto, in)
 the Province of Ontario before me, on this)
 12th day of November, 2021 in accordance)
 with *O. Reg. 431/20*, Administering Oath)
 or Declaration Remotely)



JEFFREY LARRY

A Commissioner for taking Affidavits



MEGAN BRADT

This is Exhibit "A" referred to in the Affidavit of Megan Bradt sworn by Megan Bradt of the City of Toronto, in the Province of Ontario, before me on November 12, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits (or as may be)

JEFFREY LARRY



35th Floor
 155 Wellington St. West
 Toronto, Ontario M5V 3H1
 Canada

416.646.4300
 paliareroland.com

Private and Confidential
 Schwartz Levitsky Feldman Inc
 2300 Yonge Street
 Suite 1500, Box 2434
 Toronto, Ontario M4P 1E4

March 31, 2021
 Invoice No.: 103148
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending March 31, 2021:

Total Fees	\$ 8,920.00
Total HST	<u>1,159.60</u>
INVOICE TOTAL	<u><u>\$ 10,079.60</u></u>

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Per:

A handwritten signature in blue ink, appearing to read "Jeffrey Larry", positioned above a horizontal line.

Jeffrey Larry



35th Floor
 155 Wellington St. West
 Toronto, Ontario M5V 3H1
 Canada

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Private and Confidential
 Schwartz Levitsky Feldman Inc
 2300 Yonge Street
 Suite 1500, Box 2434
 Toronto, Ontario M4P 1E4

March 31, 2021
 Invoice No.: 103148
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending March 31, 2021:

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
16/03/21	JL	Call with T. Dunn; call with A. Page; review Monitor's report; consider issues;	775.00	1.20	930.00
19/03/21	JL	Call with A. Page; revisions to report;	775.00	0.60	465.00
21/03/21	JL	Call with T. Dunn; correspondence to A. Page;	775.00	0.30	232.50
22/03/21	JL	Prepare for and attend at court;	775.00	1.20	930.00
26/03/21	JL	Call with A. Page; review correspondence;	775.00	0.50	387.50
28/03/21	JL	Review and revise Monitor's report;	775.00	0.40	310.00
29/03/21	JL	Calls with counsel; call with A. Page; review and revise report;	775.00	1.80	1,395.00
30/03/21	JL	Various calls with counsel; calls with A. Page; correspondence; review new materials;	775.00	2.30	1,782.50
31/03/21	JL	Prepare for and attend on motion; various calls with counsel; review new	775.00	2.50	1,937.50

Invoice No.: 103148
 Our File No.: 36034-
 98565
 Page No.: 2

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
		submissons and materials; call with E. Rathbone;			
31/03/21	ER	Call with J Larry re status, strategy; consider issues re same;	500.00	1.10	550.00

TIME SUMMARY

MEMBER	HOURS	RATE	VALUE
Rathbone, Elizabeth (ER)	1.10	500.00	550.00
Larry, Jeffrey (JL)	10.80	775.00	8,370.00
	<u>11.90</u>		

OUR FEES	\$ 8,920.00
HST at 13%	1,159.60

INVOICE TOTAL

\$ 10,079.60



35th Floor
155 Wellington St. West
Toronto, Ontario M5V 3H1
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Schwartz Levitsky Feldman Inc
2300 Yonge Street
Suite 1500, Box 2434
Toronto, Ontario M4P 1E4

March 31, 2021
Invoice No.: 103148
Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

**REMITTANCE COPY
PLEASE REMIT WITH PAYMENT**

Total Fees	\$ 8,920.00
Total HST	<u>1,159.60</u>
INVOICE TOTAL	<u><u>\$ 10,079.60</u></u>



35th Floor
 155 Wellington St. West
 Toronto, Ontario M5V 3H1
 Canada

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Private and Confidential
 Schwartz Levitsky Feldman Inc
 2300 Yonge Street
 Suite 1500, Box 2434
 Toronto, Ontario M4P 1E4

April 30, 2021
 Invoice No.: 103937
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending April 30, 2021:

Total Fees	\$ 75,852.50
Non Taxable Disbursements	320.00
Total Disbursements subject to HST	57.70
Total HST	<u>9,868.33</u>
INVOICE TOTAL	<u><u>\$ 86,098.53</u></u>

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Per:

A handwritten signature in blue ink, appearing to read "Jeffrey Larry".

Jeffrey Larry



35th Floor
 155 Wellington St. West
 Toronto, Ontario M5V 3H1
 Canada

416.646.4300
 paliareroland.com

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 Schwartz Levitsky Feldman Inc
 2300 Yonge Street
 Suite 1500, Box 2434
 Toronto, Ontario M4P 1E4

April 30, 2021
 Invoice No.: 103937
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending April 30, 2021:

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
01/04/21	JL	Various calls with counsel and A. Page; correspondence re indemnity and sales process issues;	775.00	1.60	1,240.00
01/04/21	ER	Review case material; call with J Larry, A Page re status, strategy;	500.00	1.20	600.00
02/04/21	JL	Various calls with counsel; correspondence with A. Page; issues re indemnity agreement;	775.00	1.10	852.50
05/04/21	JL	Internal call to discuss file and next steps; call with A. Page; correspondence;	775.00	0.80	620.00
05/04/21	ER	E-mails and call with J Larry, M Starnino re matter; review cannabis CROs and identify potential candidates;	500.00	2.60	1,300.00
05/04/21	MS	Introduction to file including: email exchange to schedule call; tcw J. Larry and E. Rathbone; reviewing correspondence and other	750.00	2.00	1,500.00

Invoice No.: 103937
 Our File No.: 36034-
 98565
 Page No.: 2

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
		documents; email to J. Larry and E. Rathbone;			
06/04/21	JL	Drafting correspondence to J. Bellissimo; calls with A. Page; call with counsel; various email correspondence;	775.00	1.40	1,085.00
06/04/21	MS	Email exchange re: governance issues and related appointment of CRO; editing letter to J. Bellissimo and related email exchange;	750.00	1.40	1,050.00
07/04/21	JL	Various calls and email correspondence; discussions with Monitor; indemnity agreement; draft letter to J. Bellissimo;	775.00	2.40	1,860.00
07/04/21	MS	Email and telephone attendances re: governance issues, indemnity and other matters;	750.00	2.00	1,500.00
08/04/21	JL	Revising and issues re indemnity; numerous calls with Monitor; calls with counsel re various issues; email correspondence;	775.00	2.10	1,627.50
08/04/21	MS	Attending to indemnity;	750.00	1.00	750.00
09/04/21	JL	Discussion with M. Starnino; email correspondence;	775.00	0.70	542.50
09/04/21	ER	Call with M Starnino re status;	500.00	0.30	150.00
12/04/21	JL	Calls with Monitor; call with counsel; review SISP; email correspondence;	775.00	1.90	1,472.50

Invoice No.: 103937
 Our File No.: 36034-
 98565
 Page No.: 3

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
12/04/21	ER	Review draft COBRA SISF procedures; e-mails with J Larry re same;	500.00	1.50	750.00
12/04/21	MS	Tcw J. Larry re: SISF; reviewing related email; reviewing draft SISF prepared by J. Bellissimo; report from J. Larry re: discussion with L. Williams; email re: claims process; scheduling call with T. Dunn and reviewing report to A. Page; related email;	750.00	1.90	1,425.00
13/04/21	JL	Various calls and correspondence; discuss process; discuss pending motion and materials;	775.00	1.90	1,472.50
13/04/21	MS	Rescheduling call with T. Dunn; call with T. Dunn; email from C. Reicin at Torys;	750.00	1.00	750.00
14/04/21	JL	Call with counsel; email correspondence; call with Monitor;	775.00	1.40	1,085.00
14/04/21	MS	Email to schedule call with J. Bellissimo; tcw J. Bellissimo re: SISF etc.;	750.00	0.60	450.00
15/04/21	JL	Calls with counsel; discussion with M. Starnino;	775.00	0.70	542.50
15/04/21	ER	Draft SISF procedures, order; conduct research re same;	500.00	4.10	2,050.00
15/04/21	MS	Call with J. Bellisimo;	750.00	0.70	525.00
16/04/21	ER	Draft, review, and revise SISF procedures and order;	500.00	3.60	1,800.00

Invoice No.: 103937
 Our File No.: 36034-
 98565
 Page No.: 4

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
17/04/21	MS	Email attaching draft SISP and reviewing same; revising same and circulating comments;	750.00	2.50	1,875.00
18/04/21	JL	Review and revise draft Order and SISP;	775.00	0.70	542.50
18/04/21	ER	Review and revise SISP procedures; me-mails with M Starnino, J Larry re same; e-mail to A Page re same;	500.00	0.90	450.00
18/04/21	MS	Email re: SISP/Order;	750.00	0.10	75.00
19/04/21	MS	Email re: SISP;	750.00	0.10	75.00
20/04/21	JL	Call with A. Page and M. Starnino; review and consider SISP;	775.00	0.90	697.50
20/04/21	MS	Reviewing draft Second Report;	750.00	0.30	225.00
21/04/21	JL	Review markup of Order from J. Bellissimo; discussion with M. Starnino; review SISP;	775.00	0.80	620.00
21/04/21	ER	Draft notice of motion, order; e-mails with receiver, M Starnino; conduct research re CRO;	500.00	3.60	1,800.00
21/04/21	MS	Reviewing revised cashflow statement circulated by A. Page; email re CRO; circulating amended cashflow for comment; reviewing Cobra comments on SISP and Order; email attaching Windsor representations; circulating Cobra comments to A. Page and related email	750.00	5.00	3,750.00

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
		exchange; scheduling call with Cassels;			
22/04/21	JL	Call with B. Kofman and A. Shapero; review markup of SISP;	775.00	1.90	1,472.50
22/04/21	ER	Correspondence re SISP, CRO; call with Cobra's counsel re same; multiple e-mails and confers with M Starnino re same; call with J Larry, M Starnino re same; review and revise motion materials;	500.00	3.60	1,800.00
22/04/21	MS	Email exchange with J. Larry; email to E. Rathbone attaching J. Macpherson LinkedIn profile; email re: Commercial List scheduling and practice; research re J. Macpherson; tcw J. Larry; tcw J. Larry and Cassel re: SISP etc.; follow-up with J. Larry and E. Rathbone; mark-up of CRO agreements;	750.00	3.60	2,700.00
23/04/21	JL	Various email correspondence; discussions with counsel; review revised SISP mark up; engagement letter; correspondence with counsel to Feather; correspondence with A. Page;	775.00	0.90	697.50
23/04/21	ER	Draft, review, and revise receiver's report; draft, review, and revise SISP procedures, order, and motion materials; multiple e-mails and confers with M Starnino, stakeholders re	500.00	5.60	2,800.00

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
		same; review and revise CRO engagement letter; e-mails with CRO re same;			
23/04/21	MS	Editing motion materials for SISP/CRO Orders; relayed email exchanges and telephone conversations;	750.00	7.50	5,625.00
24/04/21	MS	Multiple email from A. Page re: motion materials;	750.00	0.10	75.00
25/04/21	JL	Call with A. Shapero; calls with A. Page; call with M. Starnino; review and comment on report and draft SISP;	775.00	1.50	1,162.50
25/04/21	MS	Drafting, editing and revising motion materials; email circulating same;	750.00	3.00	2,250.00
26/04/21	MS	Finalizing motion materials tcw J. Bellissimo; tcw A. Page; email exchanges; drafting, editing and revising court documents; preparing blacklines;	750.00	5.30	3,975.00
27/04/21	MS	Email re: Applicant's Motion Record for stay extension and reviewing same; email to F. Newbould; tcw J. Bellissimo; tcw T. Dunn;	750.00	1.10	825.00
28/04/21	ER	Review correspondence, materials; call with M Starnino re status; call with M Starnino, J Bellissimo;	500.00	2.30	1,150.00
28/04/21	MS	Multiple email exchanges and telephone attendances to broker settlement of motions; related revisions to court documents for SISP/CRO motion;	750.00	7.50	5,625.00

Invoice No.: 103937
 Our File No.: 36034-
 98565
 Page No.: 7

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
29/04/21	ER	Call with J Bellissimo, M Starnino; confers with M Starnino; review and revise draft order; extensive correspondence with counsel;	500.00	1.70	850.00
29/04/21	MS	Finalizing orders for Motion for SISP/CRO order; telephone email exchanges re settlement; report to court;	750.00	5.50	4,125.00
30/04/21	JL	Call with D. Preger; call with M. Starnino;	775.00	0.40	310.00
30/04/21	ER	Prepare for and attend hearing; e-mails with M Starnino re same; e-mails with Court re same;	500.00	1.80	900.00
30/04/21	MS	Preparing for and attending on haring for stay-extension/SISP/CRO orders; follow-up instructions to E. Rathbone; follow-up call with J. Bellissimo; drafting correspondence to Service List re: Cobra Claim process; follow-up email to Hainey J.; reporting email;	750.00	3.20	2,400.00

TIME SUMMARY

MEMBER	HOURS	RATE	VALUE
Rathbone, Elizabeth (ER)	32.80	500.00	16,400.00
Larry, Jeffrey (JL)	23.10	775.00	17,902.50
Starnino, Max (MS)	55.40	750.00	41,550.00
	<u>111.30</u>		
OUR FEES			\$ 75,852.50
HST at 13%			9,860.83

Invoice No.: 103937
 Our File No.: 36034-
 98565
 Page No.: 8

Non Taxable Disbursements:

27/04/21	Filing Fee Re: Superior Court of Justice in Toronto - Motion Record, Affidavit of Service Voucher No. 27735 for Invoice No. 21038456- MAG issued by: (130)CIBC	320.00
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Taxable Disbursements:

Cerlox and Binding	1.95
Courier Expense	13.95
Conference Call Charges	17.80
Laser Copies	23.25
Photocopies	0.75

Total Taxable Disbursements	57.70
HST at 13%	7.50

INVOICE TOTAL

\$ 86,098.53



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Canada

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2300 Yonge Street
Suite 1500, Box 2434
Toronto, Ontario M4P 1E4

April 30, 2021
Invoice No.: 103937
Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

**REMITTANCE COPY
PLEASE REMIT WITH PAYMENT**

Total Fees	\$ 75,852.50
Non Taxable Disbursements	320.00
Total Disbursements subject to HST	57.70
Total HST	<u>9,868.33</u>
INVOICE TOTAL	<u><u>\$ 86,098.53</u></u>



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 Suite 1500, Box 2434
 Toronto, Ontario M4P 1E4

May 31, 2021
 Invoice No.: 104507
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending May 31, 2021:

Total Fees	\$ 6,245.00
Total Disbursements subject to HST	86.05
Total HST	823.04
	<hr/>
INVOICE TOTAL	<u><u>\$ 7,154.09</u></u>

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Per:

A handwritten signature in blue ink, appearing to read "Jeffrey Larry", written over a horizontal line.

Jeffrey Larry



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May 31, 2021
 Invoice No.: 104507
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending May 31, 2021:

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
01/05/21	MS	Follow-up re SISP order;	750.00	0.10	75.00
03/05/21	MS	Follow-up re: SISP Order;	750.00	0.10	75.00
04/05/21	ER	Follow up re: orders; internal and stakeholder correspondence;	500.00	0.40	200.00
04/05/21	MS	Email from T. Dunn; follow- up re: SISP Order; attending to notice requirements re: Cobra Claims litigation; email to Service List;	750.00	0.30	225.00
05/05/21	MS	Email exchange re May 11 Case Conference;	750.00	0.20	150.00
06/05/21	ER	E-mails with court; e-mails with M Starnino re NDA, hearing;	500.00	0.60	300.00
06/05/21	MS	Instructions re: arrangements for case conference; email re confidentiality agreement and giving instructions to E. Rathbone; email attaching draft teaser and reviewing same; email re: Oracle contract inquiry;	750.00	0.70	525.00

Invoice No.: 104507
 Our File No.: 36034-
 98565
 Page No.: 2

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
07/05/21	ER	Review draft NDA; e-mails with A Page re same; correspondence and coordination re case conference;	500.00	0.90	450.00
07/05/21	MS	Email from C. Matthews re: Shareholder retainer; receipt of Applicant's Statement of Position; follow-up re: Cobra and Applicant counsel re: scheduling of case conference; email re: Oracle contract;	750.00	1.00	750.00
10/05/21	MS	Email re: Oracle claim; circulating comments on draft teaser; follow-up re: scheduling Cobra Claims Process and preparing for case conference;	750.00	0.90	675.00
11/05/21	MS	Preparing for and attending case conference; email re: Oracle; email re: order;	750.00	1.40	1,050.00
12/05/21	JL	Correspondence and review;	775.00	0.20	155.00
13/05/21	JL	Various calls and email correspondence;	775.00	0.50	387.50
13/05/21	MS	Attending to email from counsel to potential bidder;	750.00	0.10	75.00
14/05/21	MS	Circulating resignation of Goldstein;	750.00	0.10	75.00
26/05/21	MS	Email from T. Dunn and others re: litigation claim; adding stakeholder to Service List;	750.00	0.30	225.00
27/05/21	JL	Review submissions; call	775.00	0.90	697.50

Invoice No.: 104507
 Our File No.: 36034-
 98565
 Page No.: 3

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
		with M. Starnino;			
28/05/21	JL	Call with A. Page;	775.00	0.20	155.00

TIME SUMMARY

MEMBER	HOURS	RATE	VALUE
Rathbone, Elizabeth (ER)	1.90	500.00	950.00
Larry, Jeffrey (JL)	1.80	775.00	1,395.00
Starnino, Max (MS)	5.20	750.00	3,900.00
	<u>8.90</u>		

OUR FEES	\$ 6,245.00
HST at 13%	811.85

Taxable Disbursements:

Courier Expense	20.30
Laser Copies	10.75
Search Disbursement	<u>55.00</u>

Total Taxable Disbursements	86.05
HST at 13%	<u>11.19</u>

INVOICE TOTAL \$ 7,154.09



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May 31, 2021
Invoice No.: 104507
Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

**REMITTANCE COPY
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Total Fees	\$ 6,245.00
Total Disbursements subject to HST	86.05
Total HST	823.04
INVOICE TOTAL	\$ 7,154.09



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 Toronto, Ontario M4P 1E4

July 31, 2021
 Invoice No.: 105406
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending July 31, 2021:

Total Fees	\$ 14,687.50
Total HST	<u>1,909.38</u>
INVOICE TOTAL	<u><u>\$ 16,596.88</u></u>

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Per:

A handwritten signature in blue ink, appearing to read "Jeffrey Larry", positioned above a horizontal line.

Jeffrey Larry



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July 31, 2021
Invoice No.: 105406
Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending July 31, 2021:

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
02/06/21	MS	Email re cross-examinations;	750.00	0.10	75.00
07/06/21	MS	Email re: cross-examinations, etc.;	750.00	0.10	75.00
18/06/21	JL	Discussions and prepare for motion; various correspondence;	775.00	0.50	387.50
18/06/21	MS	Email exchange re: scheduling of chambers appointment;	750.00	0.50	375.00
20/06/21	MS	Email/call with J. Larry;	750.00	0.30	225.00
21/06/21	JL	Attend 930 appointment; correspondence and discussion with client;	775.00	0.80	620.00
22/06/21	JL	Various correspondence and telephone calls;	775.00	0.30	232.50
25/06/21	JL	Review and consider hearing;	775.00	0.30	232.50
29/06/21	JL	Prepare for hearing;	775.00	0.40	310.00
30/06/21	JL	Attend at court hearing; calls with A. Page; call with D. Preger;	775.00	3.20	2,480.00

Invoice No.: 105406
 Our File No.: 36034-
 98565
 Page No.: 2

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
02/07/21	JL	Call with Monitor and CRO; email correspondence; various issues; calls with counsel	775.00	1.20	930.00
05/07/21	JL	Various discussions re SISP and next steps;	775.00	0.90	697.50
06/07/21	JL	Calls with counsel and Monitor;	775.00	1.50	1,162.50
07/07/21	JL	Call with M. Starnino re: SISP;	775.00	0.40	310.00
07/07/21	MS	Preparing for and attending on telephone call with J. Larry re: impact of appeal on sales process;	750.00	0.50	375.00
13/07/21	JL	Call with A. Page; discussions re extension;	775.00	0.40	310.00
16/07/21	JL	Calls with client and counsel;	775.00	0.50	387.50
20/07/21	JL	Revise and comment on Monitor's Report to the Court;	775.00	1.20	930.00
21/07/21	JL	Call with Monitor, CRO and counsel to discuss various issues; email correspondence; finalize and serve Monitor's Third Report;	775.00	1.40	1,085.00
26/07/21	JL	Call with J. Macpherson; call with A. Page; prepare for and attend on motion;	775.00	1.70	1,317.50
28/07/21	JL	Call with A. Page; call with J. MacPherson; review bids and consider next steps;	775.00	0.90	697.50
29/07/21	JL	Call with CRO and A. Page;	775.00	1.50	1,162.50

Invoice No.: 105406
 Our File No.: 36034-
 98565
 Page No.: 3

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
		call with T. Dunn; email correspondence; call with L. Corne;			
30/07/21	JL	Call with A. Page; email correspondence;	775.00	0.40	310.00

TIME SUMMARY

MEMBER	HOURS	RATE	VALUE
Larry, Jeffrey (JL)	17.50	775.00	13,562.50
Starnino, Max (MS)	1.50	750.00	1,125.00
	<u>19.00</u>		

OUR FEES \$ 14,687.50
 HST at 13% 1,909.38

INVOICE TOTAL

\$ 16,596.88



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July 31, 2021
Invoice No.: 105406
Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

**REMITTANCE COPY
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Total Fees	\$ 14,687.50
Total HST	1,909.38
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INVOICE TOTAL	\$ 16,596.88
	<hr/> <hr/>



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 Toronto, Ontario M4P 1E4

October 31, 2021
 Invoice No.: 107564
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending October 31, 2021:

Total Fees	\$ 13,264.50
Total HST	<u>1,724.39</u>
INVOICE TOTAL	<u><u>\$ 14,988.89</u></u>

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Per:

A handwritten signature in blue ink, appearing to read "Jeffrey Larry", written over a horizontal line.

Jeffrey Larry



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October 31, 2021
 Invoice No.: 107564
 Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

FOR PROFESSIONAL SERVICES RENDERED on this matter for the period ending October 31, 2021:

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
03/08/21	JL	Various email correspondence;	775.00	0.40	310.00
04/08/21	JL	Call with client; issues re expansion of Monitor's powers; call with counsel; finalize Order;	775.00	0.50	387.50
05/08/21	JL	Discussions with A. Page; email correspondence;	775.00	0.30	232.50
05/08/21	MS	Reply to email from J. Larry;	750.00	0.40	300.00
06/08/21	JL	Call and discussion re next steps;	775.00	0.60	465.00
10/08/21	JL	Review and address issue re potential derivative claim;	775.00	0.40	310.00
11/08/21	JL	Call with B. Gropper;	775.00	0.40	310.00
27/08/21	JL	Call with A. Page and J. Macpherson; draft responding email to D. Preger;	775.00	0.80	620.00
08/09/21	JL	Calls with client; consider next steps; email correspondence;	775.00	0.40	310.00

Invoice No.: 107564
 Our File No.: 36034-
 98565
 Page No.: 2

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
21/09/21	JL	Call with J. Cheung; email correspondence to court;	775.00	0.30	232.50
23/09/21	JL	Email correspondence;	775.00	0.20	155.00
06/10/21	JL	Call with A. Page and J. Macpherson; call with D. Preger; review and consider LOI and related issues;	775.00	0.70	542.50
07/10/21	JL	Review and discuss Share Purchase Agreement; various phone calls and email correspondence; call with counsel;	775.00	1.70	1,317.50
13/10/21	JL	Various email correspondence with Monitor and counsel; review LOI; call with P. Wallner re CF claim; issues re extend stay of proceedings;	775.00	1.10	852.50
15/10/21	JL	Call with L. Corne; call with A. Page; review security and PPSA issues;	775.00	1.70	1,317.50
18/10/21	JL	Steps re extension motion;	775.00	0.30	232.50
19/10/21	JL	Various calls with counsel and Monitor; issues re: finalizing transaction; outline re court report; issues re motion;	775.00	1.10	852.50
22/10/21	JL	Final edits to report; review Applicant's materials; call with A. Page; email correspondence; finalize and serve report; correspondence with Dickinson Wright;	775.00	1.80	1,395.00
25/10/21	JL	Prepare for motion; email correspondence;	775.00	0.30	232.50

Invoice No.: 107564
 Our File No.: 36034-
 98565
 Page No.: 3

DATE	LYR	DESCRIPTION	RATE	HOURS	AMOUNT
26/10/21	JL	Call with counsel; prepare for and attend on motion; discussion re next steps and transaction; call with J. Macpherson;	775.00	1.40	1,085.00
26/10/21	DW	Receipt and review of litigation search from McRoberts Legal re: HydRx Farms; provide status of search results to J. Larry;	220.00	0.10	22.00
27/10/21	JL	Review and consider cases re reverse vesting order; call with counsel re: Share Purchase Agreement;	775.00	1.60	1,240.00
28/10/21	JL	Finalize discussions re share purchase agreement;	775.00	0.70	542.50

TIME SUMMARY

MEMBER	HOURS	RATE	VALUE
Watters, Deanna (DW)	0.10	220.00	22.00
Larry, Jeffrey (JL)	16.70	775.00	12,942.50
Starnino, Max (MS)	0.40	750.00	300.00
	<u>17.20</u>		

OUR FEES \$ 13,264.50
 HST at 13% 1,724.39

INVOICE TOTAL \$ 14,988.89



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October 31, 2021
Invoice No.: 107564
Our File No.: 36034-98565

Attention: Alan Page

RE: Hydrx

**REMITTANCE COPY
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Total Fees	\$ 13,264.50
Total HST	1,724.39
	<hr/>
INVOICE TOTAL	\$ 14,988.89
	<hr/> <hr/>

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

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

FEE AFFIDAVIT OF MEGAN BRADT

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

155 Wellington Street West
35th Floor
Toronto, ON M5V 3H1
Tel: 416.646.4300

Jeffrey Larry (LSUC# 44608D)

Tel: 416.646.4330
jeff.larry@paliareroland.com

Massimo Starnino (LSO# 41048G)

Tel: 416.646.7431
max.starnino@paliareroland.com

Lawyers for the Monitor, Schwartz Levitsky Feldman Inc.

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 SARAFINO 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.**

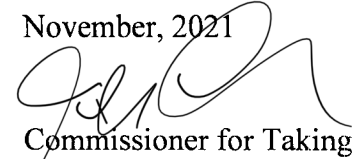
(the "Applicant")

**Affidavit of JIM MACPHERSON
(sworn November 12, 2021)**

**I, JIM MACPHERSON, of the Town of Ajax, MAKE OATH AND SAY AS
FOLLOWS:**

1. I am a licensed Trustee in Bankruptcy employed at Macpherson & Associates Inc. ("MAI"), and act as the Chief Restructuring Officer ("CRO"), of Hydrx Farms Ltd. Pursuant to an Order of Mr. Justice Hainey dated April 30, 2021. As such, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. Where my evidence is based upon information and belief, I have stated that source of that information and believe it to be true.
2. Attached as **Exhibit "A"** is a true copy of the accounts issued by MAI for the period commencing April 30, 2021 through to October 31, 2021, with respect to its fees and disbursements, which amount to \$116,268.54, (including HST).
3. The accounts include the hourly billing rate of MAI beside each docket entry.
4. I make this affidavit in support of an Order, inter alia, approving the fees and disbursement of MAI.

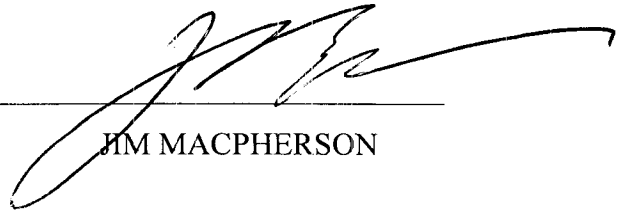
Admitted
~~SWORN~~ *reminded* before me at the City of Toronto,
in the Province of Ontario, this 12th day of
November, 2021



Commissioner for Taking Affidavits

Jeffrey Loney

}
}
}
}
}
}



JIM MACPHERSON

This is Exhibit "A" referred to in the Affidavit of Jim Macpherson affirmed by Jim Macpherson of the Town of Ajax, in the Province of Ontario, before me on November 12, 2021 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

A handwritten signature in blue ink, appearing to read "Jeffrey Larry", is positioned above a horizontal line.

Commissioner for Taking Affidavits (or as may be)

JEFFREY LARRY

Exhibit "A"

MAI Summary of Invoices

<u>Date</u>	<u>Fees</u>	<u>HST</u>	<u>Total</u>
14-May-21	15,640.00	2,033.20	17,673.20
28-May-21	9,775.00	1,270.75	11,045.75
18-Jun-21	11,092.50	1,442.03	12,534.53
30-Jun-21	7,182.50	933.73	8,116.23
17-Jul-21	10,837.50	1,408.88	12,246.38
31-Aug-21	21,760.00	2,828.80	24,588.80
30-Sep-21	13,940.00	1,812.20	15,752.20
31-Oct-21	12,665.00	1,646.45	14,311.45
Total	102,892.51	13,376.03	116,268.54

Macpherson & Associates Inc.

150 Ferrand Drive
 Suite 900
 Toronto, Ontario M3C 3E5

INVOICE

HydRx Farms Ltd
 1130 Champlain Road
 Whtby, Ontario

Invoice 20175

Date	May 14, 2021
Terms	
Service Thru	May 14, 2021

Date	By	Services	Hours	Rates	Amount
04/22/2021	JM	Initial Meeting and preparation: Call with Alan Page and Joe Bergman on file, discuss status and possible options on appointment, AP requested Attend premises to review operations to gain some comfort on potential assignment, draft engagement letter, indemnity and CV updates, send to Alan Page and counsel (4.10 hours)	0.50	\$ 425.00/hr	\$ 212.50
04/23/2021	JM	Initial Meeting and preparation: Receipt of comments from Max on draft engagement letter, review changes, accept and provide additional comments, call with Max on file and next steps, offer to meet with J Bellissimo if required, discuss indemnity v Admin charge protection, receipt of revised Order and review, provide comments, emails from Alan, (1.60 hours)	0.50	\$ 425.00/hr	\$ 212.50
04/27/2021	JM	Consulting: Review of materials filed for April 30 (1:00 hour)	0.50	\$ 425.00/hr	\$ 212.50
04/28/2021	JM	Initial Meeting and preparation: Receipt of comments back on latest CRO engagement letter, make comments and return, various emails re: current status, call with JB and Cobra re: reporting format, content and timing, call with JB on file (1.20 hours)	0.50	\$ 425.00/hr	\$ 212.50
04/29/2021	JM	Consulting: Pre appointment call with JB, AP, MS, RG (partially on call) re: intro, reporting, issues re: Order and next steps, continuing SISP and other matters (1:00 hour)	0.50	\$ 425.00/hr	\$ 212.50

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Date	May 14, 2021
Terms	
Service Thru	May 14, 2021

04/30/2021	JM	CRO: Email from Page re: Order granted, receipt of same. attend on site in Whitby and meet with Trevor and Tom re: next steps and additional updates on status of limited operations, summarise ask and send email re: same, requesting certain data on file, calcs with Dom Serafino - board member, email from Rich Goldstien re: plan a call	3.40	\$ 425.00/hr	\$ 1,445.00
05/02/2021	JM	CRO: Receipt of cash flow spreadsheet and review, call with Rich Goldstien on file, request attendance, will follow up and coordinate with AP	0.40	\$ 425.00/hr	\$ 170.00
05/03/2021	JM	CRO: Attend on site and meet with Trevor and Tom, get an update on my email and request additional materials re: proposed contracts, discuss matters generally, incl; funding and banking arrangements, call with Natalia at RBC and follow up email	2.00	\$ 425.00/hr	\$ 850.00
05/03/2021	JM	CRO: Review of various materials and draft SISP structure and compile relevant documents, email/text to various parties re; interest, call to CRA on audit mater, review of Libra compliance report and email to discuss, call with Alex Massis, former accountant on certain financial matters, review of certain proposed contracts, receipt of email from TF per my request, request title extract	2.40	\$ 425.00/hr	\$ 1,020.00
05/03/2021	JM	CRO: Review of various pieces of material provided and draft summary email with new items from today's discussion and request further documents, call with Sam on compliance, set up further call for 10:00 am May 4	0.40	\$ 425.00/hr	\$ 170.00

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05/04/2021	JM	CRO: Attend on site in Whitby and meet with Rich Goldstein/Hamish Sutherland and Aln, site tour and discuss overall status including reporting framework, meet with Alan and Trevor on various pending issues including Feather proposal and others, call with Alex on file and set up meeting for May 6 at 5:30 pm, review of SISP protocols and next steps with Alan.	3.70	\$ 425.00/hr	\$ 1,572.50
05/05/2021	JM	CRO: Review of cash flows and comments, request meeting with Trevor and Tom on cash flows and production schedules, draft SISP teaser and circulate to Joe and Alan for comments, review of additional matters, cal with Sam on file,	1.90	\$ 425.00/hr	\$ 807.50
05/06/2021	JM	CRO: Attend on site and meet with Alex Massis to review the financial stats of the company update me on where certain records are and provide some background, review RBC documents, discuss Oracle and alternatives on file, discuss limited engagement with me for transition, discussions with Carol Ann on QAP matters, call with Sam on certain compliance matters and request a copy of engagement letter, discuss next attendance.	3.70	\$ 425.00/hr	\$ 1,572.50
05/07/2021	JM	CRO: Meet on site with TF, TJ, AP & JB on file, discuss status of file and progress for week one, some takeaways for TF and TJ, discuss with AP and JB, draft report to parties, emails with Oracle re: access and next steps	3.50	\$ 425.00/hr	\$ 1,487.50
05/10/2021	JM	CRO: Call with Jessica, counsel for Oracle re: system and follow up with Alex and Vigilant, set up for QB for May 2020 +, tel call(s) with CRA re: audits and HST returns o/s, consider staffing matter for bookkeeper	0.70	\$ 425.00/hr	\$ 297.50

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05/10/2021	JM	CRO: Email exchanges with RBC on banking update, accounts reopened, email with Dom re: transfer to HydRx RBC account, call with Enbridge/Elexicon re: same, email to First Insurance re: premium	0.60	\$ 425.00/hr	\$ 255.00
05/10/2021	JM	CRO: Work on report to Goldstein, Serafino and Page, review of cash flows and assess v actuals, request additional data re: production and scheduling, review of system needs, emails with Oracle	1.90	\$ 425.00/hr	\$ 807.50
05/11/2021	JM	Cash flow projections: First CRO report to Alan and Joe for comments, receipt of same and small amendments	1.20	\$ 425.00/hr	\$ 510.00
05/11/2021	JM	Banking: Various matters with RBC on transition, send forms and id, Webex call with Keisha to wrap up changes	0.80	\$ 425.00/hr	\$ 340.00
05/12/2021	JM	CRO: Finalise and send first CRO report to Dom, Tom, Rich and Alan	1.00	\$ 425.00/hr	\$ 425.00
05/12/2021	JM	Cash flow projections: Work on revisions to the cash flow projections including overlay of fees and questions of revenue model and operating time lines for accuracy, email to Tom and Trevor, attend on site and met with Trevor re: review, discuss CTLS issues with Tom,	3.20	\$ 425.00/hr	\$ 1,360.00
05/14/2021	JM	CRO: Review of CCX application and comments, attend on site and prepare certain cheques for insurance and Enbridge, verify back data, request other payables data, receipt of revised cash flows and undertaking re: gantt charts for production and scheduling	3.50	\$ 425.00/hr	\$ 1,487.50

Total Hours	36.80 hrs
Labor	\$ 15,640.00

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Date	May 14, 2021
Terms	
Service Thru	May 14, 2021

Labor Tax	\$ 2,033.20
Total Labor	\$ 17,673.20
Total Invoice Amount	\$ 17,673.20
Previous Balance	\$ 0.00
Balance (Amount Due)	\$ 17,673.20

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HydRx Farms Ltd
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Invoice 20176

Date	May 28, 2021
Terms	
Service Thru	May 28, 2021

Date	By	Services	Hours	Rates	Amount
05/17/2021	JM	Cash flow projections: Work on proposed changes incl: fees and questions re: revenue streams, insert actuals from RBC statements to comp projections for week 1 & 2, meet with Trevor and Tom to review cash flow changes and need for detailed scheduling and production support documents, discuss CTLS and related reporting, attend to various payments	1.80	\$ 425.00/hr	\$ 765.00
05/17/2021	JM	CRO: Draft second CRO report, prepare comp of actual to projections, finalize language, exchanges with Tom and Alex on reports	1.60	\$ 425.00/hr	\$ 680.00
05/18/2021	JM	CRO: Follow up call with Alan on funding and SISP status, email to Dom re: transfer	0.40	\$ 425.00/hr	\$ 170.00
05/18/2021	JM	CRO: Receipt of emails re: Annual Inventory report and review of issues, await confirmation of filing	0.30	\$ 425.00/hr	\$ 127.50
05/19/2021	JM	CRO: Emails from Dom on cash position after request for additional funding, further review of cash position and models, request for information and update to Dom with an immediate funding request for \$50k to meet a larger than expected payroll, send draft schedules	1.20	\$ 425.00/hr	\$ 510.00
05/20/2021	JM	CRO: Email from Trevor and respond, Attend on site and meet with Trevor re: cash flows and scheduling documents, review of certain accounts payable and obtain payroll schedules, have schedule prepared and send back to TF for comments, manage cash flow schedules and funding needs, email to Dom et al re: funding needs	2.90	\$ 425.00/hr	\$ 1,232.50

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Terms	
Service Thru	May 28, 2021

05/21/2021	JM	CRO: Attend on site in Whitby, manage certain CRA matters, review of files for compliance, arrange for bookkeeping assistant to bring accounts up to date, meet with Trevor re; CCX app, prepare various cheques incl: Interwiegh, SLF and Renotkil, obtain various documents re: CCX application, discuss with QAP, scan and send, meet with Trevor on various cash flow and productions matters. expect documents on weekend to revise cash flows, emails with Dom on new funding update actuals v projections and distribute, run payroll/consultants	4.90	\$ 425.00/hr	\$ 2,082.50
05/25/2021	JM	CRO: Attend on site to meet on cash flow and process issues with Alan, Trevor, Tom and Joe B, various follow up items and discussions	3.50	\$ 425.00/hr	\$ 1,487.50
05/26/2021	JM	CRO: Attend on site and meet with D Di Gironimo for site visit, attend to same, pre and post meeting discussion	1.50	\$ 425.00/hr	\$ 637.50
05/26/2021	JM	CRO: Call with Teal Valley folks - Breet, Mark and Trevor to review Teal's interest in HydRx contracts and set up follow on,	0.90	\$ 425.00/hr	\$ 382.50
05/26/2021	JM	CRO: Meet with Joe Rufin on iste re: interim book keeping role, review of file, review of documents and get started	1.60	\$ 425.00/hr	\$ 680.00
05/27/2021	JM	CRO: Attend on site to review cash flows, review agreement, meet with Trevor and Tom, coordinate documents to book keeper, oversight of same and instructions, review of RBC account and draft reporting, review of payroll data and communicate with staff re; HST issues	2.40	\$ 425.00/hr	\$ 1,020.00

Total Hours	23.00 hrs
Labor	\$ 9,775.00

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Date	May 28, 2021
Terms	
Service Thru	May 28, 2021

Labor Tax	\$ 1,270.75
Total Labor	\$ 11,045.75
Total Invoice Amount	\$ 11,045.75

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Date	Jun 18, 2021
Terms	
Service Thru	Jun 18, 2021

Date	By	Services	Hours	Rates	Amount
05/29/2021	JM	CRO: Review of various agreements and map into cash flows, provide comments and mark up Gamma agreement and distribute, comments in Diteba agreement and variance from discussions, revise cash flows and distribute	2.50	\$ 425.00/hr	\$ 1,062.50
05/31/2021	JM	CRO: Attend on site and meet with Tom to review the production schedules, meet with Trevor to review contracts and map into cash flows, to do list for Trevor, various matters re: accounting processing, emails with Anitha and Alex, emails re: weekly meeting on site with AP, JB and Trevor and Tom, Dom to call in	1.90	\$ 425.00/hr	\$ 807.50
06/02/2021	JM	CRO: Additional work on cash flows including new agreements from Diteba and GAMA, emails re: wme, distribute revised cash flows, attend on site and meet with Alan, Joe, Trevor and Tom to discuss same, calls with Fox and Dom S, revise cash flows, work on system invoicing, manage data input with accountant, attend to CRA issues and letter to MN re: RP and RT for Cannscience, netfile HST returns for June, Sept, Dec 2020 and Mar 2021.	6.30	\$ 425.00/hr	\$ 2,677.50
06/03/2021	JM	CRO: Attend on site re: SISP site visit for G Lee and team, discuss process and answer questions, discuss GAMA transaction and context, additional documents to follow, update Trevor and Tom	1.10	\$ 425.00/hr	\$ 467.50
06/04/2021	JM	CRO: Review of GAMA materials and Zoom call with John McDonald and his team re: Emblem program	0.70	\$ 425.00/hr	\$ 297.50
06/07/2021	JM	CRO: Oversight of book keeper re: catch up, emails with Vigilant re: Oracle access, draft CRO report, update cash flows and prepare comp schedule for 2 weeks ending June 4	1.50	\$ 425.00/hr	\$ 637.50

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Date	Jun 18, 2021
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06/08/2021	JM	CRO: Finalise schedules and update cash flows, wrap up CRO report and send	0.80	\$ 425.00/hr	\$ 340.00
06/08/2021	JM	CRO: Oversight of book keeping, call with CRA re: Cannscience payroll account and additional HST returns required for Dec 2019 and Mar 2020, efile same	0.50	\$ 425.00/hr	\$ 212.50
06/09/2021	JM	CRO: Attend on site to meet with Tom and Trevor for updates on scheduling and amend cash flows accordingly, review various operational matters, call wit Trevor and Lee re: GAMA	3.70	\$ 425.00/hr	\$ 1,572.50
06/11/2021	JM	CRO: Attend on site, review of weekly cash positions, discuss scheduling and production timing	1.20	\$ 425.00/hr	\$ 510.00
06/16/2021	JM	CRO: On site and update cash flows, review of expenses and oversight of book keeper, address CRA issues re: trust exam, call with Lori on file, and emails re: same, email and call with RG and HS re: site visit and CRA report, finalise report and comp v actuals and send out, request an update on production and scheduling, follow up re: cash injection and exchanges with DS, emails with SB re: latest comp report	2.40	\$ 425.00/hr	\$ 1,020.00
06/17/2021	JM	CRO: Attend on site to meet with RG and HS with Alan and do a site tour, follow up call and discussion with AP, review of production and scheduling, cash flow review and update, request for funding, emails with DS, call(s) with AP	3.50	\$ 425.00/hr	\$ 1,487.50

Total Hours	26.10 hrs
Labor	\$ 11,092.50
Labor Tax	\$ 1,442.03
Total Labor	\$ 12,534.53

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Date	Jun 30, 2021
Terms	
Service Thru	Jun 30, 2021

Date	By	Services	Hours	Rates	Amount
06/21/2021	JM	CRO: Attend on site and review of various expenses, consultants costs, oversight of book keeper, run cheques and deal with RBC, pay excise taxes, exchanges with Vigilant, meet with Carol Ann, follow up emails to RG and HS, review of Ceridian payroll reports for trust exam, emails with TF and TJ on production and scheduling updates,	2.40	\$ 425.00/hr	\$ 1,020.00
06/22/2021	JM	CRO: Attend on site re: various management and cash flow matters, WeedPool, payroll reports, CRA exam, and draft CRO report	2.50	\$ 425.00/hr	\$ 1,062.50
06/23/2021	JM	Court Order: Receipt of various matters on file incl: Factum of Cobra and review, review of actual v planned cash flows, draft and send 6th CRO report	1.60	\$ 425.00/hr	\$ 680.00
06/23/2021	JM	CRA Deemed Trust: Emails with Lori on file, receipt of various payroll reports and review, set up for submission to CRA for trust claim, review of various matters and status of HST position	0.90	\$ 425.00/hr	\$ 382.50
06/24/2021	JM	CRO: Attend on site and meet with Sam & Carol-Ann re: compliance, manage cash flows, email to Dom re: additional funding, meet briefly with Gord Fox and team, call with Alan and Joe re: inventory and cash positions, discussion with Tom re: WeedPool - COD- no terms on first shipment,	3.40	\$ 425.00/hr	\$ 1,445.00
06/29/2021	JM	CRO: Attend on site to meet with Albert & Ari Soberano and do site tour with AP, receipt of materials from MG and review, discuss with AP, review of various cash matters re: cash and payables, consider cash flows and status of production and revenue streams, calls with Michael Ng, send materials via fax to CRA re: audit, review of HST position from ledger	2.50	\$ 425.00/hr	\$ 1,062.50

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Date	Jun 30, 2021
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06/29/2021	JM	CRO: Call with Alex on CRA excise audit, request summary and documents required,	0.40	\$ 425.00/hr	\$ 170.00
06/30/2021	JM	CRO: Call on court matter, application by DS denied, attend on site re: oversight and control issues, discussion with Trevor and Tom on potential next steps, conf call with Goldstein, Page and counsels on some potential next steps, review of bank accounts and payroll matters, missing time sheets etc, oversight of AP and book keeper, review of cash position	3.20	\$ 425.00/hr	\$ 1,360.00

Total Hours	16.90 hrs
Labor	\$ 7,182.50
Labor Tax	\$ 933.73
Total Labor	\$ 8,116.23
Total Invoice Amount	\$ 8,116.23
Previous Balance	\$ 41,253.48
Balance (Amount Due)	\$ 49,369.71

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1130 Champlain Road
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Date	Jul 17, 2021
Terms	
Service Thru	Jul 17, 2021

Date	By	Services	Hours	Rates	Amount
07/02/2021	JM	CRO: Various emails and exchanges re: next steps and feedback from Restart Group, calls with Alan and Jeff on file, emails re: same and perspective on viability	1.50	\$ 425.00/hr	\$ 637.50
07/04/2021	JM	CRO: Email from Alex and follow up call CRA excise submission	0.40	\$ 425.00/hr	\$ 170.00
07/05/2021	JM	CRO: Attend on site and meet with AP and RG and HS re: next steps, various emails in respect of same and follow up on production and revised plans and cash flows, call with Trevor (due with us for July 7), discussion with TJ, review of payroll data and payables for payment, update cash position and draft CRO report, call with Michael Ng re: audit results and receipt of CRA documents re: Cannscience trust exam.	2.50	\$ 425.00/hr	\$ 1,062.50
07/07/2021	JM	CRO: Meet with book keeper and discuss payables, attend on site, prepare certain cheques within funding availability, review of payroll data, process and distribute, await data for Andro and Nick, consider issues with RD0001 and emails with Nick and Alex re: same, call with CRA on file, HST assessment re: forgiveness, receipt of letter and review, call with Michael and finalize payroll audit	2.70	\$ 425.00/hr	\$ 1,147.50
07/08/2021	JM	CRO: Review of various emails re: Vigilant and Oracle and responses, attend meeting on site with Trevor, Tom & Dom and Alan on the phone, various matters including Roula and Oracle noise, plans going forward, review and comments and potential for settlement with Cobra,	2.60	\$ 425.00/hr	\$ 1,105.00
07/09/2021	JM	CRO: Review and comments on revised plan and cash flows	1.80	\$ 425.00/hr	\$ 765.00

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Date	Jul 17, 2021
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07/13/2021	JM	CRO: On site with cash flow review, send additional questions to Trevor, attend to certain payables with book keeper, insurance refund and arrange banking, review of accounting GL and draft statements, mock up draft MPSA for factoring solution and send for comments	3.70	\$ 425.00/hr	\$ 1,572.50
07/14/2021	JM	CRO: Attend on site to review cash flow projections, manage payables and ops, over see book keeper, call with CRA on file, meet with Josh Sugar for site tour, call(s) with Alan and Jeff on file, arrange for site tours with DG, emails on matters, review of shipments for invoicing and comms on same	3.70	\$ 425.00/hr	\$ 1,572.50
07/15/2021	JM	CRO: Attend on site re: insurance refund, arrange for banking, arnae for payment of Flowr transaction, review and update financials, distribute drafts for comments, additional work on cash flows and distribute for comments, work on CRO report, call with Alan and H=Jeff on file and application for extension of stay	3.40	\$ 425.00/hr	\$ 1,445.00
07/16/2021	JM	CRO: Attend on site meet with Trevor and Tom, review of draft financials, review of cash flows, manage issue with Flowr, draft and send report o AP and JL, email to HS and RG	3.20	\$ 425.00/hr	\$ 1,360.00

Total Hours 25.50 hrs

Labor \$ 10,837.50

Labor Tax \$ 1,408.88

Total Labor \$ 12,246.38

Total Invoice Amount \$ 12,246.38

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Date	Aug 31, 2021
Terms	
Service Thru	Aug 31, 2021

Date	By	Services	Hours	Rates	Amount
07/19/2021	JM	CRO: Work through finalization of revised cash flows and related emails and calls on same, finalize CRO report, review of Monitors report, review of Cobra amounts paid, oversight of bookkeeper and comm re: Cobra and other payables, manage cash flow, distribute CRO report, comm with monitor and counsel	3.70	\$ 425.00/hr	\$ 1,572.50
07/20/2021	JM	CRO: Attend on site to meet with several SISF participants - DG -Salvatore & Chinese group, review of and attend to payroll costs, emails from HS and respond	2.70	\$ 425.00/hr	\$ 1,147.50
07/22/2021	JM	CRO: Attend on site and provide tours with various parties, address various questions, discuss SISF process and time table, manage cash flows, consider revisions to comparatives for Jun 25-July 16 for reports addendum to CRO report and issues same, provide additional information re: payables and liabilities generally as an adjunct to interim draft accounts	4.30	\$ 425.00/hr	\$ 1,827.50
07/25/2021	JM	CRO: Call with Alan re: Clones proposal, agree to direct the transaction to idle for now, email to Tom & Trevor re: same	0.60	\$ 425.00/hr	\$ 255.00
07/26/2021	JM	CRO: Attend at court hearing re: extension and revised order, provide CRO context per judges request, discuss with Alan and Jeff, follow up re: Koehnen's endorsement, discussion with Jeff and Alan, SISF offers pending	1.50	\$ 425.00/hr	\$ 637.50
07/26/2021	JM	CRO: Attend on site and meet with Sam re: compliance matters, call with Tom, Trevor and Alan re: clones, discuss plan re: same, request documents, review of various cash matters on file,	1.90	\$ 425.00/hr	\$ 807.50

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07/27/2021	JM	CRO: Various matters on file incl: cash flows, SISP closure, call with Alan on file, discussion with Jeff re: Orders, review of some of the materials submitted,	1.50	\$ 425.00/hr	\$ 637.50
07/28/2021	JM	CRO: Call(s) with Alan and Jeff re: offers submitted and discuss next steps and process, call with Alex re: CRA request for more data, emails with Vigilant on Oracle data, coordinate site visit for Friday with Wayne et al at Perfect Plants	1.90	\$ 425.00/hr	\$ 807.50
07/29/2021	JM	CRO: Attend on site, review of payables and payroll, sign cheques, various emails with Trevor on OCS and also on factor payments, email bank docs for NCD, meet with Trevor and discuss strategy and next steps, calls with Jeff and Alan on file, SISP and proposed litigation	2.50	\$ 425.00/hr	\$ 1,062.50
07/30/2021	JM	CRO: Attend on site: meet with Akshay re: Oracle data transfer, review materials and extract additional files, provide cheque, meet with RG. HS, WN and LK re: site tour, various accounting/cash management issues, review and file HST for 2021 Q2 (\$41k refund), review of payables and cheques, Retokil on site	3.70	\$ 425.00/hr	\$ 1,572.50
08/04/2021	JM	CRO: Attend on site re: cash management, review of updated cash flows, meet with Tom, payroll calcs re: BH	1.50	\$ 425.00/hr	\$ 637.50
08/05/2021	JM	CRO: Call with Bergman re: file, call with Alan and Jeff on various matters and emails re: same, review of cash position and RBC accounts	0.70	\$ 425.00/hr	\$ 297.50

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Terms	
Service Thru	Aug 31, 2021

08/06/2021	JM	CRO: Attend on site, meet with Trevor and Tom on status of cash flows and business, call with Goldstein and counsel, with Alan and Jeff, review of payables and documents, send materials to book keeper, pay accounts, email to Sia at Canam and call re: assets listing, emails from HS re: count only (no appraisal), call with Alan and Jeff, call with Alex re: RD0002 account and CRA audit request, request email re: same to discuss with Tom	2.60	\$ 425.00/hr	\$ 1,105.00
08/09/2021	JM	CRO: Attend on site to meet with Sia re: asset listing, site tour, meet with Alan, Tom and Trevor on file and next steps, Q&A re: cash flows, review of documents and update analysis	4.50	\$ 425.00/hr	\$ 1,912.50
08/10/2021	JM	CRO: Attend on site: Site tour, review of accounts, manage cash, certain payments made, draft of CRO report, prepare comparison documents re: actual v projections	3.90	\$ 425.00/hr	\$ 1,657.50
08/11/2021	JM	CRO: Attend on site to meet with Sia for close off of asset listing, wrap up CRO report, emails with Trevor on various operations matters.	2.70	\$ 425.00/hr	\$ 1,147.50
08/13/2021	JM	CRO: Attend on site to meet with Alex and Tom on CRA matter re: RD0002, discuss next steps, request Alex to get an extension to file materials to Sept 15	1.50	\$ 425.00/hr	\$ 637.50
08/25/2021	JM	CRO: Call with RG et al, prepare related documents, scan materials and email, data drop to Gdrive, on site to review of documents, exchange with TF, call with AP, review of payables with book keeper, banking	2.10	\$ 425.00/hr	\$ 892.50
08/27/2021	JM	CRO: Attend meeting with Trevor and Tom on site to discuss status of operations and next steps, review of various cash management issues, discuss Aug 31 inventory, review of RG and HS position, email from Prager, call with JL and AP, call with Teal Valley re: files and next steps	3.40	\$ 425.00/hr	\$ 1,445.00

Macpherson & Associates Inc.

150 Ferrand Drive
 Suite 900
 Toronto, Ontario M3C 3E5

INVOICE**HydRx Farms Ltd**

1130 Champlain Road
 Whitby, Ontario

Invoice 20182

Date	Aug 31, 2021
Terms	
Service Thru	Aug 31, 2021

08/30/2021	JM	CRO: Review of payroll calcs and cheques re: same and distribute, cash management and review of funds, invoicing for OCS and funding factoring agreements, discuss inventor, exchanges with RG and HS re: Sept 1 site visit, exchanges with AP	2.10	\$ 425.00/hr	\$ 892.50
08/31/2021	JM	CRO: Attend on site, cash management, inventory count request, discuss various matters with Tom, emails re: cash for factoring, draft CRO report, prepare actual v projections and cash position summary	1.90	\$ 425.00/hr	\$ 807.50

Total Hours	51.20 hrs
Labor	\$ 21,760.00
Labor Tax	\$ 2,828.80
Total Labor	\$ 24,588.80
Total Invoice Amount	\$ 24,588.80
Previous Balance	\$ 61,616.09
Balance (Amount Due)	\$ 86,204.89

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INVOICE**HydRx Farms Ltd**

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Date	Sep 30, 2021
Terms	
Service Thru	Sep 30, 2021

Date	By	Services	Hours	Rates	Amount
09/01/2021	JM	CRO: Attend on site and meet with Alan, review of cash position and other matters, meet with Hamish and Rich, site tour, discuss next steps and update on processes, agree to meet on Sept 15	2.40	\$ 425.00/hr	\$ 1,020.00
09/02/2021	JM	CRO: Meet with Marcus, Tom and Trevor on insurance needs, execute Recall funding agreement, review of property and liability policies, review of cash position and payables, discuss production status with Trevor and Tom	1.50	\$ 425.00/hr	\$ 637.50
09/03/2021	JM	CRO: Various calls and emails with Marcus on coverage and need to accelerate, Sept 6 renewal date, review of proposed documents, discuss and bind coverage at revised values	1.20	\$ 425.00/hr	\$ 510.00
09/07/2021	JM	CRO: Attend on site, review of cash management, discuss inventory and excise matters with Tom, meet with Trevor on production status, emails with Alex on excise calcs, issues invoices, review of payables, CRO report and distribute, emails and texts with JL and AP	2.40	\$ 425.00/hr	\$ 1,020.00
09/07/2021	JM	CRO: Attend on site, review of cash management, discuss inventory and excise matters with Tom, meet with Trevor on production status, emails with Alex on excise calcs, issues invoices, review of payables, CRO report and distribute, emails and texts with JL and AP	2.40	\$ 425.00/hr	\$ 1,020.00
09/10/2021	JM	CRO: Attend on site and review of cash positions, funding opportunities and payables, emails with suppliers, finalize payroll, review of oracle data	2.10	\$ 425.00/hr	\$ 892.50

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Date	Sep 30, 2021
Terms	
Service Thru	Sep 30, 2021

09/14/2021	JM	CRO: Review of financials, and production schedules from TF, review of assets listing with third party goods identified, prepare materials for meeting with RG, HS and AP, update payables for prof fees and insurance debt	1.60	\$ 425.00/hr	\$ 680.00
09/15/2021	JM	CRO: Finalize summary documents re: payables and productions schedules, attend to various billings, meet with HS and RG on site at 1:00. Discussions with Trevor and Tom on schedule and funding models and status of various matters, consult with AP	3.50	\$ 425.00/hr	\$ 1,487.50
09/15/2021	JM	CRO: Work on draft financial statements re: Oracle raw data and interim QB system, manage cash requirements, coordinate site tours with Domenic Di Geronimo	2.30	\$ 425.00/hr	\$ 977.50
09/17/2021	JM	CRO: Attend on site, meet with Tom and Trevor, manage cash position, payables and draft financial position, consider finding needs, emails re: insurance, emails re: next steps and discussions with AP	2.10	\$ 425.00/hr	\$ 892.50
09/19/2021	JM	CRO: Review of historical data, parse out interim balance sheet and income statement as at , reconcile with QB and draft interim balance sheet and income statement as at Aug 31, 2021, send to Alex for filing with CRA,	5.20	\$ 425.00/hr	\$ 2,210.00
09/21/2021	JM	CRO: Attend on site and review of status with Trevor and Tom, meet with potential investors as a courtesy, call with Alana Page, team meeting with AP, RG, HS, review of HS's memo and provide an udate on transition, consider excise tax issues, discuss next steps,	2.70	\$ 425.00/hr	\$ 1,147.50

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Date	Sep 30, 2021
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Service Thru	Sep 30, 2021

09/29/2021	JM	CRO: Attend on site to review status, tour facility re: assets and inventory in vault, emails with Tom and Trevor on status and request feedback re: Manitoba orders and OCS returns, review of final HST data and submit returns, draft CRO report, manage cash flow and payables	3.40	\$ 425.00/hr	\$ 1,445.00
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Total Hours	32.80 hrs
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Labor	\$ 13,940.00
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Labor Tax	\$ 1,812.20
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Total Labor	\$ 15,752.20
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Total Invoice Amount	\$ 15,752.20
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Previous Balance	\$ 86,204.89
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Balance (Amount Due)	\$ 101,957.09
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1130 Champlain Road
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Date	Oct 31, 2021
Terms	
Service Thru	Oct 31, 2021

Date	By	Services	Hours	Rates	Amount
10/01/2021	JM	CRO: Attend on site to meet with Trevor on status, meet with Tom on excise tax issues, call with HS and RG on status, update cash management and review of various accounts and payments	2.10	\$ 425.00/hr	\$ 892.50
10/04/2021	JM	CRO: Attend on site and meet with Trevor and Tom re: transition, discuss status of outstanding shipments re: OCS, excise tax matters, emails with Alex and call with AP to summarize	2.10	\$ 425.00/hr	\$ 892.50
10/05/2021	JM	CRO: Attend on site and meet with Tim and Trevor re: shut down of operations and discussions re: process, call with Alan and Trevor re: purchase of Cobra security, discuss how the CRO can assist, need to tweak what looks like a close deal for accurate process, await further feedback, managing cash and closure planning, emails with RG and HS re: asset listing, consider obtaining asset valuations, email to Sia re: same	4.60	\$ 425.00/hr	\$ 1,955.00
10/06/2021	JM	CRO: Various discussions with AP and JL, emails and call(s) with TJ & TF on proposed transaction, discuss CRO involvement in tailoring process, review of draft deal and mark up, review of cash management and authorize payables, execute cheques	3.50	\$ 425.00/hr	\$ 1,487.50
10/07/2021	JM	CRO: Attend on site meeting with HS, TF and AP to discuss process issues around proposed transaction to purchase Cobra debt, mark up document to clarify some issues and circulate, call with Justin at CRA to discuss excise tax audit	3.50	\$ 425.00/hr	\$ 1,487.50
10/12/2021	JM	CRO: Attend on site to meet with HS & RG re: equipment assessment, meet with Trevor & Tom, call (s) with DP, LC JS and AP on status of transaction, cash management	3.70	\$ 425.00/hr	\$ 1,572.50

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10/13/2021	JM	CRO: Manage cash flows, draft CRO report, attend on site to meet with staff and discuss CRA with Tom, exchanges with Trevor on status, call with AP on same, emails and texts on status, emails with JL and AP	2.10	\$ 425.00/hr	\$ 892.50
10/22/2021	JM	CRO: Cash management, review and approve payables and labour, sign cheques, attend on site, meet with Trevor on Cobra and Tom on CRA, call with Alex on CRA matters, draft CRO report and update cash comparisons for same	2.90	\$ 425.00/hr	\$ 1,232.50
10/25/2021	JM	CRO: Various financial matters including month end for Sept 2021, HST re: same, finalize CRO report, discuss/text re: status of Cobra / ReStart discussions with Trevor	3.20	\$ 425.00/hr	\$ 1,360.00
10/26/2021	JM	CRO: Attend hearing for extension of stay, call with JL on priority costs per charge and prepare calcs, discuss next steps with AP, attend on site and meet with TF on next steps and status, consider wind down till SPA effected, review of various cash management issues, emails from HS and respond re: Corp T2 and tax losses.	2.10	\$ 425.00/hr	\$ 892.50

Total Hours	29.80 hrs
Labor	\$ 12,665.00
Labor Tax	\$ 1,646.45
Total Labor	\$ 14,311.45
Total Invoice Amount	\$ 14,311.45
Previous Balance	\$ 101,957.09
Balance (Amount Due)	\$ 116,268.54

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Date	Oct 31, 2021
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Service Thru	Oct 31, 2021

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

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**MOTION RECORD
(SALE APPROVAL)**

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

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