

**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 SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.

(each an “**Applicant**” and collectively, the “**Applicants**”)

**MOTION RECORD
(Re: Approval and Vesting Order and Ancillary Relief)
(Returnable on September 13, 2022 at 11:00 a.m.)**

September 8, 2022

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SUPERIOR COURT OF JUSTICE
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**(Re: Approval and Vesting Order and Ancillary Relief)
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TAB 1

**ONTARIO
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(each an "Applicant" and collectively, the "Applicants")

NOTICE OF MOTION

THE APPLICANTS will make a motion before Justice Conway of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on September 13, 2022 at 11:00 a.m. or as soon after that time as the motion may be heard by judicial videoconference via Zoom. Please advise if you intend to join the hearing by email to Adrienne Ho at aho@tgf.ca.

PROPOSED METHOD OF HEARING: The motion is to be heard:

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

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

In person;

By telephone conference;

By video conference, via Zoom, the details of which will be provided by the Court, at Toronto, Ontario.

THE MOTION IS FOR:

1. An Order substantially in the form of the draft Approval and Vesting Order contained at Tab 4 of the Applicants' Motion Record:
 - (a) approving the transaction (the "**Transaction**") contemplated by the Asset Purchase Agreement (as defined below) and authorizing THR to execute and implement same;
 - (b) transferring and vesting all of THR's right, title and interest in and to the Purchased Assets (as defined below) to the DIP Lender's designated vesting entity free and clear of any encumbrances;

2. An order substantially in the form to be attached at Tab 7 of the Applicants' motion record, *inter alia*, (the "**Termination Order**"):
 - (i) approving the Second Report of the Monitor dated September 8, 2022 and the activities and conduct of the Monitor described in the Second Report;
 - (ii) permitting the Applicants to arrange for the orderly, expeditious and lawful disposal or destruction of cannabis or cannabis products;
 - (iii) terminating these CCAA proceedings and releasing the Court-ordered charges granted in these CCAA proceedings, in each case effective as of the CCAA Termination Time;
 - (iv) discharging and releasing BDO Canada Limited ("**BDO**") in its capacity as the Court-appointed monitor of the Applicants (the "**Monitor**") in these

CCAA proceedings effective as of the CCAA Termination Time, and granting certain releases in favour of the Monitor and its counsel;

(v) approving the fees and disbursements of the Monitor and its counsel; and

(vi) permitting the Applicants to file into bankruptcy and to consolidate their estates.

3. An order substantially in the form to be attached at Tab 6 of the Applicants' motion record, *inter alia*, (the "**Sale Order**"):

(a) Approving the sale (the "**Cannabis Sale**") contemplated by the Bill of Sale (as defined below) and authorizing THR to execute and implement same; and

(b) transferring and vesting all of THR's right, title and interest in and to the Cannabis (as defined below) to Kingston Cannabis Inc. ("**KCI**") free and clear of any encumbrances; and

4. Such other relief as counsel may request and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background to the CCAA Proceedings

5. The Applicants are engaged in the production, processing and sale of cannabis products at a facility in Toronto, Ontario. Sproutly, Inc. has no assets other than 100% of the shares of THR.

6. THR holds the Applicants' primary assets, which include the real property municipally known as 64 Raleigh Ave., Toronto, Ontario, a production facility, located on the Real

Property, that was built to cultivate pharmaceutical-grade cannabis (the “**THR Facility**”), a Health Canada license permitting the processing, cultivation, and sale of cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations*, and various equipment and inventory.

7. At this time, THR is no longer growing or producing cannabis products; however, cannabis remains at the THR Facility;
8. On June 24, 2022, the Applicants sought protection pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (the “**CCAA**”) and, on June 24, 2022, the Court granted the relief sought and the Initial Order. The Initial Order was amended and restated on July 4, 2022. Pursuant to the Initial Order, among other things:
 - (a) BDO Canada Limited was appointed to act as the Applicants’ monitor (the “**Monitor**”) in these proceedings;
 - (b) the Court approved the term sheet between the Applicants and 0982244 B.C. Ltd. o/a Isle of Mann Property Group (the “**DIP Lender**”) pursuant to which the DIP Lender agreed to make available to the Applicants a \$750,000 debtor-in-possession facility (the “**DIP Facility**”) and authorized the Applicants to draw on the DIP Facility in the maximum principal amount of \$160,000; and
 - (c) the Court granted a DIP Lender’s Charge, an Administration Charge and a Directors’ Charge.

Sale Process and DIP Lender's Credit Bid

9. On July 4, 2022, the Applicants obtained Sale Process Order approving a sale and solicitation process of the Applicants' assets.
10. Ultimately, the DIP Lender has made a credit bid for the Applicant's Real Property, along with certain equipment pursuant an asset purchase agreement. The Applicants seek an order approving this transaction and vesting these assets to the DIP Lender's designated vesting entity free and clear of any encumbrances.
11. The Monitor is supportive of the sale to the DIP Lender.

Sale of Cannabis to Kingston Cannabis Inc.

12. Various cannabis inventory remains at the THR Facility. The Applicants seek the court's approval to sell the remaining cannabis inventory to Kingston Cannabis Inc ("**KCI**").
13. The Applicants are determining if cannabis samples (the "**Samples**") should be returned to Health Canada or can be held by another related entity. Should these Samples not need to be kept, the Applicants will destroy them, and has sought approval to do so if needed.

Termination of CCAA Proceedings

14. All matters in the CCAA Proceedings will be complete once the remaining Samples are destroyed or provided to Health Canada or another entity, the cannabis inventory is sold to KCI, and the sale to the DIP Lender closes. As such, the CCAA proceedings can be terminated at such time.

15. To appropriately wind-down the operations, the Applicants intend to file an assignment into bankruptcy. The CCAA Termination Order will authorize the Monitor and/or the Applicants to file the bankruptcies. To save costs, the CCAA Termination Order will permit the Monitor to consolidate the Applicants' estates in bankruptcy.

Approval of Monitor's Report, Conduct and Fees and Release

16. The Termination Order also seeks approval of the Second Report of the Monitor, the activities described therein, as well as the fees and disbursements of the Monitor and its counsel.
17. The Termination Order also seeks a release in favour of the Monitor and its counsel.

Other Grounds

18. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
19. Rules 1.04, 1.05, 2.03, 3.02, 16, and 37, 38, 39 of the *Rules of Civil Procedure* (Ontario), R.R.O. 1990, Reg. 194; and
20. 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 this motion:

21. The Affidavit of Craig Loverock sworn September 8, 2022.
22. The Second Report of the Monitor, to be filed; and
23. Such further and other evidence as counsel may advise and this Court may permit.

September 8, 2022

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Lawyers for the Applicants

TO: THIS HONOURABLE COURT
AND TO: THE SERVICE LIST

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**SERVICE LIST
(as at September 8, 2022)**

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AND TO:	<p>SPROUTLY INC. 595 Howe Street, 10th floor Vancouver, BC V6C 2T5</p> <p>Craig Loverock Email: craig.loverock@sproutly.ca</p> <p>Applicant</p>
AND TO:	<p>TORONTO HERBAL REMEDIES INC. 70 Raleigh Avenue Toronto, ON M1K 1A3</p> <p>Craig Loverock Email: craig.loverock@sproutly.ca</p> <p>Applicant</p>
AND TO:	<p>BDO CANADA LIMITED 20 Wellington E, Suite 500 Toronto, ON M5E 1C5</p> <p>Clark Lonergan Email: clonergan@bdo.ca Tel: (647) 730-0934</p> <p>Anna Koroneos Email: akoroneos@bdo.ca Tel: (647) 798-1459</p> <p>Court-appointed Monitor</p>

AND TO:	<p>AFFLECK GREENE MCMURTRY LLP 365 Bay Street, Suite 200 Toronto, ON M5H 2V1 Fax: (416) 360-5385</p> <p>Kyle J. Peterson Email: kpeterson@agmlawyers.com Tel: (416) 360-5385</p> <p>Lawyers to the Court-appointed Monitor</p>
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AND TO:	<p>INFUSION BIOSCIENCES INC. 181 Bay Street, Suite 1030 Toronto, ON M5J 2T3</p> <p>Dr. Arup Sen <i>President</i> Email: arup@infusionbiosciences.com</p> <p>Mortgagee and PPSA registrant</p>
AND TO:	<p>SPROUTLY CANADA, INC. 595 Howe Street 10th floor Vancouver, BC V6C 2T5</p> <p>Craig Loverock <i>Director</i> Email: craig.loverock@sproutly.ca</p>

AND TO:	<p>DEPARTMENT OF JUSTICE (CANADA) Ontario Regional Office 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1</p> <p>Diane Winters Tel: (416) 973-3712 Email: diane.winters@justice.gc.ca</p> <p>Daphne Jurgens Email: daphne.jurgens@canada.ca</p> <p>Edward Park Email: edward.park@justice.gc.ca</p>
AND TO:	<p>HEALTH CANADA Controlled Substances and Cannabis Branch 150 Tunney's Pasture Driveway Ottawa, ON K1A 0K9</p> <p>Licensing and Security Division Email: HC.licensing-cannabis-licences.SC@canada.ca</p> <p>Cassandra Scullion Email: cassandra.scullion@hc-sc.gc.ca</p>

AND TO:	<p>HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE Ministry of Finance - Account Management and Collections Branch 33 King Street West, 6th Floor Oshawa, ON L1H 8H5</p> <p>Kimberly Denise Winkley Tel: (905) 433-5292 Fax: (905) 433-6760 c/o: insolvency.unit@ontario.ca</p> <p>Steven Groeneveld Tel: (905) 431-8380 Email: steven.groeneveld@ontario.ca</p> <p>Lien and PPSA registrant (pursuant to <i>Employer Health Tax Act</i>)</p>
AND TO:	<p>HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE INSOLVENCY UNIT 6th Floor, 33 King Street West Oshawa, ON L1H 8H5</p> <p>Leslie Crawford Tel: (905) 433-5657 Email: leslie.crawford@ontario.ca</p> <p>Insolvency Unit Email: insolvency.unit@ontario.ca</p>

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AND TO:	<p>ROYAL BANK OF CANADA 1025 West Georgia St. Vancouver, BC V6E 3N9</p> <p>Accom Azimi <i>Business Account Manager, Business Financial Services</i> Tel: 1 (236) 333-5168 Email: accom.azimi@rbc.com</p> <p>CEBA Loan financial institution</p>
AND TO:	<p>BMO BANK OF MONTREAL Canadian Commercial Banking 6th Floor, First Bank Tower 595 Burrard Street Vancouver, BC V7X 1L7</p> <p>Quinn Hinch <i>Sales Associate (Cannabis), Treasury & Payments Solutions</i> Email: quinn.hinch@bmo.com Tel: 1 (778) 783-4676 Fax: 1 (604) 687-3666</p> <p>CEBA Loan financial institution</p>

AND TO:	INNOVATION SCIENCE AND ECONOMIC DEVELOPMENT CANADA Office of the Superintendent of Bankruptcy of Canada CCAA Team 300 Georgia Street W, Suite 2000 Vancouver, British Columbia V6B 6E1 Superintendent of Bankruptcy Email: osbccaa-laccbsf@ised-isde.gc.ca
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AND TO:	INVAR CORPORATION AND JADE RIVER HOLDINGS LIMITED 220 Duncan Mill Road, Suite 301 Toronto, Ontario M3B 3J5 Ash Khatri Email: ash.khatri@soneil.com Properties Unit Email: properties@soneil.com Landlord of Property 1734 Orangebrook Crt.
AND TO:	MERIT FINISHING SOLUTIONS INC. 1734 Orangebrook Court, Units 20 and 21 Pickering, Ontario L1W 3G8 Contacts for Sub-Tenant Email: sandra@meritfinishing.ca Email: jaret@meritrestoration.ca Sub-Tenant of Property 1734 Orangebrook Crt

**EMAIL SERVICE LIST
(as at September 8, 2022)**

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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 **SPROUTLY, INC.** and **TORONTO
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Court File No. CV-22-00683056-00CL

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

Proceedings commenced at Toronto, Ontario

NOTICE OF MOTION

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TAB 2

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Applicants

AFFIDAVIT OF CRAIG LOVEROCK
(Sworn June 22, 2022)

I, Craig Loverock, of the Municipality of York, in the Province of Ontario, MAKE
OATH AND SAY AS FOLLOWS:

I. INTRODUCTION

1. I am the Chief Financial Officer and Director of Sproutly, Inc. I am the Director, President, Chief Financial Officer and Secretary of Toronto Herbal Remedies Inc. (“**THR**”). In my executive roles with Sproutly, Inc. and THR (collectively, the “**Applicants**”), I have knowledge of the operations and structure of each of the Applicants. As such, I have knowledge of the matters hereinafter deposed to, save where I have obtained information from others and public sources. Where I have obtained information from others and public sources, I have stated the source of the information and believe it to be true.

2. This affidavit is sworn in support of an application by the Applicants for an order (the “**Initial Order**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36,

as amended (the “**CCAA**”) substantially in the form of the draft order included at Tab 3 of the Application Record, approving, among other things,

- (a) the appointment of BDO Canada Limited (“**BDO**”) as the proposed Monitor of the Applicants (in such capacity, the “**Proposed Monitor**”);
 - (b) the DIP Term Sheet (as defined below), the DIP Loan (as defined below), the authority to initially borrow up to \$160,000, and an initial charge in favour of 0982244 B.C. Ltd., operating as Isle of Mann Property Group (the “**DIP Lender**”) of up to \$160,000 (the “**DIP Lender’s Charge**”);
 - (c) an administration charge of \$150,000 (the “**Administration Charge**”);
 - (d) a directors’ charge of \$50,000 (the “**Directors’ Charge**” and together with the DIP Lender’s Charge and the Administration Charge, the “**Priority Charges**”); and
 - (e) an initial stay of proceedings to July 4, 2022 (the “**Stay Period**”).
3. If the Initial Order is granted, the Applicants intend to return to Court on July 4, 2022 (the “**Comeback Hearing**”) to seek amendments to the Initial Order (the “**Amended and Restated Initial Order**”), including but not limited to extending the Stay Period and increasing the amount of the Priority Charges. At the same time, the Applicants also intend to seek a sale and investment solicitation process.
4. All monetary amounts referred to in this Affidavit are in Canadian dollars, unless otherwise noted.

II. OVERVIEW OF THE APPLICANTS

A. *Background*

5. THR is engaged in the production, processing and sale of cannabis products. It holds the Applicants' primary assets, which include the Real Property (as defined below), various equipment and inventory, and the Health Canada license permitting the processing, cultivation, and sale cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations* (collectively the "**Cannabis Regulations**"). Currently, THR is no longer growing or producing cannabis products; however, cannabis remains at the licenced facility.

6. Sproutly, Inc. has no assets other than 100% of the shares of THR. Sproutly, Inc. is the employer of key individuals responsible for, and required to remain involved with the business, to maintain the Health Canada license under the Cannabis Regulations.

7. The Applicants are facing a liquidity crisis and were actively marketing their assets for sale prior to filing. The Applicants require immediate interim financing and the protections afforded under the CCAA in order to stay the actions of Toronto Hydro and to commence a court ordered sales process for the benefit of its stakeholders.

B. *Corporate Structure*

8. Sproutly Canada Inc. ("**Sproutly Canada**") is a publicly-traded corporation on the Canadian Securities Exchange under the symbol "SPR" and is quoted on certain other international exchanges, including on the Frankfurt, Berlin, Munich and Stuttgart exchanges under the symbol "38G" and on the OTCQB Venture Marketplace under the symbol "SRUTF". Sproutly Canada is not an applicant in these proceedings.

9. Sproutly Canada was incorporated as “Stone Ridge Exploration Corp.” (“**Stone Ridge**”) in 2012. In 2018, Stone Ridge effected a plan of arrangement under the *Canada Business Corporations Act* (“**CBCA**”), which included a reverse takeover of Stone Ridge by Sproutly, Inc. Stone Ridge changed its name to “Sproutly Canada, Inc.” and Sproutly, Inc. became a wholly owned subsidiary of the corporation now known as Sproutly Canada.

10. Sproutly, Inc. was incorporated on January 17, 2017 under the CBCA and maintains its registered office at 10th Floor – 595 Howe Street, Vancouver, British Columbia.

11. THR was incorporated on January 17, 2013 under the Ontario *Business Corporations Act*, and maintains its registered office at 70 Raleigh Ave, Toronto, Ontario.

12. Copies of the corporate registry searches with respect to the Applicants and Sproutly Canada are attached hereto as **Exhibit “A”**. A copy of an organizational chart for these entities is attached as **Exhibit “B”**.

C. *The Business*

(i) Operations

13. THR owns a 15,913 square foot production facility (the “**THR Facility**”) located at 64-70 Raleigh Avenue, Toronto, Ontario (the “**Real Property**”). The THR Facility was built to cultivate pharmaceutical grade cannabis. It has 12 grow rooms, and approximately 10,528 square feet dedicated to production support.

(ii) Cannabis License

14. THR holds a license, a copy of which is attached hereto as **Exhibit “C”**, under the Cannabis Regulations (the “**Cannabis License**”) in respect of the THR Facility. The Cannabis License is currently due to expire on November 26, 2026. The Cannabis License permits THR to:

- (a) possess cannabis;
- (b) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating, and harvesting cannabis;
- (c) for the purposes of testing, obtain cannabis by altering its chemical or physical properties by any means;
- (d) produce cannabis, other than by obtaining it by cultivating, propagating or harvesting it; and
- (e) sell cannabis in accordance with the Cannabis Regulations.

15. The Cannabis License is subject to THR meeting Health Canada requirements for cannabis testing, and THR selling and distributing cannabis products to authorized license holders and distributors.

(iii) Permit

16. THR is also registered under the Saskatchewan Liquor and Gaming Authority to supply cannabis to the Saskatchewan market from the Real Property. THR’s Licenced Producer

Registration is up for renewal on March 16, 2023. Attached hereto as **Exhibits “D” and “E”** are copies of the permit and email advising of the renewal date.

D. *Employees*

17. Presently, THR has 2 employees whereas Sproutly has 2 employees and 1 consultant required to maintain the Cannabis License. The employees are not unionized and do not maintain a pension plan.

18. Payroll was paid biweekly. It is anticipated that the first payment of \$30,000 will include a small catch-up portion of missed payroll for the THR employees whose salaries were postponed prior to filing.

E. *Material Contracts*

19. THR has entered into supply agreements with six provinces: British Columbia, Saskatchewan, Manitoba, Alberta, New Brunswick and Ontario, through the applicable provincial wholesaler or liquor and gaming authorities. These agreements permit THR to supply dried flower products.

F. *Cash Management*

20. THR primarily conducts its banking with the Royal Bank of Canada. Sproutly, Inc. primarily conducts its banking with the Bank of Montreal.

III. FINANCIAL SITUATION OF THE APPLICANTS

A. *Applicants’ Financial Statements*

21. The Applicants do not produce stand alone financial statements but are consolidated into Sproutly Canada's financial statements. Full copies of Sproutly Canada's annual audited and recent quarterly unaudited financial statements are attached hereto as **Exhibits "F" and "G"**, respectively.

B. Assets of the Applicants

22. As outlined above, Sproutly, Inc. does not have any assets other than shares in THR.

23. THR's assets consist primarily of the THR Facility, the Real Property, equipment, and the Cannabis License.

C. The Applicants' Secured Creditors

24. Sproutly, Inc. has no secured creditors.

25. THR has three secured creditors: the DIP Lender, Infusion Biosciences Inc. ("**Infusion**"), and Her Majesty in Right of Ontario Represented by the Minister of Finance ("**Minister of Finance**"), and together with the DIP Lender and Infusion, the "**Secured Creditors**").

26. There was a previous secured lender, Jane Bailey ("**Bailey**"), who had an interest in specific gummy production equipment of THR. In April 2022, a purchaser acquired this specific equipment and as part of that transaction the Bailey debt was repaid and the security interests against THR were released. A copy of the release of security is attached as **Exhibit "H"**

27. A summary of the Secured Creditors, with security interests registered pursuant to the *Personal Property Security Act* (Ontario) (the "**PPSA**") for THR can be found below:

Date of Registration	Secured Party	Registration Number	Expiry Date
February 5, 2020	Infusion	20200205 1105 1862 8027	February 5, 2025
December 30, 2020	Minister of Finance	20201230 1818 1031 0702	December 30, 2025
June 16, 2022	DIP Lender	20220616 1423 1590 7490	June 16, 2027

28. The DIP Lender and Infusion entered into a subordination agreement with respect to the security interests of each party. A copy of the subordination agreement is attached as **Exhibit “I”**.

29. There are no security interests registered under the PPSA against Sproutly, Inc. as of June 16, 2022. Copies of a certified search of the Ontario Personal Property Security Registration System with respect to Sproutly, Inc. and THR are attached hereto as **Exhibits “J” and “K”** respectively. A copy of a search of the Personal Property Security Registration for British Columbia in respect of Sproutly, Inc. is attached hereto as **Exhibit “L”**.

(i) **The DIP Lender**

30. On June 18, 2015, THR entered into a loan agreement (the “**Loan Agreement**”) with the DIP Lender, as lender, and Bray Limited Partnership (“**Bray**”) in the aggregate principal amount of \$3.25 million (the “**Original Loan**”) to provide financing for the construction of the THR Facility. A copy of the Loan Agreement is attached as **Exhibit “M”**. Bray has since dissolved, evidenced by the corporate search attached hereto as **Exhibit “N”**.

31. In connection with the Original Loan, THR also provided the following:

(a) A promissory note in the same amount as the Original Loan (the “**2015 Promissory Note**”). A copy of the Promissory Note and receipt is attached hereto as Exhibit “**O**”;

(b) A charge/mortgage of land in favour of the DIP Lender in the principal amount as the Original Loan (the “**Mortgage**”). This Mortgage was registered against title to the Real Property on August 31, 2015 as Instrument Number AT3995694. A copy of instrument is attached hereto as **Exhibit “P”**. A copy of the abstract in respect of the Real Property is attached hereto as **Exhibit “Q”**;

(c) A General Assignment of Rents in favour of the DIP Lender as a condition precedent to the Mortgage. This was registered against the Real Property on August 31, 2015 as Instrument Number AT3995695. A copy of Instrument, enclosing the General Assignment of Rents, is attached hereto as **Exhibit “R”**;

(d) A general security agreement dated August 28, 2015 in favour of the DIP Lender, a copy of which is attached hereto as Exhibit “**S**”;

(e) Various security documents including an assignment of sale proceeds and assignment of material contracts; and

(f) A share purchase and loan conversion option in favour of the DIP Lender pursuant to a share purchase option and loan conversion agreement dated August 28, 2015 (the “**2015 Option Agreement**”), a copy of which is attached hereto as **Exhibit “T”**.

32. The 2015 Option Agreement was then amended, and the DIP Lender exercised its option to purchase 23% of the common shares in THR pursuant to an option amendment, exercise and loan conversion agreement dated February 28, 2018 (the “**2018 Conversion Agreement**”). A copy

of 2018 Conversion Agreement, excluding Exhibit A, is attached hereto as **Exhibit “U”**. In connection with this conversion:

(a) The principal amount of the Original Loan was reduced by \$1.5 million, and a new loan in the principal amount of \$1.5 million was issued to the DIP Lender (the “**Converted Loan**”). A promissory note, dated February 28, 2018, for the Conversion Loan is attached hereto as Exhibit “**V**” (the “**2018 Promissory Note**”);

(b) The Mortgage was amended and restated pursuant to the registration of a notice of agreement amending charge, which was registered as Instrument AT4812828 on March 1, 2018 (the “**Notice of Amendment**”). A copy of registration is attached hereto as **Exhibit “W”**; and

(c) THR signed a General Security Agreement, dated February 28, 2018, a copy of which is attached hereto as **Exhibit “X”**.

33. Following the 2018 Conversion, THR and the DIP Lender also amended the 2015 Promissory Note and the 2018 Promissory Note to change, amongst other things, the interest and maturity terms. Copies of the amendments for the 2015 Promissory Note and the 2018 Promissory Note, both dated August 7, 2018, are attached hereto as **Exhibits “Y”** and “**Z**” respectively.

34. THR and the DIP Lender agreed to increase the amount of the Mortgage to \$4.5 million. Pursuant to this increase, a Notice of Agreement Amending Charge of Land was registered on title to the Real Property as Instrument AT5352062 on January 28, 2020. A copy of this instrument is attached hereto as **Exhibit “AA”**.

35. On June 16, 2022, the DIP Lender registered a security interest pursuant to the Ontario PPSA THR against all classes of collateral except Consumer goods which registration expires on June 16, 2027. I have been advised by counsel to the Applicants that this registration was made as a renewal for a lapsed registration.

36. As of June 21, 2022, the amount outstanding on the Mortgage, as advised by counsel to the mortgagee, is \$3,596,130.60, with daily interest accruing at \$1,127.40. A copy of the email from lender's counsel, with a breakdown of amounts owed, is attached as **Exhibit "BB"**.

37. The DIP Lender is a key stakeholder of the Applicants. The DIP Lender and the Applicant have worked together prior to this filing to ensure the DIP Lender supported these proceedings. As a result, the DIP Lender has agreed to provide the DIP financing, described herein, and to support the CCAA proceeding of the Applicants.

(ii) Infusion Loan

38. THR, Sproutly Canada and Infusion entered into a loan agreement whereby Infusion agreed to lend \$1 million to Sproutly Canada ("**Infusion Loan**"). A copy of the loan agreement, dated January 21, 2020, is attached hereto as **Exhibit "CC"**.

39. In connection with the Infusion Loan, THR provided the following:

(a) A guarantee for the Infusion Loan (the "**Guarantee**"). A copy of the Guarantee is attached hereto as **Exhibit "DD"**;

(b) A second charge/mortgage of land in favour of Infusion over the Real Property as security for the Guarantee (the "**Infusion Mortgage**"). The Infusion Mortgage was

registered on March 6, 2020 as instrument number AT5382792. A copy of the registration is attached hereto as **Exhibit “EE”** respectively. The DIP Lender consented to THR granting the Infusion Mortgage as consideration of the principal amount of the 2018 Mortgage being increased to \$4.5 million, as described above; and

(c) A general security agreement in favour of Infusion. A copy of this agreement, dated January 21, 2020, is attached hereto as **Exhibit “FF”**.

40. On February 5, 2020, Infusion registered a security interest pursuant to the PPSA against THR against the following classes of collateral: Inventory, Equipment, Accounts, and Other which registration expires February 5, 2025.

41. The Infusion Loan was subsequently amended in August 2020. Attached hereto as **Exhibit “GG”** is a copy of the amendment.

42. Infusion agreed to lend an additional \$855,000 to Sproutly Canada, Inc. in the form of convertible debenture and obtained additional security from Infusion Biosciences Canada Inc. (another subsidiary of Sproutly Canada). A copy of this loan agreement, of which THR is party to, is attached hereto as **Exhibit “HH”**.

43. The amount outstanding on the Infusion Loan is \$1,190,596.35 as of May 31, 2022.

(iii) Ministry of Finance

44. The Minister of Finance registered a security interest against THR pursuant to the PPSA on December 30, 2020 against the following classes of collateral: Inventory, Equipment, Accounts, and Other which registration is set to expire on December 30, 2025.

45. The Minister of Finance also registered a lien against the Real Property on May 27, 2021 in the amount of \$8,782.32 (the “**Lien**”) for taxes and other amounts unpaid pursuant to the *Employer Health Tax Act*, R.S.O. 1990, c. E. 11, as amended pursuant to Instrument Number AT5748147. A copy of the Lien is attached as **Exhibit “II”**.

D. Unsecured Creditors of the Applicants

46. Based on the Applicants’ books and records, as of June 9, 2022, THR’s unsecured obligations totaled approximately \$1.202 million to various trade creditors. Of particular note, these amounts include:

- (a) \$355,810.03 for amounts owing for excise taxes associated with the Cannabis License. As a licensed cannabis producer, THR is required to pay a federal excise duty under the *Excise Act, 2002* (Canada) when the cannabis products they package are delivered to a purchaser. This excise duty payable is in addition to any HST payable;
- (b) \$161,694.56 owing pursuant to supply agreements with Alberta and New Brunswick;
- (c) \$16,598.89 in connection to WSIB premiums; and
- (d) \$60,000 in connection with a loan under the *Canada Emergency Business Account* (“**CEBA**”) program through Royal Bank of Canada.

47. Sproutly, Inc. also owes \$60,000 under the same CEBA Program through the Bank of Montreal.

F. Litigation

48. In May 2022, the DIP Lender commenced power of sale proceedings against THR to obtain vacant possession of the THR Facility. THR defended this action. The power of sale proceedings will be stayed by these CCAA proceedings; however, through the efforts of the Applicants, the DIP Lender now supports the commencement of these proceedings and the sales process that will be sought at the comeback hearing.

IV. CASH FLOW FORECAST

49. Attached hereto as **Exhibit “JJ”** is a statement of the projected 14-week cash flow forecast (the “**Cash Flow Forecast**”) of the Applicants for the week ending June 26, 2022 to the week ending September 25, 2022 (the “**Cash Flow Period**”). The Cash Flow Forecast was prepared by the Applicants with the assistance of the Proposed Monitor.

50. The Cash Flow Forecast demonstrates that if the relief requested is granted, including the approval of the DIP Term Sheet and the DIP Lender’s Charge, the Applicants will have sufficient liquidity to meet its obligations during the initial 10-day Stay Period.

V. LIQUIDITY CRISIS & PRESSING NEED FOR RELIEF

51. Following the COVID-19 pandemic in March 2020, the Applicant’s sales declined significantly. As well, some key financing opportunities also came to a halt. As a result of an inability to access liquidity and the downturn in the cannabis market, THR had to cease regular operations at the THR Facility.

52. As the Cash Flow Forecast indicates, the Applicants project estimated disbursements of approximately \$748,898 during the Cash Flow Period. The Applicants have a critical and

immediate need for interim financing, and without it, the Applicants are unable to conduct the close out a proposed sales process.

53. Accordingly, the Applicants have sought interim debtor-in-possession financing (“**DIP Financing**”). The Applicants were able to secure DIP Financing from the DIP Lender pursuant to a Term Sheet dated June 22, 2022 (the “**DIP Term Sheet**”), wherein the DIP Lender agreed to loan a maximum principal amount of \$750,000 to the Applicants to support working capital requirements (the “**DIP Facility**”), subject to the terms and conditions prescribed therein. A copy of the DIP Term Sheet is attached hereto as **Exhibit “KK”**.

54. The key material terms of the DIP Term Sheet are as follows:

- (a) The provision of a non-revolving demand credit facility up to a maximum amount of \$750,000;
- (b) The purpose of the DIP Facility is to:
 - (i) Fund working capital needs in accordance with cash flow projections approved by the Proposed Monitor and the DIP Lender;
 - (ii) fees and expenses (including interest) incurred by the DIP Lender, incurred in connection with the DIP Facility and the within CCAA proceedings;
 - (iii) professional fees and expenses incurred by the Applicants and the Proposed Monitor in respect of the CCAA Proceedings; and
 - (iv) such other costs and expenses of the Applicants as may be agreed to by the DIP Lender;

(c) advances under the DIP Facility (individually an “**Advance**”) are to be issued as follows:

- (i) on a weekly request by THR to the DIP Lender;
- (ii) irrespective of the amount requested, the DIP Lender is only required to fund the portion of the Advance that is consistent with the weekly funding set out in cash flow projections, plus a maximum variation of 20% (“**Maximum Advance Value**”);
- (iii) the DIP Lender has the sole discretion to fund any portion of an Advance in excess of the Maximum Advance Value;

(d) Availability of the DIP Facility is conditional upon certain terms including:

- (i) An Initial Order approving the borrowing under the DIP Facility that provides:
 - 1) Subject only to the priority of the Administration Charge, a first ranking charge in favour of the DIP Lender;
 - 2) Granting the DIP Lender the right, upon the occurrence of an Event of Default under the DIP Facility (“**Event of Default**”), to terminate the DIP Facility;
 - 3) Declaring that the DIP Charge, documents related to the DIP Facility, and payments made to the DIP Lender do not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive

conduct, or other challengeable or voidable transactions under any applicable law;

4) declaring the DIP Financing Order, including the DIP Charge, be binding upon a trustee in bankruptcy of the Applicants, the Monitor, any receiver, interim-receiver, receiver-manager or any other officer of the Court appointed in respect of the Applicants; and

5) declaring the DIP Lender to be an “unaffected creditor” under any restructuring plan that may be made by the Applicants and that the indebtedness to the DIP Lender under the DIP Facility shall not be compromised under any such restructuring plan;

(ii) The Administration Charge not exceeding \$150,000;

(iii) The D&O Charge not exceeding \$50,000;

(e) Subsequent Advances are conditional upon:

(i) The Applicants obtaining an order approving a sales process, in a form satisfactory to the DIP Lender, no later than July 4, 2022 (the “**Sales Process Order**”), and that such order cannot be amended without the DIP Lender’s consent;

(ii) That there be no Event of Default under the DIP Facility; and

(iii) The conditions in the DIP Term Sheet continue to be satisfied;

- (f) Interest at a base rate of 14% per annum shall be calculated monthly on the daily balance outstanding under the DIP Facility;
- (g) Monthly interest only payments with the balance of principal and all obligations owing under the DIP Facility on the Maturity Date, which is defined to be earlier of:
 - (i) the occurrence of an event of default under the DIP Facility
 - (ii) termination of the CCAA proceedings
 - (iii) the sale of THR's real property or substantially all of its assets and business;
and
 - (iv) September 30, 2022 (or such other date as the DIP Lender may agree);
- (h) A facility fee of 2% of the amount of each Advance will be applied, with all fees to be accrued and repaid on the Maturity Date;
- (i) THR not incurring any expense other than as included in the Cash Flow Projections, or as reasonably required for the operation of the business up to a maximum of \$10,000, without the prior written consent of the DIP Lender;
- (j) THR is to maintain adequate insurance, with the DIP Lender named as first loss payee;
- (k) The Applicants to pay Priority Claims, which is defined in the DIP Facility to include, amongst other things, amounts that may rank prior to or *pari passu* with the DIP

Charge for amounts such as wages, vacation pay, source deductions, workers' compensation, and suppliers' claims; and

(l) The DIP Lender having the right to declare all amounts of the DIP Facility to be due and payable and seek a court order for such enforcement should an Event of Default occur. Events of Default include:

- (i) Failure to pay any principal, fees or other amounts when due;
- (ii) Failure to pay any of the Priority Claims;
- (iii) Breach of any covenant, term or condition of the DIP Term Sheet;
- (iv) The Sales Process Order or DIP Financing Order set aside, stayed, or varied in a manner adverse to the DIP Lender without its consent;
- (v) Any order made in the within proceedings that is prejudicial to the DIP Lender's interests;
- (vi) Sale of THR's business or assets except otherwise approved by the DIP Lender; and
- (vii) THR becoming bankrupt, or placed in a receivership.

55. The DIP Facility is required in order for Applicants to meet its ongoing working capital requirements and for the closing of the Transaction.

VI. THE PROPOSED SALES PROCESS

56. As outlined, the DIP Lender and other key stakeholders support the initiation of these CCAA proceedings to effect a sale of the business or the facility. At the Comeback Hearing, the Applicants anticipate requesting that this Court approve the sales process.

VII. OBJECTIVE OF CCAA FILING

57. As described above, the Applicants immediately require the protections afforded under the CCAA and the DIP Financing in order to maintain the *status quo* and obtain the breathing room required to run a sales process for the benefit of its stakeholders.

58. On June 6, 2022, THR received a notice from Toronto Hydro indicating that the power will be disconnected at the THR Facility between June 21, 2022 and July 4, 2022. A copy of the disconnection notice is attached as **Exhibit “LL”**. The urgent granting of a stay provided for under the CCAA is required to prevent this disconnection and to allow the business to be marketed and sold in an orderly process following the comeback hearing.

VIII. RELIEF BEING SOUGHT

A. *The Monitor*

59. BDO has consented to act as the Court-appointed Monitor of the Applicants, subject to Court approval. A copy of BDO’s consent is attached hereto as **Exhibit “MM”**. I am advised by external counsel that BDO is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

B. *Proposed Treatment of Creditors*

60. The Applicants propose to stay their pre-filing trade obligations as part of its CCAA filing.

C. *Administration Charge*

61. The Applicants seek an Administration Charge against the Property (as defined in the proposed form of the Initial Order) in the maximum amount of \$150,000 to secure the fees and disbursements incurred in connection with services rendered to the Applicants both before and after the commencement of the CCAA proceedings by counsel to the Applicants, the Proposed Monitor, and counsel to the Proposed Monitor.

62. It is contemplated that each of the aforementioned parties: (i) will have extensive involvement during the CCAA proceedings; (ii) have contributed and will continue to contribute to the restructuring of the Applicants; and (iii) will ensure there is no unnecessary duplication of roles among the parties.

63. I am advised by legal counsel that the Proposed Monitor believes that the proposed quantum of the Administration Charge is reasonable and appropriate in light of the Applicants' CCAA proceedings and the services provided and to be provided by the beneficiaries of the Administration Charge.

D. *DIP Charge*

64. The Applicants' cash resources are already exhausted. The last pay period the employees were paid was for the two week period ending March 4, 2022. The Applicants seek Court approval of the DIP Term Sheet as part of its restructuring strategy.

65. The Applicant's access to the DIP Facility is conditional upon the provision of an order of this Court, among other things, approving the DIP Term Sheet and approving the DIP Charge on the Property in the initial amount of \$160,000 subject to the terms of the DIP Term Sheet.

66. The Applicants worked with the Proposed Monitor in determining the proposed quantum of the DIP Charge and believe that the DIP Charge is appropriately limited to what is reasonably necessary in the circumstances. I have been advised by counsel that the Proposed Monitor is of the view that the DIP Charge is appropriate and limited to what is reasonably necessary in the circumstances.

E. *Directors' Charge*

67. To ensure the ongoing stability of the Applicants' business during the CCAA proceedings, the Applicants require the continued participation of their directors and officers who manage the business and commercial activities of the Applicants. The directors and officers of the Applicants have considerable institutional knowledge and valuable experience.

68. There is a concern that certain directors and officers of the Applicants may discontinue their services during this restructuring unless the Initial Order grants the Directors' Charge (as defined below) to secure the Applicants' indemnity obligations to the directors and officers that may arise post-filing in respect of potential personal statutory liabilities.

69. The Applicants do not maintain directors' and officers' liability insurance.

70. The proposed Initial Order contemplates the establishment of the Directors' Charge against the Property in the amount of \$50,000 to protect the directors and officers against obligations and liabilities they may incur as directors and officers of the Applicants after the commencement of

the CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of the director's or officer's gross negligence or wilful misconduct.

71. The Applicants worked with the Proposed Monitor in determining the proposed quantum of the Directors' Charge and believe that the Directors' Charge is reasonable and appropriate in the circumstances.

F. *Proposed Ranking of Court-Ordered Charges*

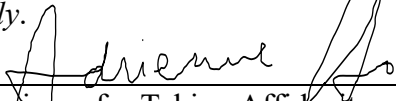
72. To summarize, the proposed ranking of the Priority Charges is as follows:

- (a) Administration Charge;
- (b) The DIP Lender's Charge; and
- (c) Directors' Charge.

IX. CONCLUSION

73. This affidavit is sworn in support of the Applicants' application for protection pursuant to the CCAA and for no improper purpose.

SWORN before me via videoconference with CRAIG LOVEROCK located in the City of Newmarket, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*.



Commissioner for Taking Affidavits
Adrienne Ho (LSO# 68439N)



CRAIG LOVEROCK

TAB 3

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 SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.
(each an "**Applicant**" and collectively, the "**Applicants**")

AFFIDAVIT OF CRAIG LOVEROCK
(Sworn September 8, 2022)

I, Craig Loverock, of the Municipality of York, in the Province of Ontario, MAKE

OATH AND SAY AS FOLLOWS:

I. INTRODUCTION

1. I am the Chief Financial Officer and Director of Sproutly, Inc. I am the Director, President, Chief Financial Officer and Secretary of Toronto Herbal Remedies Inc. ("**THR**", and together with Sproutly, Inc., the "**Applicants**"). In my executive roles with the Applicants, I have knowledge of the operations and structure of each of the Applicants. As such, I have knowledge of the matters hereinafter deposed to, save where I have obtained information from others and public sources. Where I have obtained information from others and public sources, I have stated the source of the information and believe it to be true.

2. This affidavit is sworn in support of a motion by the Applicants for:

(a) an order substantially in the form to be attached at Tab 4 of the Applicants' motion record (the "**Approval and Vesting Order**"), *inter alia*:

(i) approving the transaction (the "**Transaction**") contemplated by the Asset Purchase Agreement (as defined below) and authorizing THR to execute and implement the same; and

(ii) transferring and vesting all of THR's right, title and interest in and to the Purchased Assets (as defined below) to the DIP Lender's designated vesting entity free and clear of any encumbrances;

(b) an order substantially in the form to be attached at Tab 6 of the Applicants' motion record, *inter alia*, (the "**Sale Order**"):

(i) approving the sale (the "**Cannabis Sale**") contemplated by the Bill of Sale (as defined below) and authorizing THR to execute and implement same; and

(ii) transferring and vesting all of THR's right, title and interest in and to the Cannabis (as defined below) to Kingston Cannabis Inc. ("**KCI**") free and clear of any encumbrances; and

(c) an order substantially in the form to be attached at Tab 7 of the Applicants' motion record, *inter alia*, (the "**Termination Order**"):

(i) approving the Second Report of the Monitor dated September 8, 2022 and the activities and conduct of the Monitor described in the Second Report;

- (ii) permitting the Applicants to arrange for the orderly, expeditious and lawful disposal or destruction of cannabis or cannabis products;
- (iii) terminating these proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (the "CCAA") once the Monitor served the termination certificate on the service list (the "CCAA Termination Time") and releasing the Court-ordered charges granted in these CCAA proceedings, in each case effective as of the CCAA Termination Time;
- (iv) discharging and releasing BDO Canada Limited ("BDO") in its capacity as the Court-appointed monitor of the Applicants (the "Monitor") in these CCAA proceedings effective as of the CCAA Termination Time, and granting certain releases in favour of the Monitor and its counsel;
- (v) permitting the Applicants and/or the Monitor to file an assignment in bankruptcy for the Applicants pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended ("BIA");
- (vi) authorizing BDO to act as trustee in bankruptcy (the "Trustee") for and on behalf of Applicants;
- (vii) authorizing the Trustee to administer the bankruptcy estates of the Applicants as a single bankrupt estate; and
- (viii) approving the fees and disbursements of the Monitor and its counsel.

3. A detailed overview of the Applicants, their financial challenges, and the circumstances leading to the commencement of these CCAA proceedings is set out in my affidavit sworn June 22, 2022 (the “**Initial Affidavit**”) and not repeated in detail herein.

4. All references to monetary amounts in this affidavit are in Canadian dollars unless noted otherwise.

II. OVERVIEW OF THE APPLICANTS

5. As described in greater detail in my Initial Affidavit, THR is engaged in the production, processing and sale of cannabis products.

6. It holds the Applicants’ primary assets, which include the Real Property (as defined below), various equipment and inventory, and the Health Canada license permitting the processing, cultivation, and sale cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations* (collectively the “**Cannabis Regulations**”). Currently, THR is no longer growing or producing cannabis products; however, cannabis remains at the licensed facility.

7. THR owns a production facility (the “**THR Facility**”) located at 64-70 Raleigh Avenue, Toronto, Ontario (the “**Real Property**”). The THR Facility was built to cultivate pharmaceutical grade cannabis. It has 12 grow rooms, and approximately 10,528 square feet dedicated to production support.

8. Sproutly, Inc. has no assets other than 100% of the shares of THR. Sproutly, Inc. and THR each employ certain of the key individuals responsible for, and required to remain involved with the business, to maintain the Health Canada license under the Cannabis Regulations.

9. Sproutly, Inc. is a subsidiary of Sproutly Canada Inc (“**Sproutly Canada**”). Sproutly Canada is not an applicant in these proceedings.

10. The Applicants faced a liquidity crisis and were actively marketing their assets for sale prior to filing. The Applicants require immediate interim financing and the protections afforded under the CCAA, to amongst other things, commence a court ordered sales process for the benefit of its stakeholders.

III. CCAA FILING

11. On June 24, 2022 (the “**Filing Date**”), the Applicants obtained protection under the CCAA pursuant to an initial order granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), as amended and restated on July 4, 2022 (collectively, the “**Initial Order**”). A copy of the Initial Order is attached hereto as **Exhibit “A”**.

12. Pursuant to the Initial Order, among other things:

(a) BDO was appointed as Monitor of the Applicants;

(b) the Court approved a \$750,000 debtor-in-possession credit facility (the “**DIP Facility**”) provided by 0982244 B.C. Ltd., operating as Isle of Mann Property Group (the “**DIP Lender**”) under a term sheet entered into between the DIP Lender and the Applicants dated June 22, 2022 (the “**DIP Term Sheet**”);

(c) a charge was granted in favour of the DIP Lender up to the amount of the DIP Facility (the “**DIP Lender’s Charge**”);

(d) a charge was granted in favour of the Monitor, counsel to the Monitor and counsel to the Applicants in the maximum amount of \$150,000 (the “**Administration Charge**”); and

(e) a charge in favour of the directors and officers of the Applicants in the maximum amount of \$50,000 (the “**Directors’ Charge**”) as security for the Applicants’ indemnity to their directors and officers for any obligations and liabilities that could be incurred after the commencement of these CCAA proceedings except in the case of a director or officer’s gross negligence or willful misconduct.

13. The Administration Charge ranks ahead of the DIP Lender’s Charge and Directors’ Charge respectively.

14. Since the Initial Order, the DIP Lender has been providing funding to the Applicants (the “**DIP Loan**”).

15. As further described below, the DIP Lender has a \$4.5 million mortgage on the Real Property (the “**DIP Lender Mortgage**”) as well as a security interest registered against the Ontario *Personal Property Security Act* (the “**PPSA**”).

IV. OVERVIEW OF THE SISP

16. At the last hearing in these CCAA proceedings held on July 4, 2022, the Applicants sought and obtained an Order (the “**SISP Order**”), among other things: (i) approving the Company’s bidding procedures (the “**Bidding Procedures**”) and a sale process (the “**SISP**”); and (ii) authorizing the Monitor, on behalf of and with the assistance of the Applicants, to proceed with

the SISP substantially in accordance with the Bidding Procedures. A copy of the SISP Order is attached hereto as **Exhibit “B”**.

17. The purpose of the SISP was to solicit interest in a sale or liquidation of one or the other of:

(a) the Applicants’ business and assets, including its cannabis license and Real Property core to its license and operations (the “**Hyde Sale**”); or

(b) the Applicants’ Real Property (the “**Realtor Sale**”).

18. In each case, the calling for non-binding initial offers was by August 5, 2022 (the “**Initial Bid Deadline**”) and final binding offers by August 19, 2022.

19. The DIP Lender was included in the potential bidders list and the DIP Lender reserved its right to credit bid its secured indebtedness (including the DIP Facility) to the Applicants, in addition to previous secured debt facilities extended to THR to purchase the Real Property.

(a) Hyde Sale

20. Prior to the filing under the CCAA, THR had previously engaged Hyde Advisory & Investments Inc. (“**Hyde**”) on two occasions to among other things, source qualified leads in order to sell or merge with THR. Hyde has over eight years of cannabis sector consulting experience and is a leader in this field. Although a potential purchaser was sourced the second time, a transaction was not ultimately pursued.

21. On June 29, 2022, Hyde was engaged to assist with the Hyde Sale (the “**CCAA Hyde Engagement**”). The CCAA Hyde Engagement was to run simultaneously with the Realtor Sale.

22. Further details regarding the conduct of the Hyde Sale process is or will be set out in a report of the Monitor to be filed in connection with this motion. Briefly, I am aware that no qualified bids were submitted prior to or at the Initial Bid Deadline in connection with the Hyde Sale process.

(b) Realtor Sale

23. With the assistance of the Monitor, the Applicants reached out to three realtors to present listing proposals in relation to the sale of the Real Property. Two realtors presented proposals. It was determined Avison Young would act as broker and market the Real Property for sale and on June 29, 2022 the Applicants with the assistance of the Monitor entered into an agreement engaging Avison Young.

24. Further details regarding the conduct of the Realtor Sale is or will be set out in a report of the Monitor to be filed in connection with this motion. Briefly, I am aware that no qualified bids were received prior to or at the Initial Bid Deadline in connection with the Realtor Sale process. However, the week after the Initial Bid Deadline, Avison Young was approached by an interested party who presented an offer to purchase the Real Property. However, the DIP Lender was not supportive of the purchase price offered, such that this transaction was not ultimately pursued.

(c) DIP Lender's Credit Bid

25. Ultimately, as a result of the lack of acceptable bids in the SISP, the DIP Lender offered to purchase the THR's assets for the consideration set out below. As a result, pending Court approval, the DIP Lender and THR entered into an asset purchase agreement (the "APA") dated September 2, 2022. A copy of the APA is attached hereto as **Exhibit "C"**.

26. Pursuant to the APA, the DIP Lender agreed to purchase the Real Property and certain assets such as furniture, fixtures, and equipment on an “as is, where is” basis (the “**Purchased Assets**”). The Purchased Assets, however, do not include the following:

- (a) any refund for taxes in respect of the Purchased Assets attributable to a period prior to the closing of the sale;
- (b) the Health Canada license held by THR permitting the processing, cultivation, and sale of cannabis in accordance with the *Cannabis Act* and the Cannabis Regulations;
- (c) any cannabis inventory and its associated logistics packaging materials;
- (d) any equipment not owned by the Applicants; and
- (e) the Applicants’ books, records, computers and servers.

27. Pursuant to the APA, the \$3,825,000 purchase price (the “**Purchase Price**”) for the Purchased Assets is to be satisfied as follows:

- (a) The Purchaser was to pay to the Monitor an amount equal to the Priority Payables (defined below) less the amount of a \$75,000 deposit (the “**Deposit**”) and any adjustments;
- (b) The cancellation of the DIP Loan and any amounts secured by the DIP Lender’s Charge would be credited against the Purchase Price, and
- (c) The cancellation of such portion of the DIP Lender’s Mortgage as is equal to the balance of the Purchase Price after first deducting (i) the Deposit, (ii) the Priority Payables and (iii) the DIP Loan, to be credited against the Purchase Price.

28. The Priority Payables will include amounts due under the Administration Charge granted in the CCAA proceedings (if any), along with the property taxes owing to the date of closing as well as taxes and other unpaid amounts pursuant to the *Employer Health Tax Act* (as further described below).

29. The APA further provides that THR is to return to the DIP Lender an amount in cash equal to the difference between the Deposit and the Priority Payables, should the Deposit exceed the amount of the Priority Payables.

30. The APA also contemplates that the DIP Lender can designate an entity into which the Purchased Assets are to vest; and the DIP Lender has designated 1375857 B.C. LTD. (the “**Vesting Entity**”) for such purposes.

31. During the conduct of the SISP, the Applicants cooperated with the Monitor fully and was provided updates on the Monitor’s process. I believe the market was fully canvassed and do not believe that any further marketing of the assets would result in a more favourable transaction than what is being offered by the DIP Lender.

32. If the Court approves the APA and the transaction contemplated therein, pursuant to the agreement reached with Avison Young, a break fee of \$35,000 (“**Break Fee**”) is due and owing to them. The DIP Lender has indicated that it and/or the Vesting Entity will pay Avison Young the Break Fee upon closing of the transaction.

(d) Proposed Approval and Vesting Order

33. The proposed Approval and Vesting Order would authorize THR to enter into the APA and transfer the Purchased Assets to Vesting Entity, as designee of the DIP Lender free and clear of any encumbrances, subject only to the permitted encumbrances as outlined in the APA.

34. As further set out in my Initial Affidavit, THR has the following secured creditors:

(a) the DIP Lender, who has, amongst other things, a registered mortgage on the Real Property as well as a registration pursuant to the Ontario PPSA;

(b) Infusion Biosciences Inc. (“**Infusion**”) who has, amongst other things, a registered mortgage on the Real Property as well as a registration pursuant to the Ontario PPSA. The DIP Lender and Infusion entered into a subordination agreement with respect to the security interests of each party, a copy of which is attached hereto as **Exhibit “D”**; and

(c) Her Majesty in Right of Ontario Represented by the Minister of Finance (“**Minister of Finance**”, and together with the DIP Lender and Infusion, the “**Secured Creditors**”). The Minister of Finance has also registered a security interest against THR pursuant to the PPSA as well as a lien against the Real Property for taxes and other amounts unpaid pursuant to the *Employer Health Tax Act*, R.S.O. 1990, c. E. 11, as amended. As explained above, these amounts have been paid by way of the Priority Payables.

35. There was a previous secured lender, Jane Bailey (“**Bailey**”), who had an interest in specific gummy production equipment of THR. In April 2022, a purchaser acquired this specific equipment and as part of that transaction the Bailey debt was repaid and the security interests against THR were released. A copy of the release of security is attached as **Exhibit “E”**.

36. A copy of a certified search of the Ontario PPSA System dated August 30, 2022 with respect to THR is attached hereto as **Exhibit “F”** respectively. A copy of the abstract in respect of the Real Property dated August 31, 2022 is attached hereto as **Exhibit “G”**.

37. I do not believe the vesting of the Purchased Assets free and clear of any encumbrances will prejudice any of the Secured Creditors.

V. CANNABIS LICENSE, EXCISE LICENSE & CANNABIS INVENTORY

38. Under the Cannabis Regulations and the *Cannabis Act*, a holder of a cannabis license has to notify Health Canada if it intends to cease activities.

39. As a result of the lack of interest in the license as part of the SISF, on August 30, 2022, THR submitted a Notice of Cessation of Activities Form (“**Notice of Cessation**”) to Health Canada. Attached hereto as **Exhibit “H”** is a copy of the Notice of Cessation.

40. The Notice of Cessation requires THR to provide information as to how remaining cannabis inventory will be destroyed or dealt with. THR indicated to Health Canada that such information would be provided in the next 30 days.

41. Pursuant to the APA, the Purchased Assets exclude the Cannabis License and any cannabis inventory.

42. THR is also in possession of an Excise License, which is related to federal excise taxes on cannabis products. I have been in contact with the Canada Revenue Agency (“**CRA**”), and I have advised the CRA that THR intends to surrender its Excise License. The CRA will be reaching out regarding the destruction of any excise stamps issued.

(a) Bill of Sale with KCI

43. THR is currently in possession of the following types of cannabis:

(a) Dried flower (the “**Flower**”). Due to the age of the product and its low level of THC content, as well as the need for retesting to obtain a valid certificate to sell the product, the Flower has current little resale value.

(b) APP Extracts (the “**Extracts**”), which were made utilizing the licensed APP process from Infusion. There is no market for these Extracts since any buyer would need to have a technology license from Infusion to utilize them.

(c) THC and CBD distillate (the “**Distillate**”). The original cost of these distillates was \$20,000 for the CBD and \$20,000 for the THC, but the Distillate’s resale value is difficult to estimate. The market for this product is not readily identifiable, and the Distillate would need to be retested to be sold. The CBD distillate previously failed one pesticide test criteria.

(d) Retained samples (the “**Samples**”). These are samples of every batch of product sold into market by THR.

44. Pursuant to the Bill of Sale, KCI, an affiliate of a director of Sproutly Canada has agreed to purchase the cannabis as follows on a “as is, where is” basis:

(a) \$1 for the Flower;

(b) \$1 for the Extracts; and

(c) \$1000 for the Distillate.

45. A copy of the Bill of Sale is attached hereto as **Exhibit "I"**.

46. I believe the sale of the Flower, Extracts and Distillate to KCI is the most cost-effective option to dispose of this inventory since:

(a) KCI agrees to be responsible for all testing and shipping costs to permit the material to be transferred out of the THR Facility;

(b) KCI holds the appropriate processing license from Health Canada to take this inventory into possession;

(c) with respect to the Distillate, KCI holds the sublicense with regards to the APP technology to use the Distillate;

(d) the sale of this inventory to KCI facilitates the closing of the Asset Purchase Agreement with the DIP Lender as the DIP Lender will not be taking possession of the cannabis inventory; and

(e) the DIP Lender and Infusion are supportive of the Bill of Sale.

47. It is contemplated that following court approval of the Bill of Sale, KCI will pick up the Flower, Extracts and Distillate before the closing of the Asset Purchase Agreement with the DIP Lender.

48. The proposed Sale Order would authorize THR to enter in the Bill of Sale and transfer the Flower, Extracts and Distillates to KCI free and clear of any encumbrances.

49. I do not believe the vesting of the Flower, Extracts and Distillates to KCI free and clear of any encumbrances will prejudice any of the Secured Creditors.

(b) Destruction of Cannabis

50. As explained above, THR is also in possession of Samples. Under the *Cannabis Act* and Cannabis Regulations, THR is required to retain samples of every batch of product sold into market. THR is currently working with Health Canada to determine if these Samples have to be provided to them. Alternatively, THR is currently determining if another entity can take the Samples instead. If Samples are not ultimately required to be kept, THR will destroy them. As such, THR has sought relief seeking the lawful destruction of cannabis (should such a step be needed).

VI. LEASE

51. Sproutly, Inc. is a party to a lease agreement (the “**Lease**”) dated June 15, 2019 with Invar Corporation and Jade Rive Holdings Limited (the “**Landlord**”). Attached hereto as **Exhibit “J”** is a copy of the Lease.

52. Sproutly, Inc. entered into a sub-lease dated June 19, 2020 with Merit Finishing Solutions Inc. (the “**Subtenant**”). Attached hereto as **Exhibit “K”** is a copy of this sublease.

53. The Applicants have been in discussion with the Landlord and Subtenant regarding the possibility of the Subtenant assuming the Lease in exchange for a processing fee. It is anticipated that the assignment will be dealt with in the remainder of the CCAA Proceedings or in the Applicants’ anticipated bankruptcy proceedings.

VII. TERMINATION OF THE CCAA

54. All matters in the CCAA proceedings will be complete once the remaining Samples are destroyed or provided to Health Canada or another entity, the cannabis inventory is sold to KCI, and the Transaction contemplated by the APA closes. As such, the CCAA proceedings can be terminated at such time.

55. To appropriately wind-down the operations, the Applicants intend to file an assignment into bankruptcy. The CCAA Termination Order will authorize the Monitor and/or the Applicants to file the bankruptcies. To save costs, the CCAA Termination Order will permit the Monitor to consolidate the Applicants' estates in bankruptcy.

VIII. APPROVAL OF MONITOR'S REPORT, CONDUCT AND FEES

56. I understand the Monitor's report will contain information regarding its and its counsel's activities, fees and disbursements throughout these proceedings. The Applicants support the Monitor's request for approval of such fees and disbursements and of the Monitor's Second Report and the conduct and activities of the Monitor detailed therein.

VIII. CONCLUSION

57. Approval of the Transaction and the Bill of Sale will allow THR to complete its stated purpose of these CCAA proceedings.

I confirm that while connected via video technology, Mr. Loverock showed me the front and back of his government issued photo identity document and that I am reasonably satisfied it is the same person and the document is current and valid.

SWORN before me via videoconference by CRAIG LOVEROCK located in the City of Newmarket, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September 2022, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*.



Commissioner for Taking Affidavits

Roxana Gabriela Manea, a Commissioner, etc,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.



CRAIG LOVEROCK

This is Exhibit “A” referred to in the Affidavit of Craig
Loverock sworn by Craig Loverock of the City of
Newmarket, in the Regional Municipality of York, in the
Province of Ontario, before me at the City of Pickering, in the
Province of Ontario, this 8th day of September, 2022 in
accordance with *O. Reg. 431/20, Administering Oath or
Declaration Remotely.*



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.



Court File No. CV-22-00683056-00CL

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

THE HONOURABLE MR.)
JUSTICE MICHAEL A. PENNY)
)
)
)
)

MONDAY, THE 4th
DAY OF JULY, 2022

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 **SPROUTLY, INC.** and **TORONTO
HERBAL REMEDIES INC.**

(each an "Applicant" and collectively, the "Applicants")

AMENDED AND RESTATED INITIAL ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day by videoconference.

ON READING the affidavit of Craig Loverock sworn June 22, 2022 and the Exhibits thereto (the "**Loverock Affidavit**"), the pre-filing report of the monitor, BDO Canada Limited ("**BDO**") dated June 22, 2022 (the "**Pre-Filing Report**"), the first report of the Monitor dated June 29, 2022 (the "**First Report**"), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice of this motion, and on hearing the submissions of counsel for the Applicants, counsel for BDO, and those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavits of Service of Adrienne Ho sworn June 23, 2022 and Roxana Manea sworn June 30, 2022, and on reading the consent of BDO to act as the monitor of the Applicants (in such capacity, the "**Monitor**"), filed.

SERVICE & DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein 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 all capitalized terms not expressly defined herein are defined in the Loverock Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that each Applicant is insolvent and is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

4. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

5. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "**Property**"), including but not limited to the Real Property (as defined below) and any Property subject to any Controlled Substances Legislation (as defined below). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are 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 them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or the Business, or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to use the central cash management system currently in place (the "**Cash Management System**") and that any present or future bank or credit union providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any

liability in respect thereof to any Person (as defined below) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System.

7. **THIS COURT ORDERS** that the Applicants shall be entitled, but not required, to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay, and employee 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;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges;
- (c) any taxes, duties, or other payments required under the Controlled Substances Legislation; and
- (d) with the consent of the Monitor, amounts owing for goods or services supplied to the Applicants prior to the granting of this Order if, in the opinion of the Applicants, such payment is necessary or desirable to avoid disruptions to the operations of the Business or the Applicants during the CCAA proceeding.

8. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, and subject to the DIP Documents (as defined below) the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after the date of 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, maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order or payments to obtain the release of goods or delivery of services contracted for prior to the date of this Order.

9. **THIS COURT ORDERS** that the Applicants 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, and (iii) income taxes;
- (b) all goods, services, excise or other applicable sales taxes (collectively, “**Sales Taxes**”) required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, 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 Applicants, but only where such taxes are accrued during a period after the date of this Order.

10. **THIS COURT ORDERS** that, except as specifically permitted herein or in the Cash Flow Forecast, as amended, and subject to the DIP Term Sheet (as defined below) and the other DIP Documents, the Applicants are 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 the Applicants to any of their creditors as of the date of this Order; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Term Sheet, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their businesses or operations;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and
- (c) pursue all avenues of refinancing, restructuring, selling and reorganizing the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, restructuring, sale or reorganization

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

12. **THIS COURT ORDERS** that until and including Monday, October 3, 2022, or such later date as this Court may subsequently order (the "**Stay Period**"), no proceeding or enforcement process in or out of any court or tribunal (each, a "**Proceeding**") shall be commenced, continued or take place against or in respect of the Applicants or the Monitor or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way or directed to take place against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court or the written consent of the Respondents and the Monitor.

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 the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended, except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are 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 accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicants 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 the Applicants 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 the Applicants, 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 the Applicants or exercising any other remedy provided under the agreements or arrangements, and that the Applicants shall be entitled to the continued use of their 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 the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants 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 leased 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 the Applicants. 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 the Applicants with respect to any claim against the directors or officers that arose before the date hereof and relates to any obligations of the Applicants 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 plan of compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

18. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

19. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$50,000, as security for the indemnity provided in paragraph 18 of this Order, unless permitted by further Order of this Court. The Directors' Charge shall have the priority set out in paragraphs 36 and 38 herein.

20. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 18 of this Order.

APPOINTMENT OF MONITOR

21. **THIS COURT ORDERS** that BDO is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants

with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants 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.

22. **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 the Applicants' 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) assist the Applicants, to the extent required by the Applicants, in their dissemination to the DIP Lender (as defined below) of financial and other information as agreed to between the Applicants and the DIP Lender, including reporting on a reasonable basis to be agreed between the Applicants and the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements and any other reporting to the Court or as reasonably required by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding of and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) 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;

- (i) Apply to this Court for any orders necessary or advisable in connection with these CCAA proceedings and the Respondents' restructuring efforts; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

23. **THIS COURT ORDERS** that, notwithstanding any other provision hereof, the Monitor shall not take possession of the Property and shall take no part whatsoever in the management, supervision of the management, or control 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, including, without limitation, any Business or Property for which any permit, license or approval is issued or required in accordance with the following legislation and any other applicable federal, provincial or state legislation in connection with the cultivation, processing, sale and/or Possession of cannabis or cannabis-related products in Canada or outside of Canada and any regulations issued in connection therewith (collectively, the "**Controlled Substances Legislation**"):

- (a) *Cannabis Act*, S.C. 2018, c. 16;
- (b) *Excise Act, 2001*, S.C. 2002, c. 22;
- (c) *Cannabis Control Act*, 2017, S.O. 2017, c. 26;
- (d) *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26; and
- (e) *Cannabis License Act*, 2018, S.O. 2018, c. 12;

and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation, or rule of law or equity for any purpose whatsoever.

24. **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.

25. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants 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 the Applicants 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 the Applicants may agree.

26. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor any of its employees and representatives acting in such capacities shall incur any liability or obligation as a result of its appointment or the carrying out by it of the provisions of this Order, including under any Controlled Substances Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA or any applicable legislation.

27. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements and applicable taxes, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants.

28. **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.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants 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 \$150,000, unless permitted by further Order of this Court, as security for their professional fees and disbursements plus applicable taxes 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 36 and 38 hereof.

DIP FINANCING

30. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from 0982244 B.C. Ltd. o/a Isle of Mann Property Group (the “**DIP Lender**”) in order to finance the Applicants’ working capital requirements, the costs of these proceedings, and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$750,000 (the “**DIP Facility**”) unless permitted by further Order of this Court.

31. **THIS COURT ORDERS** that such DIP Facility shall be on the terms and subject to the conditions set forth in the term sheet between the Applicants and the DIP Lender dated as of June 22, 2022 (the “**DIP Term Sheet**”), attached as Exhibit “KK” to the Loverock Affidavit.

32. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**DIP Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

33. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, including, without limiting the foregoing, the real property identified in Schedule “A” hereto (the “**Real Property**”), which DIP Lender’s Charge shall not secure any obligation that exists between the Applicants and the

DIP Lender before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 36 and 38 hereof.

34. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the DIP Documents;
- (b) upon the occurrence of an event of default under the DIP Documents or the DIP Lender's Charge, the DIP Lender, upon five days' written notice to the Applicants and the Monitor, may exercise, with prior approval of this Court, any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, the DIP Documents and the DIP Lender's Charge, including, without limitation, to cease making advances to the Applicants, to make, demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against any the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

35. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the DIP Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

36. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lender's Charge (collectively, the "**Charges**" and each individually, a "**Charge**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$150,000);

Second – DIP Lender's Charge (to the maximum amount of \$750,000); and

Third – Directors’ Charge (to the maximum amount of \$50,000).

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

38. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, the “**Encumbrances**”) in favour of any Person in respect of such Property, save and except for any valid and existing purchase-money security interests or the equivalent security interests under various provincial legislation (that, for greater certainty, shall not include trade payables).

39. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Charges affected thereby (collectively, the “**Chargees**”), or further Order of this Court.

40. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees 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) or receivership issued pursuant to the BIA, or other applicable statutes, or any bankruptcy or receivership 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 the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the DIP Documents shall not create or be

deemed to constitute a breach by any of the Applicants of any Agreement to which they are a party;

- (b) 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 the Applicants entering into the DIP Term Sheet, the creation of the Charges or the execution, delivery or performance of the DIP Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the DIP Term Sheet or the DIP Documents and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

41. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property, including in respect of any leases thereof.

SERVICE AND NOTICE

42. **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 or as soon as reasonably practicable thereafter, make (A) this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against any of the Applicants of more than \$1,000, 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, provided that the Monitor shall not make the claims, names and addresses of individuals who are creditors publicly available unless otherwise ordered by the Court.

43. **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 Guide (which can be found on the Commercial List website at: www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) 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 13 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 by the Monitor in accordance with the Protocol with the following URL: <https://www.bdo.ca/en-ca/extranets/SI-and-toronto-herbal-remedies/>.

44. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings and any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or other electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, on the next business day following the date of forwarding thereof, (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

45. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic mail to the Applicants' stakeholders or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 8100-2-175 (SOR/DORS).

GENERAL

46. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order, or for advice and directions in the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

47. **THIS COURT ORDERS** that nothing in this Order shall prevent BDO from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants,

the Business or the Property, provided that in each case: (i) BDO's ability to act in any of the preceding capacities is subject to the terms and provisions of any Controlled Substances Legislation pursuant to which BDO, acting in any of the preceding capacities, is prohibited by law from taking possession or control of some or all of the Business or Property; and (ii) by acting in any of the preceding capacities, BDO shall not take possession or control (nor shall it be deemed to have taken possession or control) of any Business or Property subject to any Controlled Substances Legislation.

48. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or outside of Canada, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants 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 Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

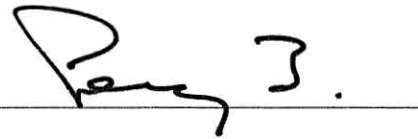
49. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order,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

50. **THIS COURT ORDERS** that any interested party (including the Applicants 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.

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

REGISTRATION ON TITLE

52. **THIS COURT ORDERS AND DIRECTS** that, as soon as practicable, the Land Registry Office for the Land Titles Division of Metro Toronto (LRO No. 80) accept this Order for registration on title to the Real Property described in Schedule "A" hereto, and **HEREBY DIRECTS** that the Land Registrar register the DIP Lender's Charge on title to the Real Property in the form prescribed in the *Land Titles Act*.



A handwritten signature, appearing to be "Perry J.", is written in black ink above a horizontal line.

Schedule "A"

Real Property

Address: 64 Raleigh Av, Toronto, Ontario being PIN 06443-0179 LT legally described as LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.** (each an "Applicant" and collectively, the "Applicants")

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

AMENDED AND RESTATED INITIAL ORDER

Thornton Grout Finnigan LLP

100 Wellington Street West – Suite 3200
TD West Tower, Toronto-Dominion Centre
Toronto, ON M5K 1K7

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Fax: 416-304-1313

Lawyers for the Applicants

This is Exhibit “B” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.



Court File No. CV-22-00683056-00CL

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

THE HONOURABLE MR.)
JUSTICE MICHAEL A. PENNY)
)
)
)
MONDAY, THE 4th
DAY OF JULY, 2022

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.**

(each an "Applicant" and collectively, the "Applicants")

**ORDER
(Approval of the Sale Process)**

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order, among others approving a sale and investment solicitation process for the Applicants' business and property ("SISP"), was heard this day by videoconference.

ON READING the affidavit of Craig Loverock sworn June 22, 2022 and the Exhibits thereto (the "**Loverock Affidavit**"), the First Report of BDO Canada Limited, in its capacity as court appointed monitor of the Applicants (the "**Monitor**") dated June 29, 2022 (the "**First Report of the Monitor**"), and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, and counsel for those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavit of Service of Roxana Manea sworn June 30 2022, filed.

SERVICE & DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein 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 all capitalized terms not expressly defined herein are defined in the Bidding Procedures and SISP (as defined below).

SALES PROCESS

3. **THIS COURT ORDERS** that the bidding procedures, substantially in the form attached as Appendix “A” to this order (“**Bidding Procedures**”) and the sales process described therein (“**SISP**”) be and are hereby approved.

4. **THIS COURT ORDERS** that the Monitor, on behalf of and with the assistance of the Applicants, be and is hereby authorized and directed to proceed with the SISP substantially in accordance with the Bidding Procedures and to take such steps as it considers necessary or desirable to carry out the SISP, subject to the terms of the Bidding Procedures.

5. **THIS COURT ORDERS** that the Monitor and the Applicants are authorized to take such steps and execute such documentation as are considered necessary or desirable in carrying out the terms of the SISP and the Bidding Procedures, including but not limited to engaging such brokers and agents as deemed necessary and appropriate by the Applicants and the Monitor and as are consistent with the objectives, terms and conditions of the SISP and Bidding Procedures.

6. **THIS COURT ORDERS** that the Monitor, the Applicants 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 and Bidding Procedures, 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 the Applicants, as applicable, as determined by this Court.

PIPEDA

7. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Applicants and the Monitor may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Assets and to their advisors, but only to the extent desirable or required to carry out the SISP and Bidding Procedures and to attempt to complete a transaction for some or all of the Assets. Each prospective purchaser or bidder (and their respective advisors) to whom any such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information solely to its evaluation of a transaction for some or all of the Assets, and if it does not complete such a transaction, shall return all such information to the Applicants, or in the alternative destroy all such information. The purchaser of any of the Assets shall be entitled to continue to use the personal information provided to it, and related to such assets, in a manner that is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants, or ensure that all other personal information is destroyed.

APPROVAL OF THE FIRST REPORT

8. **THIS COURT ORDERS** that the First Report of the Monitor and the activities described therein are hereby approved.

SEALING

9. **THIS COURT ORDERS** that Appendix “B” to the First Report of the Monitor shall be sealed and kept confidential pending further order of this Court.

GENERAL

10. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order, or for advice and directions in the discharge of their respective powers and duties under this Order or under the Sales Process, or the interpretation or application of this Order.

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or outside of Canada, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants 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 Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that each of the Applicants 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.

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



A handwritten signature in black ink, appearing to read "Perry J.", is written over a horizontal line.

APPENDIX "A"

SALE AND INVESTMENT SOLICITATION PROCESS

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 SPROUTLY, INC. AND TORONTO HERBAL REMEDIES INC.

INTRODUCTION

1. On June 24, 2022, the Court granted an order (the "**Initial Order**") appointing BDO Canada Limited ("**BDO**") as Monitor of Sproutly, Inc. and Toronto Herbal Remedies Inc. (collectively, the "**Companies**") (in such capacity, the "**Monitor**").
2. Pursuant to the Initial Order, the Applicants were authorized to borrow funds under a credit facility from 0982244 B.C. Ltd. o/a Isle of Mann Property Group (the "**DIP Lender**") and together with the Monitor, the "**Consultation Parties**").
3. The assets referred to in this document (collectively, the "**Assets**") relate to the Companies' business and assets, including its cannabis license and/or its owned real estate (the "**Real Property**").
4. Pursuant to this Sale and Investment Solicitation Process ("**SISP**"), the Companies with the assistance of the Monitor are engaging sales agents, Hyde Advisory & Investments Inc. ("**Hyde**") and Avison Young, real estate broker firm (together with Hyde, the "**Sales Agents**" or each a "**Sales Agent**") to assist with the SISP.
5. The Sales Agents will develop a list of Known Potential Bidders (as defined below), communicate and meet with interested parties, prepare and distribute marketing materials, and manage the Data Room (as defined below).

SISP OVERVIEW

6. The purpose of the SISP is to solicit interest in a sale or liquidation of one or the other of:
 - (a) the Companies' business and assets, including its cannabis license and Real Property core to its license and operations; or
 - (b) the Companies' Real Property.
7. The SISP describes the manner in which individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental organizations or other entities (each, a "**Person**") may gain access to or continue to have access to due diligence materials concerning the Assets, and how bids involving the Assets will be submitted to and dealt with by the Companies, Monitor, and Sales Agents, and how Court approval will be

obtained in respect of any Transaction (as defined below).

8. As described below, the various deadlines herein may be extended by and at the discretion of the Companies, with the approval of the Consultation Parties, in the event that it is determined that such an extension will generally benefit the Companies' creditors and other stakeholders. The Companies and Monitor shall generally oversee the SISP and in particular shall oversee the Sales Agents in connection therewith. In the event that there is a disagreement as to the interpretation or application of the SISP, the Court will have jurisdiction to hear and resolve such dispute.

"AS IS, WHERE IS" BASIS

9. Any transaction involving all or any portion of the Assets (each a "**Transaction**") will be completed with Court Approval on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Companies, Sales Agents, the Monitor, or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent expressly set forth in the relevant Final Agreement (as defined herein).
10. The key dates pursuant to the SISP are as follows (capitalized terms in the chart below have the meaning ascribed in the SISP):

<u>Event</u>	<u>Date (each by 5:00 p.m. EST)</u>
Sales Agents to create list of Known Potential Bidders and distribute Teaser Letter and Confidentiality Agreements to Known Potential Bidders	As soon as practical and no later than July 6, 2022
Sales Agents to prepare and have available for Potential Bidders the CIM	As soon as practical and no later than July 6, 2022
Advertisement in the national edition of the Globe and Mail and/or another national news publication	July 6, 2022
Initial (non-binding) Offer Deadline	August 5, 2022
Binding Offer Deadline	By August 19, 2022
Selection of Winning Bid and Final Agreement	By August 22, 2022
Final Agreement	By August 26, 2022
Application to the Court for Approval Order(s)	As soon as reasonably practicable after the Final Agreement
Closing of the Transaction (the "Closing Date")	September 23, 2022

11. Subject to paragraph 47 hereof, the Companies, or the Monitor on their behalf, shall provide: (a) weekly updates on the status and progress of the SISP to the DIP Lender; and (b) documents and information requested as part of the SISP to the DIP Lender in a prompt fashion, including a report from the Sales Agents. In furtherance of the foregoing, for the purposes of information sharing and transparency, provided the DIP Lender executes an NDA (as defined below), the DIP Lender and its advisors shall be granted access to the Data Room (as defined below).

THE SISP PROCESS

A. Initial Solicitation of Interest

12. The Sales Agents may contact any Persons to solicit expressions of interest in a Transaction either before or after the granting of the SISP Order.
13. As soon as reasonably practicable after the granting of the SISP Order and in any event by no later than July 6, 2022, in consultation with the Companies and Monitor, the Sales Agents will prepare a list of potential bidders (the "**Known Potential Bidders**") who may have interest in the Assets pursuant to either an asset or share transaction (an "**Asset Bid**"). Concurrently, the Sales Agents will prepare an initial offering summary (the "**Teaser Letter**") notifying Known Potential Bidders and any other interested persons of the SISP and inviting them to express interest in making an Asset Bid. The Teaser Letter shall be posted on the Monitor's Website and that of the Sales Agents.
14. On or about July 6, 2022, the Monitor will place an advertisement in the national edition of the Globe and Mail advising of the sale of the Assets.
15. By no later than July 6, 2022, the Sales Agents shall distribute to the Known Potential Bidders and any other interested Persons the Teaser Letter, as well as a form of non-disclosure agreement ("**NDA**") that shall inure to the benefit of the Person or Persons who make the Winning Bid(s) (as defined herein) pursuant to this SISP. Copies of the Teaser Letter and NDA shall be provided to any appropriate Persons who becomes known to the Sales Agents after the initial distribution of such documents.
16. Any Person (a) who executes a NDA in form and substance satisfactory to the Sales Agents, the Companies, and the Monitor, and (b) provides written confirmation of the identity of the potential bidder, including its direct and indirect principals and financial disclosure or credit quality support sufficient to allow the Sales Agents, in consultation with the Companies and Monitor, to make a reasonable determination as to its capabilities to conclude a transaction, shall be deemed to be a potential bidder (each, a "**Potential Bidder**").

B. Due Diligence

17. The Sales Agents shall provide each Potential Bidder with information, including access to an electronic data room established by the Sales Agents by no later than July 8, 2022 (the "**Data Room**"), that either Sales Agent may, in its reasonable business judgment,

determine to be necessary for the Potential Bidder to evaluate a transaction involving an Asset Bid.

18. The Sales Agents will prepare a confidential information memorandum ("**CIM**") by no later than July 6, 2022, describing the opportunity to make a SISP Bid and shall deliver the CIM to each Potential Bidder as soon as practicable after such Person is deemed to be a Potential Bidder in accordance with this SISP.
19. The Companies, Monitor and the Sales Agents shall coordinate all reasonable requests for additional information and due diligence access from Potential Bidders. However, access to facilities will only be granted to Qualified Bidders (as defined below) after they are selected. Neither the Companies nor Monitor nor the Sales Agents will be obliged to furnish any information relating to the Assets other than to a Potential Bidder.
20. The Sales Agents, the Companies, and the Monitor and their respective advisors make no representation or warranty as to the information made available pursuant to the SISP, including any information contained in the Data Room.

C. Initial Offer Process

21. Any Potential Bidder who wishes to submit an Asset Bid must deliver a written, non-binding offer (each, an "**Initial Offer**") to the Companies, Monitor, and Sales Agents at the address specified in and in accordance with Schedule "A" hereto so as to be received by the Companies, Monitor, and Sales Agent no later than **5:00 p.m. (Eastern Standard Time) on August 5, 2022**, or such other date or time as the Companies may, in consultation with and upon approval of the Consultation Parties, determine (the "**Bid Deadline**").
22. Following the Bid Deadline, all Initial Offers shall be reviewed by the Companies, the Monitor and Sales Agents.
23. An Initial Offer shall be a qualified Initial Offer (each, a "**Qualified Initial Offer**") provided that:
 - (a) it is submitted on or before the Bid Deadline by a Potential Bidder;
 - (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals;
 - (c) it identifies:
 - (i) the purchase price in Canadian Dollars, and if such Potential Bidder is a secured creditor of the Companies, any amount of the purchase price that represents a credit bid for any amount of such secured debt;
 - (ii) whether the Asset Bid is *en bloc*, the Assets included, any of the Assets expected to be excluded, and/or any additional assets desired to be included in the Transaction;

- (iii) confirmation that the Potential Bidder has sufficient funds to complete the Transaction;
 - (iv) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated timeframe and any anticipated impediments for obtaining such approvals;
 - (v) any anticipated due diligence to be completed by Potential Bidder prior to Closing Date;
 - (vi) must not be subject to any conditions other than approval by the Court and the Initial Offer must acknowledge that it is subject to Court approval;
 - (vii) contemplates a schedule for closing the Transaction set out therein which is on or before the Closing Date; and
 - (viii) contains such other information as reasonably requested by the Companies, Sale Agents, or Monitor from time to time.
24. Any Potential Bidder who submits a Qualified Initial Offer on or before the Bid Deadline shall be designated a qualified bidder (a "**Qualified Bidder**").
25. The Companies, in consultation with the Consultation Parties, may waive strict compliance of one or more of the requirements specified above and deem any Initial Offer to be a Qualified Initial Offer, notwithstanding any noncompliance with the terms and conditions of this SISP.
26. In the event that no Person submits an Initial Offer, or that no Initial Offer qualifies as or is deemed to qualify as a Qualified Initial Offer, or that no Qualified Initial Offer is deemed commercially reasonable to the Companies, and/or is not supported by the Consultation Parties, the Companies may, in consultation with the Consultation Parties, terminate the SISP. If no Qualified Initial Offers are received by the Bid Deadline or the SISP is terminated in accordance with the terms hereof, the Companies may, in consultation with the Consultation Parties, consider other forms of bids for the Assets. At any time during the SISP, the Companies may, in consultation with the Consultation Parties, determine that any offer is a Winning Bid and seek Approval Orders in respect of such Winning Bid(s) from the Court.
27. The Companies and Sales Agents may invite Qualified Bidders to conduct additional due diligence or otherwise make available to Qualified Bidders additional information not posted in the Data Room, arrange for inspections and site visits at the Companies' premises, as determined by the Companies and Sales Agent.

D. Selection of Qualified Bidders

28. The Companies and the Consultation Parties shall review all Qualified Initial Offers in consultation with the Sales Agents.
29. Following such review of Qualified Initial Offers and upon it being determined that SISP

should continue to the binding offer phase, the Companies, in consultation with the Consultation Parties, shall select Qualified Bidders to participate in a second round of bidding.

30. Qualified Bidders will be notified of their selection for the second round of bidding by 5:00 p.m. (Eastern Standard Time) August 8, 2022.
31. Parties not selected as Qualified Bidders will also be notified by 5:00 p.m. (Eastern Standard Time) August 8, 2022.

E. Binding Offer Deadline

32. Qualified Bidders will be expected to complete any remaining due diligence as required between August 8, 2022 and the Binding Offer Deadline of 5:00 p.m. (Eastern Standard Time), August 19, 2022.
33. A template asset purchase agreement (“**APA**”) and a template share purchase agreement (“**SPA**”) will be made available in the Data Room to Qualified Bidders for review and mark up.
34. Qualified Bidders will be expected to submit their final bids in the form of the APA or the SPA with a blackline to the template by the Binding Offer Deadline of 5:00 p.m. (Eastern Standard Time), August 19, 2022.
35. The APA or SPA submission must be accompanied by a 10% deposit payable to “BDO Canada Limited - in trust” (the “**Deposit**”) by way of wire transfer (to the instructions included in Schedule “A”), bank draft or certified cheque.

F. Selection of Winning Bid

36. The Companies and the Consultation Parties, with the assistance of the Sales Agents, shall review all final bids, APAs or SPAs received by the Binding Offer Deadline, provided any such APA or SPA complies with the requirements set out in section 22 above, and shall determine what APAs or SPA shall be “**Qualified Binding Offers**”.
37. The Companies, with the approval of the Consultation Parties, may, but shall have no obligation, to enter into a definitive agreement or agreements (each a “**Final Agreement**”) with the Person or Persons who submitted the highest, best or otherwise most favourable Binding Offer.
38. The highest Binding Offer may not necessarily be accepted by the Companies. The Companies reserve the right not to accept any Binding Offer or to otherwise terminate the SISP. The Companies further reserve the right to deal with one or more Qualified Bidder to the exclusion of other Persons, to accept a Binding Offer Bid for some or all of the Assets or to accept multiple Binding Offer Bids and enter into multiple Final Agreements.
39. In the event that the Companies enter into one or more Final Agreements, any Binding Offer Bids so selected shall be a “**Winning Bid**”. Any Qualified Bidder that makes a Winning Bid shall be a “**Successful Bidder**”.
40. This SISP shall be suspended in the event that: (a) no Qualified Bidder submits or is deemed to have submitted a Qualified Binding Offer; (b) the Companies, with the

approval of the Monitor and the DIP Lender, determine that none of the Qualified Binding Offer Bids should be accepted; or (c) a Final Agreement has not been entered into before the Final Agreement Deadline. In any such case, the Companies may, in consultation with the Consultation Parties, terminate the SISP and consider other forms of bids for the Assets.

G. APPROVAL ORDERS

41. In the event that the Companies enter into a Final Agreement, the Companies shall apply as soon as reasonably practicable thereafter, for order(s) (the "**Approval Order**") from the Court, in form and substance satisfactory to the Companies and the Consultation Parties, approving the transaction contemplated by the Winning Bid(s) and any necessary related relief required to consummate the Transaction contemplated by the Winning Bid(s), subject to the terms of the Final Agreement(s).
42. An Approval Order shall become a "**Final Order**" upon satisfaction of the following conditions: (a) it is in full force and effect; (b) it has not been reversed, modified or vacated and is not subject to any stay; and (c) all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving the Approval Order wholly operable.

H. CLOSING

43. Closing of the transactions contemplated in any Final Agreement shall occur by no later than **September 23, 2022** or as may be extended with the approval of the Companies, in consultation with the Consultation Parties.

I. DEPOSITS

44. All Deposits paid pursuant to this SISP shall be held in trust by the Monitor in a non-interest bearing account. The Monitor shall hold Deposits paid by each of the Successful Bidder in accordance with the terms outlined in this SISP. In the event that a Deposit is paid pursuant to this SISP and the Companies elect not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the Person that paid such Deposit, the Monitor shall return the Deposit to that Person.
45. In the event that a Successful Bidder defaults in the payment or performance of any obligations owed to the Companies pursuant to any Final Agreement, the Deposit paid by the Successful Bidder as applicable, shall be forfeited to such party as liquidated damages and not as a penalty.

J. CONFLICTS OF INTEREST

46. Until such time as any secured creditor of the Companies have: (i) irrevocably declared

its intention not to submit a bid; (ii) its Initial Offer has been irrevocably disqualified under the SISP; or (iii) its Qualifying Binding Offer has been irrevocably determined not to be the Winning Bid), such secured creditor:

- shall only receive information regarding the SISP in keeping with his or her capacity as a Potential Bidder in these proceedings; and
 - shall receive no information whatsoever regarding other bids in the SISP.
47. If any secured creditor determines that it will submit a bid in the SISP, such secured creditor shall advise the Companies of such intent as soon as reasonably practicable, and no later than seven (7) days before the Bid Deadline.

SCHEDULE “A”

**Addresses for Deliveries
and Wire Transfer
Information**

Any notice or other delivery made to the Companies or Monitor pursuant to this SISP shall be made to:

BDO Canada Limited
20 Wellington St E, Suite 500
Toronto, ON M5E 1C5
Attention: Anna Koroneos
Tel: 647-798-1459
Email: akoroneos@bdo.ca

Any notice or delivery made to the Sales Agents pursuant to this SISP shall be made to:

Hyde Advisory & Investments
c/o David Hyde
david@hydeadvisory.com

or

Avison Young
77 City Centre Dr. Suite 301
Mississauga, ON, L5B 1M5
Attention: Ben Sykes
Ben.sykes@avisonyoung.com

Deliveries pursuant to this SISP by email shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this SISP shall be deemed to be received when delivered to the relevant address, as identified above.

Wire Transfer Details for the Monitor

PLEASE CONTACT MONITOR FOR WIRE INSTRUCTIONS FOR THIS ACCOUNT.

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.** (each an "Applicant" and collectively, the "Applicants")

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

ORDER
(APPROVAL OF SALE PROCESS)

Thornton Grout Finnigan LLP
100 Wellington Street West – Suite 3200
TD West Tower, Toronto-Dominion Centre
Toronto, ON M5K 1K7

Leanne M. Williams (LSO# 41877E)
Email: lwilliams@tgf.ca

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Adrienne Ho (LSO# 68439N)
Email: aho@tgf.ca

Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

This is Exhibit “C” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

ASSET PURCHASE AGREEMENT

This Agreement made this 2nd day of September, 2022.

BETWEEN:

TORONTO HERBAL REMEDIES INC.

(the "Seller")

- and -

0982244 B.C. Ltd. o/a ISLE OF MANN PROPERTY GROUP

(the "Purchaser")

WHEREAS pursuant to the Orders of the Court dated June 24, 2022 as amended and restated on July 4, 2022, BDO Canada Limited was appointed the Monitor (the "**Monitor**") of Sproutly, Inc. and the Seller (jointly the "**Companies**") in their proceedings under the *Companies' Creditors Arrangement Act* ("**CCA Proceedings**");

AND WHEREAS pursuant to the Order of the Court dated July 4, 2022, the Court approved a sale and solicitation process ("**SISP**") in respect of the assets of the Companies, including the Real Property (as defined below);

AND WHEREAS the Purchaser offers and agrees to purchase the Purchased Assets and Assumed Obligations (each as defined below) from the Seller upon the terms and conditions set forth hereinafter;

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

ARTICLE 1 **INTERPRETATION**

1.1 Definitions

In this Agreement, the following terms shall have the meanings set out below, unless the context requires otherwise:

"**Adjustments**" has the meaning ascribed thereto in Section 2.2;

"**Agreement**" means this asset purchase agreement, including all written amendments and written restatements thereto from time to time;

"**Applicable Law**" means, with respect to any Person, property, transaction, event or other matter, all applicable laws, statutes, regulations, rules, by-laws, ordinances, protocols, regulatory

policies, codes, guidelines, official directives, orders, rulings, judgments and decrees of any Governmental Authority;

"**Approval and Vesting Order**" has the meaning ascribed thereto in Section 4.1 hereof;

"**Article**" or "**Section**" means the specified Article, or Section to this Agreement and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular Section or other portion of this Agreement;

"**Assumed Obligations**" has the meaning ascribed thereto in Section 2.6 hereof;

"**Business Day**" means a day on which banks are open for business in the City of Toronto, but does not include a Saturday, Sunday or statutory holiday recognized in the Province of Ontario;

"**Cash Purchase Price**" has the meaning ascribed thereto in Section 2.4(a) hereof;

"**Claims**" means any and all claims, demands, complaints, actions, applications, suits, causes of action, orders, or other similar processes, and "**Claim**" means any one of them;

"**Closing**" means the completion of the purchase and sale of the Purchased Assets in accordance with the provisions of this Agreement;

"**Closing Date**" means, subject to the terms hereof, the day that is ten (10) days after the date on which the Approval and Vesting Order is granted by the Court, if applicable, or such other date as the Parties may agree to writing;

"**Closing Time**" has the meaning ascribed thereto in Section 3.1 hereof;

"**Companies**" has the meaning ascribed to in the Recitals;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**Deposit**" has the meaning ascribed thereto in Section 2.3 hereof;

"**DIP Lender**" means the Purchaser;

"**DIP Lender's Charge**" means the charge in favour of the Purchaser, as DIP Lender, granted by the Court in the CCAA Proceedings as security for the Companies' obligations under the DIP Term Sheet;

"**DIP Term Sheet**" means the term sheet by and between the Purchaser, as DIP Lender, and the Companies, as borrowers, dated June 22, 2022, and approved by the Court in the CCAA Proceedings;

"**DIP Loan**" means all amounts advanced by the Purchaser, as DIP Lender, pursuant to the DIP Term Sheet, together with all interest and costs applicable thereto in accordance with the provisions of the DIP Term Sheet;

"Encumbrances" means any and all security interests (whether contractual, statutory, or otherwise), mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, leases, title retention agreements, reservations of ownership, demands, executions, levies, charges, options or other rights to acquire any interest in any assets, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, and all contracts to create any of the foregoing, or encumbrances of any kind or character whatsoever;

"Environmental Laws" means any and all applicable federal, provincial, and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of Hazardous Materials, including, without limitation, the *Fisheries Act* (Canada), the *Canadian Environmental Protection Act* (Canada), and the *Transportation of Dangerous Goods Act* (Canada);

"Excluded Assets" means any and all assets of the Companies other than the Purchased Assets and specifically includes, without limitation:

- i. any refund for Taxes in respect of the Purchased Assets attributable to a period prior to the Closing Date;
- ii. the Health Canada license held by the Seller permitting the processing, cultivation, and sale of cannabis in accordance with Cannabis Act and the Cannabis Regulations;
- iii. any cannabis inventory and its associated logistics packaging materials;
- iv. any equipment not owned by the Companies (including but not limited to the external SeaCan storage container(s) and water-cooler); and
- v. the hard and soft copies of the Companies' books and records including the Companies' computers and servers, if applicable.

"Governmental Authorities" means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law or regulation-making organizations or entities: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state or other geographic or political subdivision thereof; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power, and **"Governmental Authority"** means any one of them;

"Hazardous Materials" means any contaminants, pollutants, substances or materials that, when released to the natural environment, could cause, at some immediate or future time, harm or degradation to the natural environment or risk to human health, whether or not such contaminants, pollutants, substances or materials are or shall become prohibited, controlled or regulated by any Governmental Authority, and any "contaminants", "dangerous substances", "hazardous materials", "hazardous substance", "hazardous waste", "industrial wastes", "liquid

wastes", "pollutants" and "toxic substances", all as defined in, referred to or contemplated in any Environmental Laws or which is prohibited, controlled, or regulated under any Environmental Laws, and in respect of the foregoing, is found in a material or relevant concentration for the purpose of any Environmental Laws;

"HST" means all of the harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada);

"**Liability**" means any debt, loss, damage, adverse claim, fines, penalties, liability or obligation (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, matured or unmatured, determined or determinable, disputed or undisputed, liquidated or unliquidated, or due or to become due, and whether in or under statute, contract, tort, strict liability or otherwise), and includes all costs and expenses relating thereto (including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and costs of investigation) and "**Liabilities**" means the plural thereof;

"**Parties**" means the Seller and the Purchaser collectively, and "**Party**" means any one of them;

"**Permitted Encumbrances**" means such Encumbrances, if any, that the Purchaser agrees will continue to attach to and be enforceable against the Purchased Assets following Closing, a list of which are attached hereto as **Schedule "A"**;

"**Person**" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity;

"**Purchase Price**" has the meaning ascribed thereto in Section 2.2 hereof;

"**Purchased Assets**" has the meaning ascribed thereto in Section 2.1 hereof;

"**Priority Payables**" means any and all amounts which rank in priority to the Mortgage Debt at Closing, excluding amounts secured under the DIP Lender's Charge.

"**Monitor**" shall mean BDO Canada Limited, in its capacity as court-appointed monitor of the Companies, not in its personal capacity;

"**Monitor's Certificate**" has the meaning ascribed thereto in Section 4.1 hereof;

"**Mortgage**" means the charge registered on title to the Real Property (*as defined herein*) on August 31, 2015 under Instrument No. AT 3995694 in favour of the Purchaser, as amended by subsequent registrations on title, in the principal amount of \$4,500,000.00;

"**Mortgage Debt**" means all amounts due and owing under the Mortgage by the Seller to the Purchaser as at Closing;

"**Taxes**" means all taxes, land transfer taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized, value added, capital, capital

gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, Real Property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax, including, Canada Pension Plan and provincial pension plan contributions (or equivalent in the jurisdiction where the Purchased Assets may be located), employment insurance payments and workers compensation premiums, together with any instalments with respect thereto, and any interest, fines and penalties, imposed by any Governmental Authority, and whether disputed or not that arise in respect of the Purchased Assets in the jurisdiction in which they are located; and

“**Work Orders**” means any written work orders, deficiency notices, notices of non-compliance, notices of violation or similar orders or directives issued with respect to the Purchased Assets by any Governmental Authority advising of any material defect or deficiency in the construction, state of repair or state of completion of the Purchased Assets, or ordering or directing that any material alteration, repair, improvement or other work to be done or relating to any non-compliance or failure to complete any inspection pertaining to any building permit, building or land use by-law, ordinance or regulation; and “**Work Order**” has a corresponding meaning.

1.2 Section References

Unless the context requires otherwise, references in this Agreement to Sections are to Sections of this Agreement.

ARTICLE 2 PURCHASE AND SALE

2.1 Purchase and Sale of Purchased Assets

At the Closing Time, subject to the terms and conditions of this Agreement, the Purchaser shall assume the Assumed Obligations and the Seller shall sell, and the Purchaser shall purchase, all of the Seller’s right, title and interest, if any, in all of the following assets (collectively the “**Purchased Assets**”):

1. The real property municipally known as 64 Raleigh Ave, Toronto, Ontario, which is legally described as LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO, being all of PIN 06443-0179 (LT) (the “**Real Property**”); and
2. All equipment, furniture, fixtures and assets of the Companies attributable to the business of the Companies located at the Real Property, including the items listed at Schedule “C”.

For greater certainty, the Purchased Assets do not include the Excluded Assets.

2.2 Purchase Price

The purchase price payable by the Purchaser in consideration of the sale of the Purchased Assets hereunder shall be \$3,825,000.00 (Three Million Eight Hundred and Twenty-Five Thousand Dollars (the “**Purchase Price**”)).

No adjustments shall be allowed to the Purchase Price for any changes in condition, quality or quantity of the Purchased Assets up to and including the Closing Date and neither the Companies nor the Monitor make any representations with respect to same.

The Seller shall be responsible for all expenses accrued from the Purchased Assets ending on the Closing Date and thereafter the Purchaser shall be responsible for all expenses accruing from the Purchased Assets.

Adjustments to the Cash Purchase Price (herein referred to as the “**Adjustments**”) shall be made as of the Closing Date only with respect to realty taxes and water account utilities costs in respect of the Real Property, which shall be adjusted as of the Closing Date. The Seller shall not be required to undertake to readjust any amount on the statement of adjustments post-closing which adjustments shall be final as of the Closing Date.

2.3 Deposit

- (1) Contemporaneously with the execution and delivery of this Agreement by the Purchaser, the Purchaser has paid a deposit payable to “BDO Canada Limited – in trust” in the amount of **\$75,000.00 (Seventy-Five Thousand Dollars)** (the “**Deposit**”).
- (2) The Deposit shall be held, pending Closing, by the Monitor in a non-interest bearing account.
- (3) If the Closing does not occur by reason of a uncured default of the Purchaser or the Purchaser’s failure for any reason to close the transaction set forth in this Agreement on or before the Closing Date (except in the case of the permitted termination of this Agreement pursuant to Section 7.1(a), Section 7.1(b) (but only in the event that the conditions precedent set forth in Section 4.2 are not satisfied prior to the Closing Time or as a result of the Companies’ failure to obtain an Approval and Vesting Order, if applicable) or if any of the representations and/or warranties of the Purchaser as set forth in this Agreement are found to be false, the full amount of the Deposit (plus accrued interest), less any applicable withholding Taxes, shall be forfeited to the Companies as liquidated damages and not as a penalty and without prejudice to the rights and remedies of the Seller available at law or in equity.

2.4 Satisfaction of Purchase Price

The Purchaser shall satisfy the Purchase Price on Closing as follows:

- (a) by payment to the Monitor, in trust, by wire transfer, an amount equal to the Priority Payables, less the amount of the Deposit (and subject to any Adjustments, if applicable), to an account specified in writing by the Monitor (the “**Cash Purchase Price**”);
- (b) by the cancellation of the DIP Loan and all amounts secured under the DIP Lender’s Charge, to be credited against the Purchase Price; and
- (c) by the cancellation of such portion of the Mortgage Debt as is equal to the balance of the Purchase Price *after first deducting* (i) the Deposit, (ii) the Priority Payables and (iii) the DIP Loan, to be credited against the Purchase Price.

If, however, on Closing, the amount of the Deposit exceeds the amount of the Priority Payables, the Seller shall reimburse to the Purchaser the difference between the amount of the Deposit and the amount of the Priority Payables.

2.5 Sales and Transfer Taxes; HST and Receivables Elections

- (a) The Purchaser shall be responsible for the payment on Closing of any Taxes that are required to be paid or remitted in connection with the consummation of the transactions contemplated in this Agreement, which such amounts shall be in addition to the Purchase Price.
- (b) If applicable, at the Closing, the Seller and the Purchaser shall jointly execute an election under Section 167 of the *Excise Tax Act* (Canada) to seek to cause the sale of the Purchased Assets to take place on an HST-free basis under Part IX of the *Excise Tax Act* (Canada) and the Purchaser shall file such election with its HST return for the applicable reporting period in which the sale of the Purchased Assets takes place.
- (c) The Purchaser covenants and agrees that the Purchase Price does not include the amount of any HST applicable to the sale and conveyance of the Purchased Assets by the Seller to the Purchaser and that it shall pay any such HST in addition to the Purchase Price subject to the provisions of this Section 2.5.
- (d) No HST shall be payable by the Purchaser to the Seller nor collected by the Seller provided:
 - (i) the Purchaser is registered for the purpose of the HST at the Closing Date;
 - (ii) the Purchaser provides the Seller with its HST registration number at closing, together with a declaration of a senior officer of the Purchaser to the effect that such registration is in good standing and has not been varied or revoked;

- (iii) the Purchased Assets are being purchased by the Purchaser as principal for its own account and is not being purchased by the Purchaser as an agent, trustee or otherwise on behalf of or for another Person;
- (iv) the Purchaser will indemnify and save harmless the Seller from any HST, penalty, interest or other amount which may be payable by or be assessed against the Companies under the *Excise Tax Act* (Canada) as a result of or in connection with the Seller's failure to collect any HST applicable on the sale and conveyance of the Purchased Assets to the Purchaser by the Seller and such indemnity shall survive indefinitely and shall not be subject to any caps, thresholds or other restrictions; and
- (v) the form of HST Declaration and Indemnity attached hereto as Schedule "B" is delivered by the Purchaser to the Monitor upon Closing,

or, in lieu of the foregoing, the Purchaser shall pay to the Monitor in trust the HST payable in respect of the purchase and sale of the Purchased Assets by wire transfer to the Monitor on Closing.

2.6 Assumed Obligations

At Closing, the Purchaser shall assume and be liable for the following (collectively, the "**Assumed Obligations**"):

- (a) all Liabilities and Claims arising or accruing from the use of the Purchased Assets from and after the Closing, including any and all costs related to the Purchased Assets from and after the Closing;
- (b) all Permitted Encumbrances (if any); and
- (c) all Taxes arising or accruing from and after the Closing from the use of the Purchased Assets, including, without limitation, HST to be collected and remitted to Canada Revenue Agency when due.

2.7 Inspection of Purchased Assets

The Purchaser acknowledges that it has had sufficient opportunity to inspect the Purchased Assets including having conducted such surveys and building condition inspections as the Purchaser has required.

The Purchaser shall have reasonable access until the Closing Date to the Purchased Assets to carry out additional reasonable inspections and tests as the Purchaser may deem necessary, provided that: (i) the Purchaser gives two (2) Business Days' prior written notice to the Monitor (who shall have the right to accompany the Purchaser on any visits), and (ii) there shall be no adjustments to the Purchase Price as a result of such inspections. The Purchaser shall repair and restore any damage it causes to the Purchased Assets as a result of any inspections or tests undertaken by the Purchaser and shall indemnify and hold harmless the Seller in respect of such damage. This indemnity shall survive the termination of this Agreement.

2.8 Indemnity

The Purchaser shall indemnify and save harmless the Companies, the Monitor and their respective current and former affiliates, officers, directors, employees, partners, agents, representatives, administrators, predecessors, successors, assigns, subsidiary corporations, partners, agents, parent corporations, and related corporate divisions and successors and legal and financial advisors (collectively the "**Released Parties**") in respect of all Claims which may be brought against or suffered by Released Parties, or which any of the Released Parties may suffer, sustain, pay or incur as a result of any matter or thing arising out of, or resulting from, attributable to or connected with or relating to the Purchased Assets, the Assumed Obligations and/or the Permitted Encumbrances, which covenants and agreements to indemnify the Released Parties made by the Purchaser in this Section shall survive Closing and not be subject to limitation periods.

ARTICLE 3 **CLOSING ARRANGEMENTS**

3.1 Closing

Closing shall take place at 12:00 p.m. (the "**Closing Time**") on the Closing Date or on such other date as the Parties may agree upon in writing. The Closing shall take place by electronic transmission of documents, or at such other time and location, and in such other manner, as the Parties may agree upon in writing.

On Closing, the Seller shall deliver the keys to any building(s) located on the Real Property, as applicable, to the Purchaser.

3.2 Tender

Except as otherwise set out herein, any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian chartered bank, by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank or trust company, or by wire transfer of immediately available funds to the account specified by that Party.

3.3 Seller's Closing Deliveries

At the Closing, the Seller shall deliver to the Purchaser the following, each in form and substance satisfactory to the Seller, and the Purchaser, acting reasonably:

- (a) a copy of the Approval and Vesting Order and a prepared Application for Vesting Order in Teraview for registration by the Purchaser on the Closing Date;
- (b) the elections referred to in Section 2.5 (as applicable);
- (c) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Seller contained in this Agreement are true

and correct as of the Closing Date, with the same effect as though made on and as of the Closing Date;

- (d) undertaking to release and discharge any Encumbrances on the Purchased Assets (other than any Permitted Encumbrances or Encumbrances extinguished by the Approval and Vesting Order, if applicable) or, in the alternative, discharges of the Encumbrances, if applicable;
- (e) confirmation that any cannabis inventory has been removed from the Real Property;
- (f) a general conveyance with respect to the Purchased Assets;
- (g) Statement of Adjustments;
- (h) a cash amount equal to the difference between the Deposit and the Priority Payables if at Closing, the Deposit exceeds the Priority Payables; and
- (i) such further and other documentation as is referred to in this Agreement or as the Purchaser or the Purchaser's lawyers may reasonably require to complete and give full effect to the transactions provided for in this Agreement.

3.4 Purchaser's Closing Deliveries

At the Closing, the Purchaser shall deliver to the Seller the following, each in form and substance satisfactory to the Seller, and the Purchaser, acting reasonably:

- (a) the Cash Purchase Price, as contemplated by Section 2.4(a) hereof;
- (b) evidence of cancellation of the DIP Loan, as contemplated by Section 2.4(b) hereof;
- (c) evidence of cancellation of the necessary portion of the Mortgage Debt, as contemplated by Section 2.4(c) hereof;
- (d) the elections and HST Declaration and Indemnity referred to in Section 2.5 (as applicable); and
- (e) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true and correct as of the Closing Date, with the same effect as though made on and as of the Closing Date; and
- (f) such further and other documentation as is referred to in this Agreement or as the Seller or the Seller's lawyers may reasonably require to complete and give full effect the transactions provided for in this Agreement.

3.5 Delivery of the Monitor's Certificate

When the conditions set out in Article 4 below have been satisfied or waived, the Monitor will deliver an executed copy of the Monitor's Certificate to the Purchaser. Upon such delivery, the Closing will be deemed to have occurred. The Monitor will thereafter promptly file a copy of the Monitor's Certificate with the Court.

ARTICLE 4 **CONDITIONS PRECEDENT**

4.1 Mutual Condition re: Approval and Vesting Order

The Seller shall obtain an Approval and Vesting Order from the Court approving this Agreement and the transactions contemplated hereby and vesting, upon the delivery of the Monitor's Certificate to the Purchaser, all right, title and interest of the Seller, if any, to the Purchased Assets in the Purchaser, free and clear of all Claims and Encumbrances pursuant to the terms and conditions of this Agreement, other than any Permitted Encumbrances (the "**Approval and Vesting Order**"). The Approval and Vesting Order shall be substantially in the form of the model order approved by the "Ontario Commercial List Users Committee", including a provision requiring the Monitor to deliver a certificate confirming the Closing of the transaction contemplated hereby and to file a copy of same with the Court (the "**Monitor's Certificate**").

The obligations of the Seller and the Purchaser hereunder are subject to the satisfaction of the following mutual conditions:

- (a) at or prior to the Closing Time, the Approval and Vesting Order shall have been granted by the Court in form and substance acceptable to the Seller, acting reasonably; and,
- (b) at the Closing Time, to the best of the Parties' knowledge, the Approval and Vesting Order shall not be subject to any appeal or the subject of any notice of appeal, nor any application, motion or proceedings (or notice thereof) seeking to set aside or vary the Approval and Vesting Order or to enjoin, restrict or prohibit the transactions contemplated hereby,

failing which this Agreement shall be null and void and the Deposit returned to the Purchaser without interest.

4.2 Conditions Precedent of the Purchaser

The Purchaser shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Purchaser and may be waived, in whole or in part, in writing, by the Purchaser at any time; and the Seller agrees with the Purchaser to take all such actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

- (a) *Representations and Warranties.* The representations and warranties of the Seller in Section 5.1 shall be true and correct at the Closing Time;
- (b) *Mutual Condition:* The condition set forth in Section 4.1 has been completed; and
- (c) *Seller's Compliance and Closing Deliveries.* The Seller shall have performed and complied with all of the terms and conditions in this Agreement on its part to be to be performed by or complied with at or before the Closing Time and shall have executed and delivered to the Purchaser at the Closing Time all the deliveries contemplated in Section 3.3.

4.3 Conditions Precedent of the Seller

The Seller shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Time, each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Seller, and may be waived, in whole or in part, in writing by the Seller at any time; and the Purchaser agrees with the Seller to take all such actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Time:

- (a) *Representations and Warranties.* The representations and warranties of the Purchaser in Section 5.2 shall be true and correct at the Closing Time;
- (b) *Mutual Condition:* The condition set forth in Section 4.1 has been completed; and
- (c) *Purchaser's Compliance and Closing Deliveries.* The Purchaser shall have performed and complied with all of the terms and conditions in this Agreement on its part to be to be performed by or complied with at or before the Closing Time and shall have executed and delivered to the Seller at the Closing Time all the deliveries contemplated in Section 3.4 in this Agreement.

4.4 Non-Satisfaction of Conditions

If any condition precedent set out in Section 4.2 or 4.3 is not satisfied or performed prior to the time specified therefor (if any), the Party for whose benefit the condition precedent is inserted may:

- (a) waive compliance with the condition, in whole or in part, in its sole discretion by written notice to the other Party (but may not claim for any matter waived) and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect on written notice to the other Party to terminate this Agreement, in which event each Party shall be released from all obligations under this Agreement, provided that the Deposit shall be dealt with in accordance with the terms of Section 2.3 hereof.

ARTICLE 5 **REPRESENTATIONS AND WARRANTIES**

5.1 Representations and Warranties of the Seller

As a material inducement to the Purchaser entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Purchaser is entering into this Agreement in reliance upon the representations and warranties of the Seller set out in this Section 5.1, the Seller hereby represents and warrants to the Purchaser as follows:

- (a) *Due Authorization.* Subject to the granting of the Approval and Vesting Order, the Seller has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments;
- (b) *No other Purchase Agreement.* The Seller has not entered into any other agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment for the purchase or other acquisition from the Seller of the Purchased Assets;
- (c) *Enforceability of Obligations.* Subject to the granting of the Approval and Vesting Order, this Agreement constitutes a valid and binding obligation of the Seller, enforceable against the Seller, in accordance with its terms;
- (d) *HST.* The Seller is a registrant under Part IX of the *Excise Tax Act* (Canada), and the Seller shall provide their HST registration numbers to the Purchaser prior to Closing; and
- (e) *Residency.* Seller is not a non-resident within the meaning of section 116 of the *Income Tax Act* (Canada).

5.2 Representations and Warranties of the Purchaser

As a material inducement to the Seller entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Seller is entering into this Agreement in reliance upon the representations and warranties of the Purchaser set out in this Section 5.2, the Purchaser hereby represents and warrants to the Seller as follows:

- (a) *Incorporation of the Purchaser.* The Purchaser is a corporation duly incorporated under the laws of the jurisdiction of its incorporation and is duly organized, validly subsisting and in good standing under such laws;
- (b) *Due Authorization.* The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments;
- (c) *Approvals and Consents.* Except as otherwise provided herein, no authorization, consent or approval of or filing with or notice to any Governmental Authority or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser or the purchase of any of the Purchased Assets hereunder;
- (d) *HST.* The Purchaser is or shall be at Closing a registrant under Part IX of the *Excise Tax Act (Canada)*, and shall provide its HST registration number to the Purchaser prior to Closing; and
- (e) *Residency.* The Purchaser is not a non-resident within the meaning of section 116 of the *Income Tax Act (Canada)*.

5.3 Survival of Representations and Warranties

The representations and warranties of the Seller contained in Section 5.1, and the Purchaser contained in Section 5.2, or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive for six (6) months following Closing.

5.4 Acquisition of Purchased Assets on "As Is, Where Is" Basis

The Purchaser acknowledges that the Seller is selling the Purchased Assets on an "as is, where is" basis as they shall exist on the Closing Date, subject to the terms of the Approval and Vesting Order. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Seller does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to any matter, including, without limitation, title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality, latent defects, cost, size, value, state of repair, zoning, permitted uses, permits, compliance with Applicable Laws of Governmental Authorities, compliance with bylaws or regulations,

threatened claims, litigation, the existence or non-existence of Hazardous Materials flowing onto or from the Property or any part thereof, or in the air, surface or ground water flowing through, onto or from the Property, or any part thereof, any non-compliance with Environmental Laws including any adverse matters contained in any reports (the “**Environmental Condition**”), compliance with any or all Environmental Laws, or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Seller to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations, expressed or implied, pursuant to any applicable legislation do not apply hereto and have been waived by the Purchaser. The Purchaser further acknowledges that all written and oral information obtained by the Purchaser from the Companies, the Monitor or any of their respective directors, officers, employees, professional consultants, agents or advisors with respect to the Purchased Assets or otherwise relating to the transactions contemplated in this Agreement has been obtained for the convenience of the Purchaser only and is not warranted to be accurate or complete or relied upon. The Purchaser shall indemnify and hold harmless the Released Parties from and against all claims, demands, losses, damages, actions and costs incurred or arising from or in any way related to the retrieval of the Purchased Assets by the Purchaser, save and except for any claims, demands, losses, damages, actions and costs incurred or resulting from the gross negligence or wilful misconduct of the Released Parties.

In entering into this Agreement, the Purchaser has relied and will rely entirely and solely upon its own inspections and investigations with respect to the Purchased Assets, including the physical condition and the Environmental Condition of the Purchased Assets including compliance with Applicable Laws and has relied solely upon its own judgement resulting from doing so and has not relied and will not rely on any information, written or oral, furnished by the Companies or the Monitor or any other person or entities on behalf of or at the direction of the Companies or the Monitor, including with respect to value of the Purchased Assets, adequacy, marketability, quantity, location, condition, quality, fitness or state of repair. The information contained in any data room accessed by the Purchaser in respect of the Purchased Assets and description of the Purchased Assets in any marketing material, listing information, and any like material delivered or made available by the Companies, the Monitor and/or their respective agents or any other party on its behalf to the Purchaser or its representatives are believed to be correct, but if any misstatement, error, inaccuracy or omission (collectively the “**Inaccuracies**”) is found in them, the Purchaser shall not be entitled to any abatement, damages, reimbursement, costs or termination of this Agreement as a result of them and the Purchaser releases the Released Parties from any Claims, the Purchaser had, has or may have as a result of such Inaccuracies. The Purchaser covenants and agreements that it shall accept title to the Purchased Assets subject to any Work Orders and neither the Companies nor the Monitor shall not be required to rectify any Work Orders as a condition of closing.

ARTICLE 6
PERIOD PRIOR TO CLOSING

6.1 Risk of Loss

The Purchased Assets shall remain at the risk of to the Seller, to the extent of its interest, until the Closing is completed and after Closing, the Purchased Assets shall be at the risk of the Purchaser.

ARTICLE 7
TERMINATION

7.1 Termination by the Parties

This Agreement may be terminated:

- (a) upon the mutual written agreement of the Seller and the Purchaser;
- (b) pursuant to Section 4.4(b) by either Party, if applicable;
- (c) by the Seller, by written notice to the Purchaser if:
 - (a) if there shall be in effect a final non-appealable decree of a Governmental Authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby; or
 - (b) if the CCAA Proceedings are, without either of the Companies' consent, terminated and discharged and converted into a proceeding under the *Bankruptcy and Insolvency Act* (Canada) such that a trustee-in-bankruptcy or a receiver is appointed in respect of either the Companies.

ARTICLE 8
GENERAL CONTRACT PROVISIONS

8.1 Headings and Sections

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.

8.2 Number and Gender

Unless the context requires otherwise, words importing the singular include the plural and vice versa, and words importing gender include all genders. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

8.3 Currency

Except as otherwise expressly provided in this Agreement, all dollar amounts referred to in this Agreement are stated in Canadian dollars.

8.4 Statute References

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

8.5 Time Periods

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

8.6 No Strict Construction

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, including, without limitation, the doctrine of *contra proferentum*.

8.7 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties relating to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement.

8.8 Reasonable Commercial Efforts

Each Party agrees that it will not voluntarily undertake any course of action inconsistent with the provisions of the Agreement.

8.9 Expenses

Except as otherwise explicitly stated herein, each Party shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred in connection with the transactions contemplated in this Agreement, and the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement.

8.10 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by email as follows:

- (a) in the case of notice to the Seller at

Toronto Herbal Remedies Inc.
70 Raleigh Avenue
Toronto, ON M1K 1A3

Attention: Craig Loverock
Email: craig.loverock@sproutly.ca

with a copy to:

Thornton Grout Finnigan LLP
100 Wellington St. West, Suite 3200
Toronto, ON M5K 1K7

Attention: Rebecca Kennedy / Leanne Williams
Email: rkennedy@tgf.ca / lwilliams@tgf.ca

- (b) in the case of a notice to the Purchaser at:

0982244 B.C. Ltd. o/a ISLE OF MANN PROPERTY GROUP
15336-31 Avenue – Suite 401
Surrey, BC V3Z 0X2

Attention: James Randhawa, Director (Operations) & General Counsel
Email: james.randhawa@iompropertygroup.com

with a copy to:

Loopstra Nixon LLP
120 Adelaide St. West – Suite 1901
Toronto, ON M5H 1T1

Attention: Graham Phoenix
Email: gphoenix@loonix.com

Any notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt.

However, if the notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving notice to the other Party in accordance with the provisions of this Section.

Any notice by one Party amending or terminating this Agreement or alleging a default under this Agreement shall include a notice to the Monitor. Notice provided by legal counsel for a Party shall be effective as notice given by such Party.

8.11 Successors and Assigns ; Designation of Vesting Entity

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns including a receiver or trustee in bankruptcy of the Seller. Subject to the prior written approval of the Seller, the Purchaser may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement to a permitted assign, however, such assignment shall only be permitted prior to the issuance of the Approval and Vesting Order.

In addition to the foregoing, the Purchaser may, in its sole discretion, by written direction to the Seller and the Monitor deliver not later than five (5) business days prior to the issuance of the Approval and Vesting Order, designate an entity (wholly owned by the Purchaser, the “**New Entity**”) into which title to the Purchased Assets shall vest pursuant to the Approval and Vesting Order, in which case the Purchaser and the New Entity shall enter into an assignment and assumption agreement.

8.12 Third Party Beneficiaries

Unless where provided to the contrary by the specific terms hereof, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

8.13 Time of the Essence

Time shall be of the essence in respect of the obligations of the Parties arising prior to Closing under this Agreement.

8.14 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, shall be binding unless executed in writing by the Party to be bound thereby.

8.15 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Closing Date, provided that the reasonable costs and expenses of any actions taken after the Closing Date at the request of a Party shall be the responsibility of the requesting Party.

8.16 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

8.17 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. The Parties consent to the jurisdiction and venue of the Court for the resolution of any disputes under this Agreement.

8.18 Non-Merger

Subject to Section 5.3, the representations, warranties and covenants of each Party contained in this Agreement will not merge on and will survive the closing of the Transaction and will continue in full force and effect, notwithstanding the closing of the Transaction or any investigation or knowledge acquired by or on behalf of the other Party.

8.19 Independent Legal Advice

The Purchaser warrants that it has received independent legal advice in connection with this Agreement.

8.20 Confidentiality

The Parties agree that the terms and conditions of this Agreement are confidential, including the Purchase Price hereunder, and shall not be disclosed to any Person, except: (a) to such Parties' solicitors, advisors, agents or representatives acting in connection herewith and, then, only on the basis that such Persons are also required to keep such information confidential as aforesaid; and (b) to the Court in furtherance of obtaining the Approval and Vesting Order.

Notwithstanding the foregoing, the obligation to maintain the confidentiality of such information will not apply to the extent that disclosure of such information is required by the Court, by law or otherwise in connection with governmental or other applicable filings relating to the transactions hereunder, provided that, in such case, unless the Purchaser otherwise agrees, the Seller may, if

possible in its sole discretion, request confidentiality in respect of such legal proceedings or governmental or other filings.

8.21 Execution and Delivery

This Agreement may be executed and delivered in digital form or by any other electronic means including execution by electronic signature. Furthermore, this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original or faxed form or by electronic delivery in portable document format (PDF) and the parties adopt any signatures received by a receiving fax machine or electronic transmission as original signatures of the parties.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS OF WHICH the Parties have executed this Agreement.

TORONTO HERBAL REMEDIES INC.

Per:  _____

Name: Craig Loverock

Title: CFO

I have the authority to bind the corporation

**0982244 B.C. Ltd. o/a ISLE OF MANN
PROPERTY GROUP.**

Per:  _____

Name: Luvdeep Randhawa

Title: Director

I have the authority to bind the corporation

**SCHEDULE “A”
PERMITTED ENCUMBRANCES**

Any of the following encumbrances:

1. Minor Encroachments: Minor encroachments from the Real Property over neighbouring lands and/or permitted under agreements with neighbouring landowners and any fences or concrete curbs and minor encroachments over the Real Property from neighbouring land and/or permitted under agreements with neighbouring landowners and any fences and concrete curbs.
2. Crown Grant: Any subsisting restrictions, exceptions, reservations, limitation, provisos and conditions (including, with limitation, royalties, reservation of mines, mineral rights and timber rights, access to navigable waters and similar rights) expressed in any original grants from the Crown of the lands comprising the Real Property and any statutory limitations, exceptions, reservations and qualifications.
3. Restrictions, Zoning, etc.: Zoning, land use and building restrictions, by-laws, regulations and ordinances of any Governmental Authority, including municipal by-laws and regulations, airport zoning regulations, restrictive covenants and other land use limitations in favour of or imposed or reserved by any Governmental Authority.
4. Work Order: Any and all Work Orders issued by any Governmental Authority.
5. Easements: Any unregistered or registered easements required for the supply of domestic utility services to the Real Property.
6. Survey matters: Encroachments, deficiencies or other matters disclosed by any plan of survey in respect of the Real Property or any part thereof.
7. Taxes/Utilities: Encumbrances or prior claims for Real Property taxes (which term includes charges, rates and assessments) or charges or levies for electricity, power, gas, water and other services and utilities in connection with the Real Property that have accrued but are not yet due and owing or, if due and owing, are adjusted for on Closing.
8. Restrictive Covenants: Restrictive covenants, private deed restrictions, rights-of-way, facility cost sharing agreements, servicing agreements, crane swing/tie back agreements, reciprocal use agreements or other similar land use control agreements or rights in land (including, without limitation, restrictions, rights-of-way and servitudes for sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to other persons or property, or reserved by other persons or the benefit of other property.
9. Applicable Laws: The provisions of all Applicable Laws, including by-laws, regulations, ordinances and similar instruments relating to development and zoning at the Real Property.

10. Land Titles Act: The exceptions and qualifications contained in Section 44 of the *Land Titles Act* (Ontario), save and except paragraph 5 thereof relating to the *Family Law Act*, paragraph 11 thereof respecting the *Planning Act* (Ontario) and escheats/forfeiture to the Crown.
11. Registered Agreements: Registered agreements with any Governmental Authorities or public utilities, including subdivision agreements, development agreements, engineering, grading or landscaping agreements and similar agreements.

SCHEDULE "B"
HST DECLARATION AND INDEMNITY

TO: Toronto Herbal Remedies Inc. (the "Seller")

RE: An agreement between the Seller and **0982244 B.C. Ltd. o/a ISLE OF MANN PROPERTY GROUP**. (the "Purchaser") dated August ____, 2022 (the "Agreement") in respect of the sale of the Purchased Assets (as defined therein)

The Purchaser hereby certifies and agrees that:

1. The Purchaser is registered under Subdivision d of Division V of Part IX of the *Excise Tax Act* (Canada) ("ETA") for the collection and remittance of the goods and services tax and/or the harmonized sales tax ("HST") and its registration number is [•] and such registration is in good standing and has not been varied or revoked;
2. The Purchaser will remit directly to the Receiver General of Canada the HST payable pursuant to Section 228(4) of the ETA in connection with the sale and conveyance of the Purchased Assets (as such term is defined in the Agreement);
3. The Purchased Assets transferred pursuant to the Agreement are being purchased by the Purchaser as principal for its own account and is not being purchased by the Purchaser as an agent, trustee, or otherwise on behalf of or for another Person (as such term is defined in the Agreement).
4. The Purchaser shall indemnify and save harmless the Seller from any HST, penalty, interest or other amounts which may be payable by or assessed against the Seller under the ETA as a result of, or in connection with, the Seller's failure to collect and remit any HST applicable on the sale and conveyance of the Purchased Assets to the Purchaser by the Seller.
5. The aforesaid shall survive the Closing Date (as such term is defined in the Agreement).


Dated this _____ day of _____, 2022.

**0982244 B.C. Ltd. o/a ISLE OF MANN
PROPERTY GROUP**

Per: _____
Name:
Title:

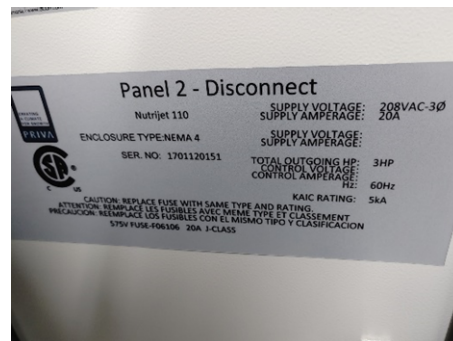
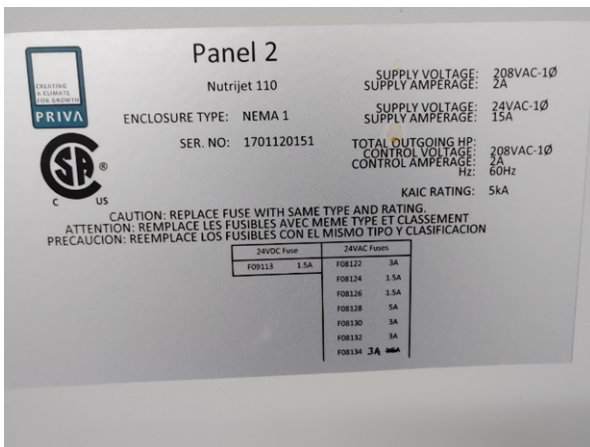
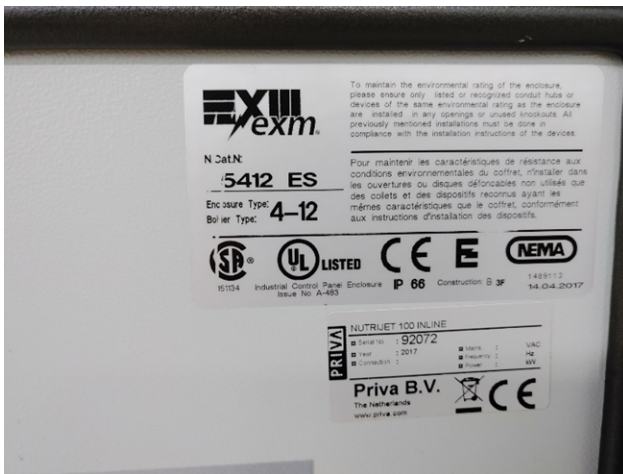
Surplus Equipment July 2021

Equipment to be reinstalled to restart cultivation

Inventory Item	QTY	Location	Model/Specs	Link to Specs
Water Reservoir 4x6	2	Room 7	Danfoss VLT Aqua Drive	https://www.danfoss.com/en/products/dds/low-voltage-drives/vlt-drives/vlt-aqua-drive-fc-202/#tab-overview
EL Lights (Gavita HPS)	260	Room 5	Gavita Pro 1000e DE US 120-240	https://gavita.com/retail/app/uploads/Gavita-Pro-1000e-DE-FLEX-specsheet-US.pdf
Gavita Plasma Lights	24	Room 5	Pro 270e LEP SUP	https://gavita.com/retail/products/gavita-light-emitting-plasma/pro-270e-lep-sup-grow_test/
Lumunar 630W Lights	13	Room 5	Illuminar lighting CMH DE Lamp 630w Fixture	https://growershouse.com/illuminar-lighting-cmh-de-630w-fixture
Gavita Master Controller	5	Room 5	Gavita Master EL2	https://gavita.com/retail/products/gavita-master-controllers/master-controller-el1-a12/?medium=paidssearch&utm_campaign=2087677338&utm_term=&utm_brand=gavita&utm_sbu=lighting&utm_source=google&utm_medium=disruptive&utm_segment=brand&utm_placement=search&gclid=Cj0KCQjw5oiMBhDARisAII0qk0Hw5xPb-RGK00aIFcKw7zVwPwMfBur8Mfmxz4vTLj1nb1Vpt5DzXMaAhhbQEALw_wCB
Inline Fan	45	Trailer	Hstar Inline Fan 8" 745 CFM	https://www.4plantsindoor.ca/product/hstar-inline-fan/
Priva irrigation system	1	room 8	Priva Nutrijet 110 - all complete with pump - 4 injectors - control panel - NO software	Please see pictures for specs 
T4 Trimmer and stand	1	room 7	Twister T4 trimmer - standard Nitrided - Twister T4 Stand	https://www.trimleaf.ca/products/twister-t4-wet-dry-bud-trimmer?currency=CAD&utm_medium=cpc&utm_source=google&utm_campaign=Google%20Shopping
T4 Trim saver	1	s-room	T4 Trim Saver CS12 Packaged Assy	https://growershouse.com/twister-trim-saver-cs-12-for-t4-trimmers
8F Moisture Proof T5 Lights	40	Room 7	W/SS Bin & Cleanable Cyclone	https://growershouse.com/twister-trim-saver-cs-12-for-t4-trimmers
4F Moisture Resistance T5 Lights	60	Room 7	Lightstick T4 4' 4 Tubes	https://thecannabissuperstore.ca/product/lightstick-t5-4-4-tubes/

Other equipment and inventories for cultivation purposes

Steamer*	1	Hallway	STEAM BOX™ Steam Cleaner	https://dupray.ca/products/steam-box-steam-cleaner?variant=7604294909998&currency=CAD&utm_medium=product_sync&utm_source=google&utm_content=sag_organic&utm_campaign=sag_organic&gclid=Cj0KCQjw5oiMBhDARisAII0qk1Riv3XJ6w-Coc9lo5-C4I2JIDgioKThL7uq2w63MhxyCFAS51QaAi1bEALw_wCB
Flower Canister 21L	26	Room 7	21 Liter Cvault	https://freshstor.com/shop/21-liter-cvault/
1000W Replacement Bulb (Gavita)	31	Trailer	- Lightspeed DE MH 1000W 6000K Lamp - Phantom Pro 1000W Opeen Rated Metal Halide	https://www.hydrotekhdroponics.com/lightspeed-de-mh-1000w-6000k-lamp-120001
Carbon filters for inline fans	25	Trailer	BM MountainAir Filter 820 436 cm	https://growdudes.com/products/phantom-pro-open-rated-double-ended-metal-halide-mh-lamp?variant=32677149737011&utm_source=Shopping&utm_medium=baner&utm_campaign=cyberpublicty-smart
Ez Cloning System-New	3	Trailer		https://indoorgrowingcanada.com/products/mountain-air-820-rc-48-actvated-virgin-carbon-436-cm-8-carbon-filter
Ez Cloning System-new out of box	4	Trailer		
Aluminum Drying Rack with Swivel	2	Room 7		
Danby Dehumidifier (DDR060FCWDB)	3	Room 7		
Weston Pro 3000 Vacuum Sealer	1	Trailer		
Environize Mister	1	Room 7		
Boveda	2700	Room 5		
Mold Control Fogger * Trijet	1	Room 7		
Commercial Grade Trellis Netting	9	Trailer		
4x4x2/1/2 Gro dan Blocks (rock wool)	378	Room 7		
6x6x6 Rock Grow (rock wool)	150	Room 7		
Ez Pyramid	147	Room 7		
Container 8g (package flower)	240	Room 7		
Container 12g (package flower)	240	Room 7		
Container 20g (package flower)	240	Room 7		
Lids (package flower)	720	Room 7		
Heat Seal (package flower)	2500	Room 7		
X-Large Pots +	40	Room 7		
X-Large Trays	40	Room 7		
Large Trays (under pots)	50	Room 7		
Medium Trays (under pots)	33	Room 7		
Small Trays (under pots)	24	Room 7		
Air Pots #5 Green Base	38	Room 7		
Air Pots Red Base	35	Room 7		
Large Foot Bath Mat 32x39	4	Room 7		
Smal Foot Bath Mat 24x36	4	Room 7		
Blue Base	1	Room 7		
Totes	3	Room 7		
Flora Clips	810	Trailer		
Small Cloning Tray Top	54	Trailer		
Small Cloning Tray Bottom	55	Trailer		
Black Cloning Trays	32	Trailer		
Black Cloning Bottoms	42	Trailer		
Unistrut Metal (all hardware included)	5000 feet	Room 7		
Cisco Phone	8	Trailer		
Rockwool A-Ok Starter Plug	588	Trailer		
Gro-Block	10	Trailer		
Ez plug Block	640	Trailer		
Ez plug	308	Trailer		
Metal Trays	0	Trailer		
Large Pots	18	Trailer		
4F Fluorescent Lights (4 tube -plug in)	14	Room 7		
Fluorescent Lights (2 tube - plig in)	5	Room 7		
Industrial Glass Dome Cover for Lights	140	Trailer		
Gas Regulator Single Gauge	7	Room 7		
Regulator Double Gauge	3	Room 7		
HCP Stainless Steel Pump (505fu2.8A)	1	Room 7		
Flora-FlexGreen Irrigation caps	2456	Trailer		
Smith Contractor Sprayer With Viton 1	1	Hallway		
Hydro Farm Active Aqua Chiller	1	Room 7		



This is Exhibit “D” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

SUBORDINATION AGREEMENT

THIS AGREEMENT (the “**Agreement**”) is made as of the 22nd day of June 2022 by and between Infusion Biosciences Inc. (“**Infusion**”) and 0982244 BC Ltd o/a Isle of Mann Property Group (“**IOM**”).

WHEREAS:

- A. Toronto Herbal Remedies Inc. (the “**Debtor**”) is indebted to Infusion and in connection therewith has entered into a security agreement with Infusion, in respect of which a financing statement is registered under the Ontario *Personal Property Security Act* (the “**PPSA**”) (which security agreement and any other security now or hereafter created and as it exists from time to time is hereinafter collectively called the “**Infusion Security**”).
- B. The Debtor is indebted to IOM and in connection therewith has entered into a security agreement with IOM, in respect of which a financing statement is registered under the PPSA (which security agreement and any other security now or hereafter created and as it exists from time to time is hereinafter collectively called the “**IOM Security**”).
- C. The Debtor is contemplating initiating proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA Proceedings**”) for the express purpose of marketing its assets, properties and undertakings for sale (the “**Sale Process**”) and has requested the support for the same from each of Infusion and IOM.
- D. Infusion is supportive of the CCAA Proceedings and wants to see the Debtor initiate the same and implement the Sale Process.
- E. IOM has agreed to support the CCAA Proceedings, and the parties hereto have agreed on certain priorities between them, subject to the terms and conditions hereof.

NOW THEREFORE in consideration of IOM supporting the CCAA proceedings, the mutual terms and conditions herein contained, and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties hereto), the parties hereto agree as follows:

- 1. The recitals hereto are true and correct.
- 2. Infusion hereby postpones and subordinates the Infusion Security in all respects to and in favour of the IOM Security, and acknowledges and agrees that the IOM Security ranks and will continue to rank in priority to the Infusion Security in respect of all of the assets, properties and undertakings of the Debtor covered by the IOM Security.
- 3. The priorities herein expressed will have effect regardless of the order of perfection or attachment of the IOM Security or the Infusion Security and regardless of the order of crystallization of any floating charge contained in the Infusion Security and regardless of the order of registration of any security documents by IOM or Infusion.
- 4. Nothing contained in the said Agreement shall in any way prejudice or diminish or otherwise affect the respective rights of IOM and Infusion against the Debtor or prejudice, diminish or otherwise affect in any manner whatsoever the respective rights of IOM and Infusion against third parties, nor shall any third party be entitled to, or to claim the benefit of, this Agreement or of any subordination or priority provided for herein, and nothing herein shall be construed as conferring any rights upon any person not a party to this Agreement.

5. Each of the parties hereto will do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the intent of this Agreement.
6. Each of the parties hereto agree to give to the other at least ten (10) business days prior notice of its intention to exercise its rights under their security as applicable, provided the foregoing shall not be construed as limiting the rights of either party hereto to demand payment pursuant to either of their loans, as the case may be, and to enforce the security, as applicable, at any time in its discretion and provided, however, that neither of the parties hereto shall be liable for any accidental omission to provide the said notice.
7. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, provided that neither party will assign or transfer any or all of the security held or to be held by it or any of its rights thereunder relating to the assets, properties and undertakings of the Debtor unless and until the proposed assignee or transferee shall have delivered to the other parties hereto a written agreement to be bound by the provisions hereof to the same extent as the assignor.
8. Each of the parties hereto shall provide to the other from time to time upon request, full information and particulars as to the amounts owing by the Debtor, the performance by the Debtor of its obligations, the particulars of any security held from the Debtor and any other information which the party requesting the same deems material.
9. This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario.
10. This Agreement, and any documents that may be required to be executed in connection herewith to consummate the transaction contemplated herein, may be executed counterparts, each of which so executed shall be deemed to be an original, and may be transmitted by e-mail, facsimile transmission or electronic transmission, and such counterparts together shall constitute and be deemed an original.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

INFUSION BIOSCIENCES INC.


Per:

Name:
Title: Authorized Signing Officer

I have authority to bind the Company.

0982244 BC Ltd o/a ISLE OF MANN PROPERTY GROUP

Per:



Name: Luvdeep Randhawa
Title: Authorized Signing Officer

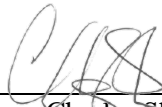
I have authority to bind the Company.

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8. Each of the parties hereto shall provide to the other from time to time upon request, full information and particulars as to the amounts owing by the Debtor, the performance by the Debtor of its obligations, the particulars of any security held from the Debtor and any other information which the party requesting the same deems material.
9. This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario.
10. This Agreement, and any documents that may be required to be executed in connection herewith to consummate the transaction contemplated herein, may be executed counterparts, each of which so executed shall be deemed to be an original, and may be transmitted by e-mail, facsimile transmission or electronic transmission, and such counterparts together shall constitute and be deemed an original.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

INFUSION BIOSCIENCES INC.

Per:



Name: Charles Shin

Title: Authorized Signing Officer

I have authority to bind the Company.

0982244 BC Ltd o/a ISLE OF MANN PROPERTY GROUP

Per:

Name: Luvdeep Randhawa

Title: Authorized Signing Officer

I have authority to bind the Company.

This is Exhibit “E” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

RELEASE OF INDEBTEDNESS AND SECURITY INTEREST

TO: Hydrx Farms Ltd. (the "**Purchaser**")
AND TO: Toronto Herbal Remedies Inc. ("**Seller**")
AND TO: 2777234 Ontario Ltd. ("**277**")
FROM: Jane Bailey (the "**Lender**")
RE: Bill of Sale and General Conveyance dated April 20, 2022

WHEREAS 277, the Seller, and the Lender entered into a Loan and Investment Agreement, dated August 13, 2021 (the "**Agreement**") whereby the Lender agreed to loan monies to 277 and the Seller;

AND WHEREAS further to the Agreement, the Lender and Collen Ferragine will receive certain royalties (the "**Royalties**");

AND WHEREAS as security for the obligations under the Agreement, the Seller granted to the Lender a security interest in certain of its personal property (the "**Security Interest**") as set out in the Security Agreement dated August 13, 2021 (the "**Security**").

AND WHEREAS the Lender made the following registration against the Seller (the "**Registration**");

ONTARIO PPSA REGISTRATION:

<u>Registration Number:</u>	20211119 1036 1590 5184
<u>Registration Date:</u>	November 19, 2021
<u>File No.:</u>	778362111
<u>General Collateral Description:</u>	none provided
<u>Collateral Classification:</u>	Inventory, Equipment

AND WHEREAS 277 and the Seller are indebted to Lender for, amongst other things, (i) their respective obligations pursuant to the Agreement, (ii) obligations to pay Royalties and (iii) any interest on all of 277 and the Seller's obligations to the Lender (collectively, the "**Indebtedness**").

AND WHEREAS as a result of the Seller agreeing to pay certain proceeds to the Lender, the Lender has agreed to release the Seller and 277 from (i) the Indebtedness, (ii) the Security Interest and (iii) the Registration.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the Lender hereby agrees to the following:

1. Upon payment to the Lender by the Seller of \$250,000, the Lender does hereby:

- a. irrevocably releases any and all debts, obligations and liabilities owing by the Seller and 277 to the Lender as of the date hereof, including without limitation the Indebtedness; and
 - b. irrevocably releases and forever discharges any right, claim, lien or security interest, including without limitation, the Security Interest, in any of the property, assets or undertaking of the Seller and 277; and
 - c. undertakes to promptly register any discharges under the *Personal Property Security Act* registration system to evidence such discharge and release by the Lender granted herein, including without limitation, to discharging the Registration.
2. The Lender shall, at the request of either the Seller or 277, execute and deliver such additional evidence or assurances as may be reasonably required to effectively implement the release and discharge granted by the Lender in this Release of Indebtedness and Security Interest and to carry out the intent of this Release of Indebtedness and Security Interest. The Lender represents and warrants that it has not assigned, pledged, or gifted to any entity, person, partnership, limited partnership, corporation or trust any of the matters which the Lender releases by this Release of Indebtedness and Security Interest, and, accordingly, is the appropriate party to provide this Release of Indebtedness and Security Interest.
3. This Release of Indebtedness and Security Interest may be relied upon by the Seller, 277, the Purchaser, and their successors and assigns.

WITNESS SIGNATURE

JANE BAILEY

Print Name and Address

124 ABBEY LANE
HARTINGTON, ONTARIO
K0H 1W0

JANE BAILEY

This is Exhibit “F” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

RUN NUMBER : 243
RUN DATE : 2022/08/31
ID : 20220831163210.34

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(5369)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

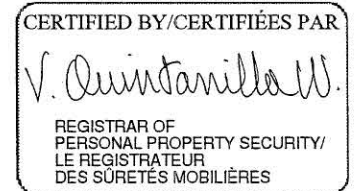
TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 30AUG 2022

ENQUIRY NUMBER 20220831163210.34 CONTAINS 6 PAGE(S), 4 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

ONCORP - THORNTON GROUT FINNIGAN LLP - BOBBIE-JO BRINKMAN
3200-100 WELLINGTON STREET WEST
TORONTO ON M5K 1K7

CONTINUED... 2



(crfj6 05/2022)



RUN NUMBER : 243
RUN DATE : 2022/08/31
ID : 20220831163210.34

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 2
(5370)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 30AUG 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
784044585

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
001 1 20220616 1423 1590 7490 P PPSA 5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME TORONTO HERBAL REMEDIES INC.

04 ADDRESS 70 RALEIGH AVE. TORONTO ONTARIO CORPORATION NO. 1888934
ON M1K 1A3

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / 0982244 B.C. LTD.

09 LIEN CLAIMANT ADDRESS 304-15292 CROYDON DRIVE SURREY BC V3S 0Z5

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO. FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE
X X X X X

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

13 GENERAL LATE RENEWAL OF FILE NO. 709490556, FINANCING STATEMENT NO. 20150831
14 COLLATERAL 1542 1590 2546 PURSUANT TO SECTION 30(6) OF THE PERSONAL PROPERTY
15 DESCRIPTION SECURITY ACT (ONTARIO).

16 REGISTERING LOOPSTRA NIXON LLP / REXLAW

17 AGENT ADDRESS 600-135 QUEENS PLATE DRIVE ETOBICOKE ON M9W 6V7

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 3

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)



RUN NUMBER : 243
RUN DATE : 2022/08/31
ID : 20220831163210.34

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 3
(5371)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 30AUG 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
778362111

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
001 1 20211119 1036 1590 5184 P PPSA 3

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME TORONTO HERBAL REMEDIES INC.

04 ADDRESS 64-70 RALEIGH AVENUE TORONTO ONTARIO CORPORATION NO. 1888934
ON M1K 1A3

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / JANE BAILEY
LIEN CLAIMANT

09 ADDRESS 124 ABBEY LANE HARTINGTON ON K0H 1W0

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO. FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE
X X

11 MOTOR YEAR MAKE MODEL V.I.N.
12 VEHICLE

13 GENERAL
14 COLLATERAL
15 DESCRIPTION

16 REGISTERING CORSIANOS LEE
AGENT ADDRESS 301-6 RONROSE DRIVE VAUGHAN ON L4K 4R3

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 4

CERTIFIED BY/CERTIFIÉES PAR

V. Quintanilla W.

REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTREUR
DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)

Ontario 

RUN NUMBER : 243
RUN DATE : 2022/08/31
ID : 20220831163210.34

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 4
(5372)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 30AUG 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
768919932

01 CAUTION FILING PAGE NO. OF TOTAL PAGES MOTOR VEHICLE SCHEDULE REGISTRATION NUMBER REGISTERED UNDER REGISTRATION PERIOD
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02 DEBTOR NAME DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME TORONTO HERBAL REMEDIES INC.

04 ADDRESS 70 RALEIGH AVE STE 64 SCARBOROUGH ONTARIO CORPORATION NO. ON M1K 1A3

05 DEBTOR NAME DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 BUSINESS NAME

07 ADDRESS

08 SECURED PARTY / LIEN CLAIMANT HER MAJESTY IN RIGHT OF ONTARIO REPRESENTED BY THE MINISTER OF FINANCE

09 ADDRESS 33 KING ST W, 6TH FLR OSHAWA ON L1H 8H5

10 COLLATERAL CLASSIFICATION CONSUMER GOODS MOTOR VEHICLE INCLUDED AMOUNT DATE OF MATURITY OR NO. FIXED MATURITY DATE
X X X X 8603 30DEC2025

11 MOTOR VEHICLE YEAR MAKE MODEL V.I.N.

12

13 GENERAL

14 COLLATERAL

15 DESCRIPTION

16 REGISTERING AGENT MINISTRY OF FINANCE, AM & COLLECTIONS BRANCH (EHT 828848044) T366/763

17 ADDRESS 33 KING ST W, 6TH FLR OSHAWA ON L1H 8H5

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 5

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)



RUN NUMBER : 243
RUN DATE : 2022/08/31
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PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 5
(5373)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 30AUG 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
759882717

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	001		20200205 1105 1862 8027	P PPSA	5

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------	---------------	------------------	---------	---------

02	DEBTOR NAME	BUSINESS NAME	TORONTO HERBAL REMEDIES INC.		ONTARIO CORPORATION NO.
03		ADDRESS	64-70 RALEIGH AVENUE	TORONTO	ON M1K 1A3

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------	---------------	------------------	---------	---------

05	DEBTOR NAME	BUSINESS NAME			ONTARIO CORPORATION NO.
06		ADDRESS			

SECURED PARTY / LIEN CLAIMANT	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------------------------	---------------	------------------	---------	---------

08	SECURED PARTY / LIEN CLAIMANT	ADDRESS	181 BAY STREET, SUITE 1030	TORONTO	ON M5J 2T3
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COLLATERAL CLASSIFICATION		MOTOR VEHICLE	AMOUNT	DATE OF MATURITY	OR	NO. FIXED MATURITY DATE
CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	INCLUDED		
	X	X	X	X		

MOTOR VEHICLE	YEAR	MAKE	MODEL	V.I.N.
---------------	------	------	-------	--------

11	MOTOR VEHICLE	GENERAL SECURITY AGREEMENT WITH RESPECT TO 64 RALEIGH AVENUE, TORONTO		
12				
13	GENERAL COLLATERAL DESCRIPTION			

14	REGISTERING AGENT	DALE & LESSMANN LLP (J. MOHER)			
15		ADDRESS	181 UNIVERSITY AVENUE, SUITE 2100	TORONTO	ON M5H 3M7

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 6

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTREUR
DES SÛRETÉS MOBILIÈRES

(crlfv 05/2022)

Ontario 

RUN NUMBER : 243
RUN DATE : 2022/08/31
ID : 20220831163210.34

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 6
(5374)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 30AUG 2022

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
784044585	20220616	1423	1590	7490
778362111	20211119	1036	1590	5184
768919932	20201230	1818	1031	0702
759882717	20200205	1105	1862	8027

4 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj6 05/2022)

Ontario 

This is Exhibit “G” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

LAND
REGISTRY
OFFICE #66

06443-0179 (LT)

PAGE 1 OF 4
PREPARED FOR BOBBIE
ON 2022/08/31 AT 16:39:08

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

PROPERTY DESCRIPTION: LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

PROPERTY REMARKS:

ESTATE/QUALIFIER:
FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:
2000/10/23

OWNERS' NAMES
TORONTO HERBAL REMEDIES INC.

CAPACITY SHARE
ROWN

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
<p>** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2000/10/20 **</p> <p>**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:</p> <p>** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES * AND ESCHEATS OR FORFEITURE TO THE CROWN.</p> <p>** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY CONVENTION.</p> <p>** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.</p> <p>**DATE OF CONVERSION TO LAND TITLES: 2000/10/23 **</p>						
SC424023	1970/07/17	CHARGE		*** COMPLETELY DELETED ***	M. RUBENSTEIN ENTERPRISES LIMITED	
SC448928	1971/12/31	TRANSFER		*** COMPLETELY DELETED ***	M. RUBENSTEIN ENTERPRISES LIMITED JOSEPH MORGAN CONSTRUCTION LIMITED	
SC622925	1981/10/02	NOTICE OF LEASE		*** COMPLETELY DELETED ***	COLOUR COATINGS LIMITED	
TB606309	1989/05/30	NOTICE		*** COMPLETELY DELETED ***		
TB625847	1989/08/09	TRANSFER		*** COMPLETELY DELETED ***	JOSEPH MORGAN CONSTRUCTION LIMITED	

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

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
TB625848	1989/08/09	CHARGE		*** COMPLETELY DELETED ***	SUN LIFE ASSURANCE CO. OF CANADA	
TB625851	1989/08/09	ASSIGNMENT GENERAL <i>REMARKS: SC424022, SC448928</i>		*** COMPLETELY DELETED ***		
AT2210257	2009/10/23	DISCH OF CHARGE <i>REMARKS: TB625848.</i>		*** COMPLETELY DELETED *** SUN LIFE ASSURANCE CO. OF CANADA		
AT3554715	2014/04/08	DISCH OF CHARGE <i>REMARKS: SC424023.</i>		*** COMPLETELY DELETED *** M. RUBENSTEIN ENTERPRISES LIMITED		
AT3557612	2014/04/14	APL (GENERAL) <i>REMARKS: DELETE SC622925 & TB606309</i>		*** COMPLETELY DELETED *** JOSEPH MORGAN CONSTRUCTION LIMITED		
AT3668558	2014/08/22	APL CH NAME OWNER		*** COMPLETELY DELETED *** JOSEPH MORGAN CONSTRUCTION LIMITED	MORGAN MAE ENTERPRISES LIMITED	
AT3669814	2014/08/22	TRANSFER <i>REMARKS: PLANNING ACT STATEMENTS.</i>	\$1,370,000	MORGAN MAE ENTERPRISES LIMITED	TORONTO HERBAL REMEDIES INC.	C
AT3669828	2014/08/22	CHARGE		*** COMPLETELY DELETED *** TORONTO HERBAL REMEDIES INC.	1010046 B.C. LTD.	
AT3669850	2014/08/22	NO ASSGN RENT GEN <i>REMARKS: AT3669828</i>		*** COMPLETELY DELETED *** TORONTO HERBAL REMEDIES INC.	1010046 B.C. LTD.	
AT3966750	2015/08/04	DISCH OF CHARGE <i>REMARKS: AT3669828.</i>		*** COMPLETELY DELETED *** 1010046 B.C. LTD.		
AT3995694	2015/08/31	CHARGE	\$3,250,000	TORONTO HERBAL REMEDIES INC.	0982244 B. C. LTD.	C
AT3995695	2015/08/31	NO ASSGN RENT GEN <i>REMARKS: RENTS AT3995694</i>		TORONTO HERBAL REMEDIES INC.	0982244 B. C. LTD.	C
AT4316252	2016/08/19	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** BROWN DANIELS ASSOCIATES INC.		

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

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
AT4317975	2016/08/22	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** SUBURBAN FENCE SYSTEMS LTD.		
AT4322758	2016/08/26	CERTIFICATE		*** COMPLETELY DELETED *** BROWN DANIELS ASSOCIATES INC.		
	REMARKS: AT4316252					
AT4339424	2016/09/12	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** JOHNSONS CONTROLS BE LTD. JOHNSON CONTROLS CANADA LP		
AT4363598	2016/10/04	CERTIFICATE		*** COMPLETELY DELETED *** SUBURBAN FENCE SYSTEMS LTD.	BROWN DANIELS ASSOCIATES INC. TORONTO HERBAL REMEDIES INC. 0982244 B.C. LTD.	
	REMARKS: CERT OF ACTION AT4317975					
AT4428461	2016/12/08	CHARGE		*** COMPLETELY DELETED *** TORONTO HERBAL REMEDIES INC.	2546308 ONTARIO INC.	
AT4430472	2016/12/09	APL DEL CONST LIEN		*** COMPLETELY DELETED *** BROWN DANIELS ASSOCIATES INC.		
	REMARKS: AT4316252. AT4322758					
AT4430505	2016/12/09	APL DEL CONST LIEN		*** COMPLETELY DELETED *** JOHNSONS CONTROLS BE LTD. JOHNSON CONTROLS CANADA LP		
	REMARKS: AT4339424.					
AT4430772	2016/12/09	APL DEL CONST LIEN		*** COMPLETELY DELETED *** SUBURBAN FENCE SYSTEMS LTD.		
	REMARKS: AT4317975.					
AT4739481	2017/11/22	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** BROCK'S GENERAL CONTRACTING		
AT4812828	2018/03/01	NOTICE	\$2	TORONTO HERBAL REMEDIES INC.	0982244 B.C. LTD.	C
	REMARKS: AMENDING AT3995694					
AT4992456	2018/10/29	APL DEL CONST LIEN		*** COMPLETELY DELETED *** BROCK'S GENERAL CONTRACTING		
	REMARKS: AT4739481.					

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
AT5341593	2020/01/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** 2546308 ONTARIO INC.		
		REMARKS: AT4428461.				
AT5352062	2020/01/28	NOTICE	\$2	TORONTO HERBAL REMEDIES INC.	0982244 B.C. LTD.	C
		REMARKS: AT3995694				
AT5382792	2020/03/06	CHARGE	\$1,000,000	TORONTO HERBAL REMEDIES INC.	INFUSION BIOSCIENCES INC.	C
AT5748147	2021/05/27	LIEN	\$8,782	HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE		C
AT6122507	2022/07/04	APL COURT ORDER		ONTARIO SUPERIOR COURT OF JUSTICE	0982244 BC LTD.	C

This is Exhibit “H” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.



Notice of cessation of cannabis activities form

All mandatory fields are indicated by an asterisk (*).

This form should be used to notify Health Canada of a licence holder’s intent to cease all cannabis activities authorized by a licence. As required by the *Cannabis Regulations*, notification is required 30 calendar days before the activities cease. The completed form should be emailed to HC.licensing-cannabis-licences.SC@canada.ca. The subject line and the file name should indicate “**Notice of Cessation of Cannabis Activities and the LIC #**”.

Section 1: Administrative information	
Type of submission:*	
<input checked="" type="radio"/> New notice of cessation of activities	<input type="radio"/> Update to previously submitted information about cessation of activities
To update previously submitted information, outline the updates in the appropriate section of this form.	
Request revocation of licence?*	
<input checked="" type="radio"/> Yes <input type="radio"/> No	
Name of licence holder:*	Licence number:*
Toronto Herbal Remedies Inc	LIC-UXRNPV3ZXR-2021-2
Section 2: Required information	
Date on which activities are expected to cease:*	
2022-08-30	
Responsible person:*	
Karuna Beedeshwaree Studer	
Describe how any cannabis remaining at the site will be disposed of:*	
Plan is in progress and we will advise	
Total quantity of cannabis remaining on site as of date of cessation:*	
will advise	

<p>Will any cannabis remaining on site be sold or distributed, in whole or in part?*</p> <p><input checked="" type="radio"/> Yes <input type="radio"/> No</p> <p>If yes, name and address of the person to whom it will be sold or distributed:</p> <p>To be determined - We will advise</p> <p>Quantity to be sold or distributed: To be determined</p>	
<p>Will any cannabis be destroyed in whole or in part?*</p> <p><input checked="" type="radio"/> Yes <input type="radio"/> No</p> <p>If yes:</p> <p>Date when the destruction is to take place: To be determined</p> <p>Location where destruction will take place:</p> <p>To be determined</p> <p>Quantity to be destroyed: To be determined</p>	
<p>Address where the licence holder's records, reports, electronic data and other documents that are required to be retained under the <i>Cannabis Act</i> will be retained after activities have ceased. If you are not requesting the revocation of your licence, your records, reports, electronic data and other documents must be available at your licensed site:*</p> <p>In discussion as we will not have a secured site and or personnel after September 30th, 2022</p>	
<p>Person from whom Health Canada may obtain further information after activities have ceased</p>	
Name:*	To be determined
Address:*	To be determined
Telephone:*	To be determined
Fax number (if applicable):	Not applicable
Email:*	To be determined

Section 3: Attestation by responsible person

I hereby attest that all of the information provided in this report is correct and complete, to the best of my knowledge.

Full name of responsible person:* Karuna Beedeshwaree Studer

Signature of responsible person:* 

Date:* August 30th, 2022

This is Exhibit "I" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

BILL OF SALE AND GENERAL CONVEYANCE

THIS AGREEMENT made as of the 6th day of September 2022.

B E T W E E N:

TORONTO HERBAL REMEDIES INC., a
corporation incorporated under the laws of the
Province of Ontario,
(hereinafter called the “**Vendor**”)

OF THE FIRST PART

- and -

KINGSTON CANNABIS INC., a corporation
incorporated under the laws of the Province of
Ontario
(hereinafter called the “**Purchaser**”)

OF THE SECOND PART

WHEREAS pursuant to the Orders of the Court dated June 24, 2022 as amended and restated on July 4, 2022, BDO Canada Limited was appointed the Monitor of Sproutly, Inc. and the Vendor in their proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA Proceedings**”).

AND WHEREAS pursuant to this Agreement, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor the Purchased Assets (as hereinafter defined). The Purchased Assets are located at 64 Raleigh Ave, Toronto (the “**Property**”).

AND WHEREAS Vendor and the Purchaser have agreed that the purchase price for the Purchased Assets is \$1,002.00 (the “**Purchase Price**”) with \$1,002.00 to be paid by the Purchaser to the Vendor upon the pick-up of the Purchased Assets, following court approval of this Agreement in the CCAA Proceedings.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the respective covenants and agreements herein contained and other good and valuable consideration now paid by the Purchaser to the Vendor, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Purchased Assets:** The Vendor and the Purchase agrees that the following product constitutes the Purchased Assets:
 - a) The dried flower cannabis (the “**Dried Flower**”);
 - b) The APP extracts (the “**Extracts**”) made utilizing the licensed APP Process from Infusion Biosciences Inc;
 - c) THC and CBD distillate (the “**Distillate**”).

2. **Transfer of the Purchased Assets** - The Vendor hereby grants, bargains, sells, assigns, transfers, conveys and sets over unto the Purchaser all of the Vendor's rights, title and interest in and to the Purchased Assets and all the right, title, interest, property, claim and demand whatsoever of the Vendor of, in, to and out of the same, and every part thereof to hold the said Purchased Assets and all right, title and interest of the Vendor thereto and therein unto and to the use of the Purchaser. The Vendor hereby covenants, promises and agrees with the Purchaser that the Vendor is now rightfully and absolutely possessed of and entitled to the said Purchased Assets and has in such assets good right, title and authority to transfer and assign the same unto the Purchaser, according to the true intent and meaning of these presents and that the Purchaser shall immediately upon the pick-up of the Purchased Assets and payment of the balance of the Purchase Price owning have possession of and may from time to time and at all times hereafter peaceably and quietly have, hold, possess and enjoy the said Purchased Assets and every part thereof to and for its own use and benefit without any manner of hindrance, interruption, molestation, claim or demand whatsoever of, from or by the Vendor or any person whomsoever and with good and marketable title thereto, free and clear and absolutely released and discharged from and against all encumbrances of any nature or kind whatsoever.
3. **As-Is, Where-Is** – The Purchaser has inspected the Purchased Assets and acknowledges and agrees that it is purchasing the Purchased Assets as-is and where-is without any representations and warranties whatsoever from the Vendor.
4. **Purchase Price** – The Purchaser agrees to pay for the Purchased Assets as follows:
 - a) \$1 for the Dried Flower;
 - b) \$1 for the Extracts; and
 - c) \$1,000.00 for the Distillate;plus any applicable sales tax (together the “**Purchase Price**”) and the Purchaser covenants and agrees to pay the Vendor the Purchase Price prior to the pick-up of the Purchased Assets from the Purchaser’s Property.
5. **Packaging and Shipping** –The Purchaser shall arrange for the packaging, pick-up and shipping of the Purchased Assets, and any related documentation for the Purchased Assets (including documents held pursuant to the requirements under the *Cannabis Act* and *Cannabis Regulations*) from the Property at the Purchaser’s own cost.
6. **Testing Costs:** The Purchaser agrees to be responsible for any testing costs and inspection costs related to the Purchased Assets.
7. **Mutual Condition:** The Vendor shall obtain an order from the court in the CCAA Proceedings approving this Agreement and the transaction contemplated hereby (the “**Order**”). The obligations of the Vendor and the Purchaser are subject to the satisfaction to the condition that this Order is obtained.

8. **Representation and Warranties**: The Purchaser represents and warrants to the Seller that it has the corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments. The Purchaser further represents and warrants it has the appropriate license under the Cannabis Act and Cannabis Regulations to take possession of the Purchased Assets.
9. **Further Assurances** - The Vendor covenants and agrees with the Purchaser that it will from time to time and at all times hereafter, upon reasonable request of the Purchaser, make, do and execute or cause and procure to be made, done and executed all such further acts, deeds or assurances as may be reasonably required by the Purchaser, whether for more effectually and completely vesting in the Purchaser, the Purchased Assets in accordance with the terms hereof.
10. **Governing Law** - This Agreement shall be governed by the laws of the Province of Ontario.
11. **Successors and Assigns** - This Agreement shall enure to the benefit of the Purchaser and its successors and assigns and shall be binding upon the Vendor and its successors and assigns.
12. **Time of Essence** - Time shall be of the essence of this Agreement.
13. **Counterparts** This Agreement may be executed and delivered in digital form or by any other electronic means including execution by electronic signature. Furthermore, this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original or faxed form or by electronic delivery in portable document format (PDF) and the parties adopt any signatures received by a receiving fax machine or electronic transmission as original signatures of the parties.

[Signature page immediately follows]

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first above written.

KINGSTON CANNABIS INC.

Per:  _____

Name: Jonathan Pilon

Title: President

I have authority to bind the
corporation.

TORONTO HERBAL REMEDIES INC.

Per:  _____

Name: Craig Loverock

Title: CFO

I have authority to bind the
corporation.

This is Exhibit “J” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

AGREEMENT OF LEASE entered into this 15th day of June, 2019

B E T W E E N:

**INVAR CORPORATION and
JADE RIVER HOLDINGS LIMITED**

(hereinafter called the "Landlord")

OF THE FIRST PART

- and -

SPROUTLY INC., and a company to be named

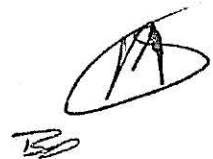
(hereinafter called the "Tenant")

OF THE SECOND PART

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Multi-Tenant Industrial Lease

THIS LEASE made the 15th day of June, 2019,

BETWEEN:

**INVAR CORPORATION and
JADE RIVER HOLDINGS LIMITED**

(the "Landlord")

AND

SPROUTLY INC., and a company to be named

(the "Tenant")

AND

N/A

(the "Indemnifier").

ARTICLE 1.00 - BASIC TERMS, DEFINITIONS

1.1 Basic Terms

- (a) Landlord: Invar Corporation and Jade River Holdings Limited
Address: 220 Duncan Mill Road, Suite 301, Toronto, Ontario, M3B 3J5
- (b) Tenant: Sproutly Inc., and a company to be named
Address: 1734 Orangebrook Court, Units 20&21, Pickering, Ontario.
- (c) Indemnifier: N/A
Address: N/A
Indemnity Provisions: the Indemnifier agrees to execute and be bound by the Indemnity Agreement attached as ~~Schedule "F"~~
- (d) Property: the industrial project situate on the Lands described in **Schedule "B"** and municipally known as **1734 Orangebrook Court, Pickering, Ontario.**
- (e) Premises: that portion of the Property illustrated in **Schedule "A"** and known as **Units 20 & 21**
- (f) Rentable Area of Premises: **4,274** square feet, subject to Section 2.2
- (g) Term: **Five (5) years** subject to Sections 2.3 and 2.4
Commencement Date: **June 15, 2019**, subject to Section 2.4
End of Term: **June 30, 2024**, subject to Sections 2.3 and 2.4
- (h) Basic Rent (Section 4.1):

Period	Per Sq. Ft./Year	Per Year	Per Month
June 15, 2019 to August 15 th 2019	Net Rent Free Period	-----	-----
August 16 th 2019 to June 30 th 2020	\$6.75	\$28,849.50	\$2,404.13
July 1 st 2020 to June 30 th 2021	\$6.90	\$29,490.60	\$2,457.55
July 1 st 2021 to June 30 th 2022	\$7.05	\$30,131.70	\$2,510.98
July 1 st 2022 to June 30 th 2023	\$7.20	\$30,772.80	\$2,564.40
July 1 st 2023 to June 30 th 2024	\$7.35	\$31,413.90	\$2,617.83

- (i) Permitted Use (Section 8.1): **mixing of natural food grade products and as storage** together with ancillary office uses (the "Use") and for no other purpose whatsoever.
- (j) Deposit: **\$9,659.24**, in accordance with Section 3.4

Rent Deposit: the sum of **\$4,708.88** shall be applied to Rent and Rental Taxes as they first come due hereunder in accordance with Section 3.4

Security Deposit: the sum of **\$4,950.36** shall be held as a security deposit without interest in accordance with Section 3.4
- (k) Fixturing Period: **none**.
- (l) Parking: (Section 8.5) The Tenant shall have the non-exclusive use on a "first come first served basis" in common with others entitled thereto, to park in those parts of the Common Areas of the Property designated for same, from time to time, by the Landlord. The Tenant shall also be provided with reasonable use of such areas of the parking lot and driveways as are reasonably required to use the loading bays within the Premises.
- (m) Extension Rights, if any: set out in **Schedule "E"**, if applicable
- (n) Schedules forming part of this Lease:
 - Schedule "A" Plan**
 - Schedule "B" Legal Description**
 - Schedule "C" Rules and Regulations**
 - Schedule "D" Landlord's and Tenant's Work**
 - Schedule "E" Additional Clauses**

1.2 Definitions

In this Lease, unless there is something in the subject matter or context inconsistent therewith, the following terms have the following respective meanings:

- (a) "**Additional Rent**" means the Tenant's Share of Operating Costs, payments on account of Realty Taxes, payments for utilities, and all other amounts, excluding Basic Rent and Rental Taxes, payable by the Tenant in accordance with the terms of this Lease;
- (b) "**Basic Rent**" means the basic rent payable by the Tenant pursuant to Section 4.1;
- (c) "**Capital Taxes**" means any tax or taxes levied against the Landlord and any owner of the Property by any governmental authority having jurisdiction (including, without limitation, the Large Corporations Tax imposed under the *Income Tax Act* (Canada) and the tax imposed under any applicable provincial corporate tax legislation) based on or computed by reference to the paid-up capital or place of business of the Landlord or any owner of the Property or the taxable capital employed in Canada by the Landlord or any owner of the Property as determined for the purposes of such tax or taxes;
- (d) "**Commencement Date**" means the date set out in Section 1.1(g), as such may be varied pursuant to the terms of this Lease;
- (e) "**Common Areas**" means those areas, facilities, utilities, improvements, equipment and installations within, adjacent to or outside the Property which serve or are for the benefit of the Property, which do not comprise part of the Premises and which, from time to time, are not designated or intended by the Landlord to be for the Landlord's exclusive use, and are not designated or intended by the Landlord to be leased to the Tenant or any other tenants of the Property, and which include all corridors, hallways, lobbies and stairwells, all



walkways and sidewalks, all landscaped and planted areas, the roof and exterior walls of the Property, exterior and interior structural elements and walls of the Property, common washrooms, all parking and loading areas and all entrances and exits thereto and all structural elements thereof, all access ways, truck courts, driveways, delivery passages, loading docks and related areas, all electrical, telephone, meter, valve, mechanical, mail, storage, service and janitorial rooms, fire prevention, security and communication systems, and generally all areas forming part of the Property which do not constitute rented or rentable premises;

- (f) **"Event of Default"** has the meaning set out in Section 14.1;
- (g) **"Fixturing Period"** means the period, if any, set out in Section 1.1(k) granted to the Tenant for possession prior to the Commencement Date for the purpose of fixturing and improving the Premises in order to carry on the Permitted Use;
- (h) **"HVAC Equipment"** means heating, ventilating and air-conditioning equipment, facilities and installations;
- (i) **"Lands"** means the lands described in **Schedule "B"** and all rights and easements which are or may hereafter be appurtenant thereto;
- (j) **"Leasehold Improvements"** means all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant or any former occupant of the Premises, including without limitation, doors, hardware, partitions (including moveable partitions) flooring, wall-to-wall carpeting, lighting, window coverings, internal doors, and hot water tanks, but excluding trade fixtures and furniture and equipment not in the nature of fixtures;
- (k) **"Mortgage"** means any mortgage or other security against the Property and/or the Landlord's interest in this Lease, from time to time;
- (l) **"Mortgagee"** means the holder of any Mortgage from time to time;
- (m) **"Normal Business Hours"** means such hours as the Landlord reasonably determines from time to time for the operation of the Property;
- (n) **"Operating Costs"** means, for any period, the total of all costs and expenses attributable to the ownership, administration, operation, management, maintenance, improvement, insurance, cleaning, supervision, replacement and repair of the Property (including without limitation, mechanical, electrical and HVAC Equipment that serve the Premises including the Common Areas), capital tax, depreciation and interest on deferred and un-depreciated amounts during such period and including, without limiting the generality of the foregoing:
 - (i) Utilities - all charges for utilities and similar services to the Property including, without limiting the generality of the foregoing, water, gas, heat, electrical power or energy, steam or hot water used upon or in respect of the Property and for fittings, machinery, apparatus, meters sub-meters, or other things leased in respect thereof, and for all work or services performed by any corporation or commission in connection with such public utilities and similar services, plus the Landlord's costs of determining the Tenant's share of the costs of all utilities including, but not limited to, professional, engineering and consulting fees;
 - (ii) Maintenance, Repair, Replacement - all costs incurred by the Landlord in connection with the maintenance, repair, replacement and operation of the Property (including all services, equipment, Common Areas and other fixtures and appurtenances) and every part thereof, and of complying with all applicable laws, directions, rules and regulations of the governmental authorities having jurisdiction and in connection therewith including, without limiting the generality of the foregoing, the cost of providing garbage removal and maintenance services, the cost of heating and cooling and ventilating the Property and the cost of maintaining, repairing and

replacing all HVAC Equipment, the cost of window cleaning, and any and all other costs incurred by the Landlord in connection with the maintenance, repair and operation of the Property;

- (iii) Capital Repairs – (i) the Tenant's share (as determined by the Landlord and which may be on other than a Proportionate Share basis) of all costs and expenses incurred and reserves for repairs and replacements set aside by the Landlord in maintaining and operating the Property and the Common Areas. The Tenant acknowledges that the Landlord on behalf of itself or its affiliated or associated companies, maintains a reserve for major repairs for its buildings and lands; and
- (iv) Depreciation or Amortization - depreciation or amortization in an amount determined by the Landlord in accordance with general real estate industry practice on any costs incurred by the Landlord, whether before or after the Commencement Date, on:
 - (A) the original capital cost of the chattels and moveable equipment of the Project and
 - (B) all repairs, replacements and improvements which the Landlord has determined to be capital in nature and which the Landlord is depreciating or amortizing in accordance with general real estate industry practice and for which the reserve, if any, that the Landlord has set aside for this Property, is not sufficient to cover;together with interest on the un-depreciated or unamortized capital cost thereof during each year of the Term at the rate provided for in the Lease;
- (v) Miscellaneous - the cost of providing security, pest control, supervision, landscaping, window cleaning, waste collection, disposal and recycling, and snow removal services, and the costs of machinery, supplies, tools, equipment and materials used in connection with such services or any rentals thereof, and the amount of salaries, wages and fringe benefits paid to employees engaged in the maintenance or operation of the Property, and amounts paid to independent contractors for any services in connection with such maintenance or operation;
- (vi) Supervision and Management - the cost of supervision and management and indirect expenses, to the extent applicable to the maintenance and operation of the Property, and all expenses of every nature incurred in connection with the management, maintenance and operation of the Common Areas;
- (vii) Insurance - the cost of insuring the Property in accordance with the terms of this Lease;
- (viii) Tax Appeals - all costs and expenses (including legal and other professional fees, interest and penalties on deferred payment) incurred in good faith by the Landlord in contesting, resisting or appealing any Realty Taxes;
- (ix) Medeco Lock Charge -the Landlord's costs of a Medeco lock cylinder and keys, which will be installed by the Landlord and applicable GST/HST charges and shall be payable upon occupancy;
- (x) Rental Taxes and Realty Taxes;
- (xi) Capital Taxes - the portion of the Capital Taxes that, in the Landlord's reasonable discretion, is attributable to the Property, as if the Property was the only property of the Landlord and/ or any owner of the Premises; and



- (xii) **Administrative Fee** - an administrative fee of fifteen percent (15%) of the aggregate of all Operating Costs and all other costs and charges referred to in the Lease;

provided that Operating Costs shall exclude:

- (A) all such costs determined by separate metering or assessment, or otherwise incurred for the exclusive benefit of the Premises or any other tenant of the Property and billed to and paid for directly by the Tenant or such other tenant, including charges to tenants for above-normal utilization of utilities;
 - (B) the cost to the Landlord of debt service in connection with any Mortgage;
 - (C) taxes on the income of the Landlord; and
 - (D) the cost of improvements to particular premises intended for leasing to other tenants and real estate, or other commissions relating to leasing premises within the Property to other tenants;
- (o) **"Premises"** means that portion of the Property identified in Section 1.1(e) and having the Rentable Area as set out in Section 1.1(f), together with all fixtures, Leasehold Improvements from time to time, and all rights and easements appurtenant thereto;
 - (p) **"Property"** means the project which is comprised of the Lands together with the improvements, buildings, fixtures and equipment (whether chattels or fixtures) on such Lands (but not including tenants' fixtures or chattels) from time to time;
 - (q) **"Proportionate Share"** means the fraction which has as its numerator the Rentable Area of the Premises and has as its denominator the total Rentable Area of the Property, whether rented or not;
 - (r) **"Realty Taxes"** means all real property taxes, rates, duties and assessments (including local improvement rates), impost charges or levies, whether general or special, that are levied, charged or assessed from time to time by any lawful authority, whether federal, provincial, municipal, school or otherwise, and any taxes payable by the Landlord which are imposed in lieu of, or in addition to, any such real property taxes, whether of the foregoing character or not, and whether or not in existence at the commencement of the Term, and any such real property taxes levied or assessed against the Landlord on account of its ownership of the Property or its interest therein, but specifically excluding any taxes assessed on the income of the Landlord;
 - (s) **"Rent"** means all Basic Rent and Additional Rent;
 - (t) **"Rentable Area of the Premises"** means the Premises measured to the outside surface of the outer building wall and to the centre line of any interior walls separating the Premises from adjoining premises intended for leasing and shall include, if applicable, gross up of the common areas utilized by the Building which shall be determined by the Landlord;
 - (u) **"Rentable Area of the Property"** means the aggregate of the rentable area of all premises in the Property that are rented, or designated or intended by the Landlord to be rented (whether actually rented or not), calculated in the same manner as the Rentable Area of the Premises. Notwithstanding the foregoing or anything else contained, the Landlord may, at its option, from time to time, choose to measure the area of the Premises in accordance with the Standard Methods for Measuring Floor Area in Industrial Buildings ("SIOR") as revised from time to time.
 - (v) **"Rental Taxes"** means any and all taxes or duties imposed on the Landlord or the Tenant measured by or based in whole or in part on the Rent payable under the Lease, whether existing at the date hereof or hereinafter imposed by any

governmental authority, including, without limitation, goods and services tax, value added tax, business transfer tax, harmonized sales tax, retail sales tax, federal sales tax, excise taxes or duties, or any tax similar to any of the foregoing;

- (w) **"Rules and Regulations"** means the rules and regulations promulgated by the Landlord from time to time pursuant to the terms of this Lease;
- (x) **"Term"** means the period specified in Section 1.1(g) and, where the context requires, any renewal, extension or over-holding thereof;
- (y) **"Transfer"** means an assignment of this Lease in whole or in part, a sublease of all or any part of the Premises, an amalgamation or reorganization, any transaction whereby the rights of the Tenant under this Lease or to the Premises are transferred to another person, any transaction by which any right of use or occupancy of all or any part of the Premises is shared with or conferred on any person, any mortgage, charge or encumbrance of this Lease or the Premises or any part thereof, and any transaction or occurrence whatsoever which has changed or will change the identity of the person having lawful use or occupancy of any part of the Premises; and
- (z) **"Transferee"** means any person or entity to whom a Transfer is or is to be made.

ARTICLE 2.00 - DEMISE AND TERM

2.1 Demise

In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be paid, observed and performed, the Landlord demises and leases to the Tenant and the Tenant rents from the Landlord the Premises. Save and except for any Landlord's Work set out in Schedule "D", the Tenant acknowledges that it has examined the Premises and is familiar with the condition thereof and the permitted uses thereof and accepts the Premises in an "as is, where is" condition.

2.2 Measurement

The Landlord may arrange for the Rentable Area of the Premises to be measured by its architect, surveyor or other space measurer and, if the area measured is different than that set out in Section 1.1(f), the Rent will be adjusted in accordance with the measured area. The Landlord will advise the Tenant in writing of the area measurement. If the Landlord does not arrange for such measurement, the Rentable Area of the Premises shall be deemed to be the area set out in Section 1.1(f). The Landlord may recalculate the area of the Premises in the same manner whenever required as a result of a rearrangement of partitions or other changed conditions. The Landlord will advise the Tenant in writing of the revised certified area measurement, and the parties agree to be bound thereby. In the event the Premises are measured during the Term or any renewal thereof and the measured area is greater or lesser than the area set out in Section 1.1(f) the parties agree that the rent shall only be adjusted from the date of such measurement and will not be adjusted before such date.

2.3 Term

The Term shall commence on the Commencement Date, run for the period set out in Section 1.1(g) and end on the date set out in Section 1.1(g), unless terminated earlier pursuant to the provisions of this Lease. The Tenant shall, upon request of the Landlord execute an acknowledgement of the actual Commencement Date no later than the date on which the Tenant commences business in or from the Premises.

2.4 Delay in Possession

If for any reason beyond the Landlord's reasonable control, possession of the Premises cannot be given to the Tenant at the start of the Fixturing Period or on the Commencement Date (if there is no Fixturing Period), then and only then shall the start of the Fixturing Period (if any), the Commencement Date and the Term be postponed for the same number of days that the Tenant is delayed in taking possession of the Premises (to a maximum of 180 days), (unless such delay(s) are a result of the Tenant's acts or requests or a failure by the Tenant to execute the Lease). The

Tenant acknowledges and agrees that such postponement shall be full settlement for any claims it might have against the Landlord for such delay. Provided that when the Landlord has completed construction of the Premises, the Tenant shall not be entitled to any abatement of rent for any delay in occupancy due to the Tenant's failure to complete all installations or other work required to be completed by the Tenant in accordance with the provisions hereof or for the purpose of carrying on its business operations in the premises.

2.5 Overholding

If, at the expiration of the initial Term or any subsequent renewal or extension thereof, the Tenant shall continue to occupy the Premises without further written agreement, there shall be no tacit renewal of this Lease, and the tenancy of the Tenant thereafter shall be from month to month only, and may be terminated by either party on one (1) month's notice. Rent shall be payable in advance on the first day of each month equal to the sum of two hundred percent (200%) of the monthly instalment of Basic Rent payable during the last year of the Term and one-twelfth (1/12) of all Additional Rent charges provided for herein, determined in the same manner as if the Lease had been renewed, and all terms and conditions of this Lease shall, so far as applicable, apply to such monthly tenancy.

2.6 Fixturing Period

During any Fixturing Period provided for herein all terms and conditions of this Lease shall apply.

ARTICLE 3.00 - RENT

3.1 Covenant to Pay, Net Lease

The Tenant covenants to pay Rent as provided in this Lease without any set-off, abatement or deduction whatsoever. It is the intention of the parties that the Rent provided to be paid shall be fully net and carefree to the Landlord and clear of all taxes, costs and charges arising from or relating to the Premises and that the Tenant shall pay, as Additional Rent, all charges, impositions and expenses of every nature and kind relating to the Premises (except the Landlord's income taxes, and except as otherwise specifically provided) in the manner hereinafter provided, and the Tenant covenants with the Landlord accordingly.

3.2 Rental Taxes

The Tenant will pay to the Landlord the Rental Taxes assessed on: (a) the Rent; (b) the Landlord; and/or (c) the Tenant pursuant to the laws, rules and regulations governing the administration of the Rental Taxes by the authority having jurisdiction, and as such may be amended from time to time during the Term of this Lease or any extension thereof. The Rental Taxes shall not be deemed to be Additional Rent under this Lease, but may be recovered by the Landlord as though they were Additional Rent.

3.3 Payment Method

The Landlord shall require the Tenant to provide to the Landlord authorization and documentation required to automatically debit the Tenant's bank account for such amounts (PAD). The Tenant acknowledges that there will be a \$100.00 administration fee charged for any amount not honoured by the bank through such payment.

3.4 Deposit

Any deposit in the Landlord's hands at the beginning of the Term shall be held by the Landlord without interest. The amount of any such rent deposit described in Section 1.1(k) shall be applied to Rent and Rental Taxes as they fall due under this Lease. The amount of any security deposit described in Section 1.1(j) shall be held by the Landlord as security for the due performance by the Tenant of its obligations under this Lease and may be applied, in the Landlord's discretion, to remedy any default by the Tenant hereunder. If the Landlord draws moneys from the deposit for the purpose of remedying any default of the Tenant, including a breach of a provision crystallizing upon the expiration or termination of the Lease the Tenant shall, at the request of the Landlord, pay forthwith to the Landlord the amount of money required to replace the moneys so drawn by the Landlord and the Tenant's failure to do so within five (5) days after receipt of



such demand constitutes a breach of this Lease. If the Tenant complies with all of its obligations under the Lease, the Landlord shall refund the balance of the Deposit, if any, within a reasonable time after all final expenses for the then current year have been finally determined by the Landlord and the Tenant has paid any outstanding amounts. The Landlord may deliver the security deposit to any purchaser of the Landlord's interest in the Premises or the Property, if such interest is sold and thereupon the Landlord is discharged from any further liability with respect to the security deposit.

3.5 Rent Past Due

If the Tenant fails to pay any Rent when the same is due and payable, such unpaid amount shall bear interest equal to the highest rate then charged by any chartered bank in Canada for commercial demand loans to customers regarded as prime credit risks, plus 8% per annum calculated monthly and such interest shall be calculated from the time such Rent becomes due until paid by the Tenant.

3.6 Partial Periods

If the Term commences on any day other than the first day of the month or ends on any day other than the last day of the month, Rent for the fractions of a month at the commencement and at the end of the Term shall be calculated on a *pro rata* basis and shall be payable on the first day of the partial month.

ARTICLE 4.00 - BASIC RENT

4.1 Basic Rent

The Tenant covenants and agrees to pay, from and after the Commencement Date, to the Landlord at the office of the Landlord, or to such other person or at such other location as the Landlord shall direct by notice in writing, in lawful money of Canada, without any prior demand therefore and without any deduction, abatement or set-off whatsoever as annual Basic Rent, the sum(s) set out in Section 1.1(h) of this Lease in equal monthly instalments in advance in the amounts set out in Section 1.1(h), on the first day of each and every month during the Term.

ARTICLE 5.00 - ADDITIONAL RENT

5.1 Additional Rent

- (a) In addition to the Basic Rent reserved in favour of the Landlord, the Tenant shall, throughout the Term, pay to the Landlord in lawful money of Canada, without any deduction, abatement or set-off whatsoever, as Additional Rent, the following costs incurred and attributable to the entire Rentable Area of the Premises:
 - (i) any and all costs relating to the Premises that would otherwise be included in Operating Costs but are determined by separate metering or assessment of the Premises or otherwise incurred for the exclusive benefit of the Premises;
 - (ii) the Tenant's share (as determined by the Landlord and which may be on other than a Proportionate Share basis) of Operating Costs;
 - (iii) all Realty Taxes levied, rated, charged or assessed on or in relation to the Premises; and
 - (iv) all other sums, amounts, costs, cost escalations and charges specified in this Lease to be payable by the Tenant.
- (b) All of the payments set out in this Lease (other than Rental Taxes) shall constitute Basic Rent or Additional Rent, and shall be deemed to be and shall be paid as rent, whether or not paid any payment is payable to the Landlord or otherwise, and whether or not as compensation to the Landlord for expenses to which it has been put. The Landlord has all the rights against the Tenant for default in payment of Additional Rent that it has against the Tenant for default in payment of Basic Rent.



5.2 Realty Taxes

The Tenant shall pay to the Landlord, as Additional Rent, all Realty Taxes levied, rated, charged or assessed throughout the Term, on or in relation to the Premises, or any part thereof, in accordance with the following:

- (a) payment shall be due in equal monthly instalments over each calendar year or such shorter period as required such that the Landlord will have in its hands an amount sufficient to pay each instalment of Realty Taxes when due to the taxing authorities. Prior to the commencement of each year, the Landlord shall estimate the amount of such equal monthly instalments and notify the Tenant in writing of such estimate. From time to time during the year, the Landlord may re-estimate the amounts payable for such year, in which event the Landlord shall notify the Tenant in writing of such re-estimate and fix monthly instalments for the remaining balance of such year;
- (b) the Realty Taxes payable by the Tenant shall be determined by the Landlord at the Landlord's sole option and discretion:
 - (i) the Landlord allocating all Realty Taxes firstly as between the premises intended for leasing and the common areas and facilities, and secondly with respect to the Property taxes so allocated to the premises intended for leasing, the Landlord shall make a further allocation of all such taxes as between each of the individual premises intended for leasing on such basis as the Landlord shall in its sole opinion deem equitable, having regard among other things, to the various uses of the premises intended for leasing comprising the Property and/or the cost of original construction of same, deemed that the Property is fully leased; or
 - (ii) applying the Tenant's Proportionate Share to the Realty Taxes payable in respect of the Property. If, in any year, the Premises are assessed separately with respect to any Realty Taxes or there is a separate apportionment of assessment by the relevant authorities, then, at the election of the Landlord, the Realty Taxes payable by the Tenant shall be computed on the basis of such separate assessments and shall include the Tenant's Proportionate Share of any Realty Taxes attributable to the Common Areas;
- (c) for the purposes of determining the share of Realty Taxes payable by the Tenant pursuant to this Lease, Realty Taxes shall include such additional amounts as would have formed part of Realty Taxes had the Property been fully assessed during the whole of the relevant fiscal period as fully completed and fully occupied by tenants, with no special exemptions or reductions, and without taking into account any actual or potential reduction of Realty Taxes or change of assessment category or class of premises within the Property which are vacant or underutilized; and

5.3 Business and Other Taxes

In each and every year during the Term, the Tenant shall pay as Additional Rent, discharge within ten (10) days after they become due, and indemnify the Landlord from and against payment of, and any interest or penalty in respect of, the following:

- (a) every tax, licence fee, rate, duty and assessment of every kind with respect to:
 - (i) any business carried on by the Tenant in the Premises or by any subtenant, licensee, concessionaire or franchisee or anyone else, or in respect of the use or occupancy of the Premises by the Tenant, its subtenants, licensees, concessionaires or franchisees, or anyone else (other than such taxes as income, profits or similar taxes assessed on the income of the Landlord); and
 - (ii) tenant's fixtures, Leasehold Improvements, equipment or facilities on or about the Premises, and



- (b) any Realty Taxes occurring as a result of any reason peculiar to the Tenant.

and the Tenant will indemnify and keep indemnified the Landlord from and against payment for all loss, costs, charges, and expenses, occasioned by or arising from any and all such taxes, levies, rates, duties, assessments, licence fees and any and all taxes which may in the future be levied in lieu of such taxes and any loss, costs, charges and expenses suffered by the Landlord may be collected by the Landlord as Rent with all rights of distress and otherwise as reserved to the Landlord in respect of Rent in arrears. The Tenant further covenants and agrees that upon the request of the Landlord, the Tenant will promptly deliver to the Landlord for inspection, receipt for payment of all taxes, rates, duties, assessments and other charges in respect of all Improvements, equipment and facilities of the Tenant on or in the Premises which were due and payable up to one month prior to such request, and will furnish such other information in connection therewith as the Landlord may reasonably require.

5.4 Operating Costs

Prior to the commencement of each year, the Landlord shall estimate the amount of Operating Costs and other recurring Additional Rent payable by the Tenant for such year and notify the Tenant in writing of such estimate. The amount so estimated shall be payable in equal monthly instalments, in advance, on the first of each and every month over the year in question. From time to time during the year, the Landlord may re-estimate the amounts payable for such year, in which event the Landlord shall notify the Tenant in writing of such re-estimate, and calculation thereof, and fix monthly instalments for the remaining balance of the year such that, after giving credit for instalments paid by the Tenant on the basis of the previous estimate or estimates, all Operating Costs, based on the most recent estimate by the Landlord, will have been paid on the expiration of such year.

5.5 Annual Readjustment of Additional Rent

After the expiration of each year, the Landlord shall make a final determination of Operating Costs, Realty Taxes and other estimated Additional Rent based on the actual costs incurred therefore by the Landlord and shall notify the Tenant of such determination, providing reasonable details as to the breakdown and calculation thereof. If there has been a shortfall in the amounts payable by the Tenant for such period, the Tenant shall pay such shortfall within twenty (20) days after delivery of the Landlord's notice. Any overpayment may be paid by the Landlord to the Tenant without interest, or credited to the Tenant's account and held by the Landlord without interest, to be applied to payments falling due under this Lease. In the event of any dispute, the report of the Landlord's auditor or accountant as to the Operating Costs and Realty Taxes shall be conclusive as to the amount thereof for any period to which such report relates. The Tenant may not claim any adjustment on account of Operating Costs or Realty Taxes for any fiscal period more than three (3) months after the date of delivery of the statement for such period.

5.6 Calculation of Operating Costs

In computing Operating Costs:

- (a) if less than one hundred percent (100%) of the Rentable Area of the Property is completed or occupied during any period for which a computation must be made, the amount of Operating Costs will be increased by the amount of the additional costs determined by the Landlord that would have been incurred had one hundred percent (100%) of the Rentable Area of the Property been completed or occupied during that period, provided that, for greater certainty, it is confirmed that in no event shall the Tenant's Proportionate Share of Operating Costs be increased pursuant to this Section 5.6(a) beyond the amount that would be payable if the Property had been fully rented;
- (b) when and if any service which is normally provided by the Landlord to some tenants of the Property:
 - (i) is not provided to the Tenant under the specific terms of this Lease, in determining Operating Costs for the calculation of the Tenant's

Proportionate Share, the Landlord shall exclude the costs of that service, except as any such costs relate to the Common Areas; or

- (ii) is not provided in a significant portion of the Property, then in determining the Tenant's Proportionate Share, the Landlord may divide the cost of that service by the difference between the Rentable Area of the Property and the number of square feet of the Property to which the Landlord does not provide the service;
- (c) if the Property is comprised of different categories of leaseable premises, the Landlord shall be entitled, but not obligated, to allocate Operating Costs among the various categories on the basis of such factors as the Landlord determines to be relevant, such as, by way of example, the relative uses of each such category and the benefits derived by them. In such event, the Landlord shall be entitled to adjust the Tenant's Proportionate Share of Operating Costs having regard to the category in which the Premises are included; and
- (d) if any facilities, services or utilities:
 - (i) for the operation, administration, management, repair and maintenance of the Property are provided from another building or other buildings owned or operated by Landlord or its manager;
 - (ii) for the operation, administration, management, repair and maintenance of another building or other buildings owned or operated by the Landlord or its manager are provided from the Property; or
 - (iii) are otherwise shared between the Property and another building or other buildings;

the net costs, charges and expenses of such items shall be allocated by the Landlord, between the Property and the other building or buildings on a reasonable basis.

ARTICLE 6.00 - UTILITIES AND HVAC

6.1 Payment for Utilities

The Tenant shall pay promptly when due all charges, costs, accounts and any other sums payable by reason of the supply of the utilities and services to the Premises. The Tenant at its option may, and on request of the Landlord shall, install a separate meter to measure consumption of any utilities and services. If separate meters are or shall be installed, the Tenant shall contract with and pay the supplier directly. In the event that any of the utilities and services are not separately metered for the Premises, the costs thereof shall be included in Operating Costs or otherwise paid as Additional Rent based on a reasonable allocation by the Landlord. The Tenant shall immediately advise the Landlord of any installations, appliances or machines used by the Tenant which consume or are likely to consume large amounts of electricity, gas, water or other utilities and, on request, shall promptly provide the Landlord with a list of all installations, appliances and machines used in the Premises.

6.2 Above-Normal Utilization

If there are special circumstances within the Premises causing utilization of any utilities or services in excess of that reasonably expected for the use of the Premises (including, without limitation, requirements outside of Normal Business Hours), the Landlord may, in its sole discretion, designate a professional engineer or other consultant to review such above-normal utilization and determine the extent thereof and, on such determination and delivery of a copy of the engineer's report to the Tenant, the Landlord may, if such report so indicates, increase the Tenant's payments on account of such Additional Rent by an amount equal to such above-normal utilization as long as such utilization shall continue. The Tenant shall pay to the Landlord, as long as such utilization shall continue, the amount determined by the Landlord, in its sole opinion and in accordance with the engineer's report, to be attributable to such above-normal utilization. The Tenant shall also pay to the Landlord, as Additional Rent, any extra insurance



costs resulting from such above-normal utilization together with the Landlord's cost in obtaining said report which shall include a 15% administration fee on such costs.

6.3 Additional Utilities

The Tenant shall make arrangements, at its own cost and expense, directly with the utility or service supplier in respect of any utilities and services not supplied by the Landlord. The Tenant, at its own cost and expense, shall procure each and every permit, licence or other authorization required, and shall comply with the provisions of Article 9.00 of this Lease pertaining to any work required in respect of such additional utilities and services.

6.4 No Overloading

- (a) The Tenant will not install any equipment which would exceed or overload the capacity of the utility facilities in the Premises or the electrical wiring and service in the Property, and agrees that if any equipment installed by the Tenant shall require additional utility facilities, such facilities shall be installed, if available, and subject to the Landlord's prior written approval thereof (which approval may not be unreasonably withheld), at the Tenant's sole cost and expense in accordance with plans and specifications to be approved in advance by the Landlord, in writing and inspected and approved by the applicable governmental authorities..
- (b) The Tenant will not bring upon the demised premises or any part thereof, any machinery, equipment, article or thing that by reason of its weight, size, or use might in the opinion of the Landlord, damage the leased premises and will not at any time, overload the floors of the leased premises and that if any damage is caused to the leased premises, by any machinery, equipment, article or thing or by overloading, or by any act, neglect or misuse on the part of the Tenant, or any of its servants, agents or employees, or any person having business with the Tenant, the Tenant shall forthwith repair the same or pay to the Landlord the cost of making good the same.
- (c) The plumbing facilities (if any) in the Premises shall not be used for any other purpose than that for which they are constructed, and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from a violation of this provision shall be borne by the Tenant.

6.5 No Liability

In no event shall the Landlord be liable for any injury to the Tenant, its employees, agents or invitees, or to the Premises, or to any property of the Tenant or anyone else, for any loss of profits or business interruption, indirect or consequential damages, or for any other costs, losses or damages of whatsoever kind arising from any interruption or failure in the supply of any utility or service to the Premises.

6.6 HVAC

- (a) The Tenant shall, throughout the Term, operate, maintain, repair, and regulate the HVAC Equipment within and exclusively serving the Premises in such a manner as to maintain reasonable conditions of temperature and humidity within the Premises and so as to maintain the HVAC Equipment in a good and working order.
- (b) The Tenant covenants and agrees to heat (and to cool, if applicable) the Premises in a reasonable manner at its sole cost and expense with heating (and air-conditioning) equipment supplied by the Landlord, the HVAC Equipment. Heating of the Premises shall be maintained so as at all times to protect the Premises and its contents from damage by cold or frost

ARTICLE 7.00 - CONTROL AND OPERATION BY LANDLORD

7.1 Property Operation and Repair

The Landlord shall operate, maintain and repair the Property, any HVAC Equipment serving the Premises that is not the Tenant's responsibility under Section 6.6 and any other service facilities not within or exclusively serving the Premises, to the extent required to keep the Property, equipment and facilities in a state of good repair and maintenance in accordance with normal property management standards for a similar building in the vicinity. For greater certainty:

- (a) the Landlord's obligations shall not extend to any matters that are the responsibility of the Tenant herein; and
- (b) the Landlord shall promptly make all repairs to the structural components of the Property including, without limitation, the roof (including the roof membrane), interior concrete slab floors and exterior walls.

7.2 Common Areas and Property

The Tenant shall have the right of non-exclusive use, in common with others entitled thereto, for their proper and intended purposes of those portions of the Common Areas intended for common use by tenants of the Property, provided that such use by the Tenant shall always be subject to such reasonable Rules and Regulations as the Landlord may from time to time determine. At times other than during Normal Business Hours, the Tenant and the employees of the Tenant and persons lawfully requiring communication with the Tenant shall have access to the Property only in accordance with the Rules and Regulations and other security requirements of the Landlord. The Common Areas shall at all times be subject to the exclusive management and control of the Landlord. The Landlord reserves the right to lease parts of the Common Areas from time to time, to alter the layout or configuration of and/or reduce or enlarge the size of the Common Areas and/or the Rentable Area of the Property, to cease to treat as part of the Property any buildings or lands now forming part of the Property and/or to add additional lands or buildings to the Property, and to make other changes to the Property as the Landlord shall from time to time reasonably determine in its sole discretion.

7.3 Rules and Regulations

The Tenant and its employees and all persons visiting or doing business with it on the Premises shall be bound by and shall observe the Rules and Regulations attached to this Lease as Schedule "C", and any further and other reasonable Rules and Regulations made hereafter by the Landlord of which notice in writing shall be given to the Tenant, which are of general application to all tenants of the Property. All such Rules and Regulations shall be deemed to be incorporated into and form part of this Lease.

ARTICLE 8.00- USE OF PREMISES

8.1 Use of the Premises

The Tenant acknowledges that the Premises will be used solely for the purposes set out in Section 1.1(i), and for no other purpose. The Tenant shall occupy the Premises throughout the Term and any renewal or extension thereof, and operate its business continuously and actively in the whole of the Premises. The Tenant shall be responsible for obtaining any necessary occupancy permit and other governmental approval required for its occupation and use of the Premises prior to occupancy.

8.2 Observance of Law

The Tenant shall, at its own expense, comply with all laws, by-laws, ordinances, regulations and directives of public authority having jurisdiction affecting the Premises or the use or occupation thereof including, without limitation, police, fire and health regulations and requirements of the fire insurance underwriters. Without limiting the generality of the foregoing:

- (a) where, during the Term, the Tenant has, through its use or occupancy of the Premises, caused or permitted a release of a Hazardous Substances at, from or to

the Premises, the Tenant shall immediately clean up such Hazardous Substances from the Premises, and any affected areas, at the Tenant's expense. Such clean up shall meet and/or exceed all governmental standards. The Tenant shall immediately provide written notice to the Landlord of the release of such Hazardous Substances and to provide copies of all reports from a qualified (certified) environmental consulting company relating to such release to the Landlord, all at the Tenant's expense; and

- (b) on the termination of the Lease for any reason, the Tenant shall remove, at its expense, any Hazardous Substances or contamination which, through the Tenant's use or occupancy of the Premises, it has brought to or created at the Property.

The Tenant agrees to provide to the Landlord on each anniversary date during the Lease term a list of Hazardous Substances or contaminants located on the Premises together with copies of manifests and way bills relating to such Hazardous Substances and its plan to remove such Hazardous Substances or contaminants.

"**Environmental Laws**" means all laws, by-laws, orders, ordinances, rulings, regulations, certificates, approvals, consents and directives of any applicable federal, provincial or municipal government, governmental department, agency or regulatory authority or any court of competent jurisdiction relating to: (i) pollution or the protection of human health or the environment; (ii) dealing with filings, registrations, emissions, discharges, spills, releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; and/or (iii) regulating the import, storage, distribution, labelling, sale, use, handling, transport or disposal of a Hazardous Substance.

"**Hazardous Substances**" means any contaminant, pollutant, dangerous substance, asbestos, PCBs, underground storage tanks, noxious substance, toxic substance, hazardous waste, flammable or explosive material, radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated biphenyl related waste, oils, and any other substance or material now or thereafter declared, defined or deemed to be regulated or controlled in or pursuant to any Environmental Law.

8.3 Garbage

The Tenant agrees that it will not allow any ashes, refuse, garbage or other loose or objectionable material to accumulate in or about the Premises, and will at all times keep the Premises in a clean and tidy condition and shall immediately before the termination of the Term or any renewal thereof, as the case may be, Power wash the warehouse floors and wash the other floors, windows, doors and woodwork of the Premises, and further that it will not store, or cause to be stored outside of the Premises any of its inventory or stock in trade or raw materials.

8.4 Loading/Unloading

The Tenant agrees that all loading and unloading of merchandise, supplies, materials, garbage and all other chattels shall be effected only through or by means of such doorways or corridors as the Landlord shall designate, and shall be subject to all such rules and regulations as the Landlord shall promulgate in connection therewith from time to time.

8.5 Parking Areas

Landlord shall have the right at all times:

- (a) To make all changes, improvements, or alterations as the Landlord may, in its sole discretion, from time to time, decide in respect of the common driveways and parking areas, including without limitation, the right to change the location and the layout of the parking areas; and,
- (b) To restrict such portion or portions of the parking area from use by the Tenant herein, from time to time. The Tenant agrees that it or its customers will not interfere with the parking requirements of the other tenants in the building. The Landlord shall have the right at its sole discretion to designate such portion or portions of the parking area for utilization by tenants other than the Tenant herein

or specifically restrict the amount of parking which the Tenant may use, from time to time.

Notwithstanding anything herein contained to the contrary, the Landlord shall be entitled to do and perform all such acts, changes, improvements, and/or alterations in and to the common areas and facilities, including without limitation, the parking area, as in the use of good business judgment, the Landlord shall from time to time determine to be advisable with a view to improve the use thereof by the Tenant and other tenants of the Building, and their respective agents, employees and customers.

8.6 Waste, Nuisance, Overloading

The Tenant shall not do or suffer any odors, waste, damage, disfiguration or injury to the Premises, nor permit or suffer any overloading of the floors, roof deck, walls or any other part of the Property, and shall not use or permit to be used any part of the Premises for any illegal or unlawful purpose or any dangerous, noxious or offensive trade or business, and shall not cause or permit to be carried on in the Premises any business or activity which shall be deemed to be a nuisance by the Landlord or which shall be in contravention of any governmental law, by-law, or regulation. In the event that the Tenant breaches this section in any manner then in addition to any and all other rights and remedies the Landlord may have in the Lease or by-law the Landlord shall have the sole option to immediately terminate the Lease and to recover from the Tenant all damages incurred by it as a result of the breach. If the Landlord or any other occupants of the Property complain that any machinery or operation thereof in or on the Premises is a nuisance to it or them, as the case may be, upon receiving notice thereof, the Tenant will immediately abate such nuisance. The Tenant agrees that all fork lifts or tow motors used in the Premises shall only be electric operated. The Tenant covenants and agrees that in the event of any complaints of any noise problems the Tenant will be responsible to implement any and all recommendations as outlined by the Landlord's acoustical engineer, with the costs of the applicable consultants and reports to be paid by the Tenant.

ARTICLE 9.00 - MAINTENANCE, REPAIRS AND ALTERATIONS OF PREMISES

9.1 Maintenance, Repair and Cleaning of Premises

Except as set out in this Article 9.00, the Tenant shall, at its own expense and cost, operate, maintain and keep in good order, first class condition and repair as a careful owner as determined by the Landlord, the Premises and all parts thereof (including without limitation, all HVAC Equipment, electrical, plumbing and mechanical systems and equipment and all floor and wall coverings, entrances, glass, doors, signage and fixtures), save and except repairs required to be made by the Landlord pursuant to Section 7.1. Notwithstanding anything contained herein to the contrary the Landlord may at its sole option do all such repairs on behalf of the Tenant and the Tenant shall pay upon demand the Landlord's cost for making such repairs plus an Administrative fee as set out in this Lease as overhead, as Additional Rent. All repairs shall be in all respects equal in quality and workmanship to the original work and materials in the Premises and shall meet the requirements of all authorities having jurisdiction and the insurance underwriters. The Tenant shall re-paint the Premises as is reasonably necessary to meet the standard for the condition of the Premises. Any lack of repairs by the Tenant ie running water in toilets and sinks, that results in an increase of the Operating Costs shall be the responsibility of and be paid by the Tenant to the Landlord.

9.2 Inspection and Repair on Notice

The Landlord, its servants, agents and contractors shall be entitled to enter upon the Premises at any time without notice for the purpose of making emergency repairs, and during Normal Business Hours on reasonable prior written notice, for the purpose of inspecting and making repairs, alterations or improvements to the Premises or to the Property, or for the purpose of having access to the under floor ducts, or to the access panels to mechanical shafts (which the Tenant agrees not to obstruct). The Tenant shall not be entitled to compensation for any inconvenience, nuisance or discomfort occasioned thereby. The Landlord, its servants, agents and contractors may at any time, and from time to time, on reasonable prior written notice, enter upon the Premises to remove any article or remedy any condition which, in the opinion of the

Landlord, would likely lead to the cancellation of any policy of insurance. The Landlord shall take reasonable precautions and attempt to schedule such work so as not to unreasonably interfere with the operation of the Tenant's business and to minimize interference with the Tenant's use and enjoyment of the Premises. The Tenant shall promptly effect all repairs required by the Landlord or necessitated by the Tenant's negligence or wilful misconduct or the negligence or wilful misconduct of the Tenant's agents, servants, contractors, invitees, employees or others for whom the Tenant is in law responsible. The failure by the Landlord to give notice shall not relieve the Tenant from any of its obligations to repair in accordance with the provisions hereof. Provided further, that if the Tenant refuses or neglects to repair promptly and to the reasonable satisfaction of the Landlord as required pursuant to the provisions of this Lease or in accordance with any notice received by the Landlord pursuant to the provisions of this section 9.2, the Landlord may, but shall not be obligated to, make such repairs without liability to the Tenant for any loss or damage which may occur to the Tenant's property or to the Tenant's business by reason thereof and upon completion thereof, the Tenant shall forthwith pay upon demand the Landlord's cost for making any such repairs plus a sum equal to 15% thereof for overhead, as Additional Rent

9.3 Repair where Tenant at Fault

If the Property, including the Premises, the boilers, engines, controls, pipes and other apparatus used for the purpose of heating or air-conditioning the Property, the water, sanitary, storm and drainage pipes, the electric lights, associated electrical equipment, loading dock equipment and any other equipment or the roof or outside walls of the Property are put in a state of disrepair or are damaged or destroyed through the negligence, carelessness or misuse of the Tenant, its servants, agents, employees or anyone permitted by it to be in the Property, the expense of the necessary repairs, replacements or alterations shall be borne by the Tenant and paid to the Landlord forthwith on demand together with sum equal to 15% thereof for overhead, as Additional Rent.

9.4 Alterations

The Tenant will not make or erect in or to the Premises any installations, alterations, additions or partitions without first submitting drawings and specifications to the Landlord and obtaining the Landlord's prior written consent, which the Landlord shall not unreasonably withhold. The Tenant must further obtain the Landlord's prior written consent to any change or changes in such drawings and specifications. The Tenant will pay to the Landlord the Landlord's reasonable out-of-pocket costs of having its architects approve such drawings and specifications and any changes. Such work shall be performed by qualified contractors engaged by the Tenant (and approved by the Landlord), but in each case only under a written contract approved in writing by the Landlord and subject to all reasonable conditions which the Landlord may impose, provided nevertheless that the Landlord may, at its option, require that the Landlord's contractors be engaged for any structural, mechanical or electrical work. Any changes to the lighting undertaken by the Tenant as part of an approved alteration must result in energy efficient lighting compatible with the market standard. Without limiting the generality of the foregoing, any work performed by or for the Tenant shall be performed by competent workers whose labour union affiliations are not incompatible with those of any workers who may be employed in the Property by the Landlord, its contractors or subcontractors. The Tenant shall submit to the Landlord's reasonable supervision over construction and promptly pay to the Landlord's or the Tenant's contractors, as the case may be, when due, the cost of all such work and of all materials, labour and services involved therein and of all decoration and all changes to the Property, its equipment or services, necessitated thereby. The Tenant shall submit to the Landlord such indemnification against liens, costs, damages and expenses as the Landlord shall require and evidence satisfactory to the Landlord that the Tenant has obtained, at its expense, all necessary consents, licences and inspections from all governmental authorities having jurisdiction. Provided, notwithstanding anything herein contained no repair, alteration, addition, or improvement to the leased premises by or on behalf of the Tenant shall be permitted which may weaken or endanger the structure or adversely affect the condition or operation of the Premises and/or the Property or diminish the value thereof.

9.5 Signs

The Tenant shall not paint, display, inscribe, place or affix any sign, picture, advertisement, notice, lettering or direction on any part of the outside of the Property or that is visible from the

outside of the Property without the prior consent of the Landlord, not to be unreasonably withheld. The Landlord may prescribe a uniform pattern of identification signs for tenants. All Tenant signage including graphics and installation will be at the Tenant's sole cost, and must comply with both the Landlord design criteria and all legal and municipal requirements, and must receive prior written approval of the Landlord prior to installation in a location approved by Landlord. All signage shall be removed by the Tenant at the termination of this Lease, and the Tenant shall promptly repair any and all damage caused by such removal. Provided, if the Landlord shall, in its sole discretion and desire to establish a uniform sign policy for the tenants of the Property, then, the Tenant acknowledges and agrees that the Landlord, at its option, shall be entitled to erect all signs or other advertising material in or on the Property, advertising the respective tenants' business operations therein (including the Tenant named herein). The cost of such sign and the installation and erection thereof shall be borne solely by the Tenant and shall be payable forthwith on demand.

Provided further the Tenant will not place or affix any drapes or other similar material or any signs upon the exterior or interior of the windows in the Premises, without first obtaining the prior written consent of the Landlord, it being the intention of the Landlord, and the Tenant hereby acknowledges and agrees that all draperies used by the tenants of the Premises are to be complimentary and are not to detract from one and another.

9.6 Construction Liens

If any construction or other lien or order for the payment of money shall be filed against the Property by reason of or arising out of any labour or material furnished to the Tenant or to anyone claiming through the Tenant, the Tenant, within five (5) days after receipt of notice of the filing thereof, shall cause the same to be discharged by bonding, deposit, payment, court order or otherwise. The Tenant shall defend all suits to enforce such liens, or orders, against the Tenant, at the Tenant's sole expense. The Tenant indemnifies the Landlord against any expense or damage incurred as a result of such liens or orders. In the event the Tenant shall fail to cause any such lien to be discharged, as aforesaid, then, in addition to any other right or remedy of the Landlord, the Landlord may, but it shall not be so obligated, discharge same by paying the amount claimed to be due into Court or directly to any such lien claimant and the amount so paid by the Landlord and all costs and expenses including solicitors' fees (on a solicitor and his client basis) incurred herein for the discharge of such lien together with a 15% administration fee on all such costs and expenses, shall be due and payable by the Tenant to the Landlord as additional rent on demand.

9.7 Removal of Improvements and Fixtures

- (a) All Leasehold Improvements shall immediately on their placement become the Landlord's property, without compensation to the Tenant. Except as otherwise agreed by the Landlord in writing, no Leasehold Improvements or trade fixtures shall be removed from the Premises by the Tenant, either during or on the expiry or earlier termination of the Term except that:
 - (i) the Tenant may, during the Term, in the usual course of its business, remove its trade fixtures, provided that the Tenant is not in default under this Lease and provided the Tenant first notifies the Landlord hereof, and at the end of the Term, the Tenant shall remove its trade fixtures; and
 - (ii) the Tenant shall, at its sole cost, remove such of the Leasehold Improvements as the Landlord shall require to be removed, such removal to be completed on or before the end of the Term.
- (b) The Tenant shall, at its own expense, repair any damage caused to the Property by the Leasehold Improvements or trade fixtures or the removal thereof. In the event that the Tenant fails to remove its trade fixtures prior to the expiry or earlier termination of the Term, such trade fixtures shall, at the option of the Landlord, become the property of the Landlord and may be removed from the Premises and sold or disposed of by the Landlord in such manner as it deems advisable. For greater certainty, the Tenant's trade fixtures shall not include any HVAC Equipment or alarm systems serving the Premises or light fixtures.

Notwithstanding anything in this Lease, the Landlord shall be under no obligation to repair or maintain the Tenant's installations.

9.8 Surrender of Premises

At the expiration or earlier termination of this Lease, the Tenant shall peaceably surrender and give up to the Landlord vacant possession of the Premises in good order, first class condition and repair as determined by the Landlord, in accordance with its obligations in Section 9.7.

ARTICLE 10.00 - INSURANCE AND INDEMNITY

10.1 Tenant's Insurance

- (a) The Tenant shall, at its sole cost and expense, take out and maintain in full force and effect, at all times throughout the Term, the following insurance:
- (i) "All Risks" insurance on property of every description and kind owned by the Tenant, or for which the Tenant is legally liable, or which is installed by or on behalf of the Tenant, within the Premises or on the Property, including, without limitation, stock-in-trade, furniture, equipment, partitions, trade fixtures and Leasehold Improvements, in an amount not less than the full replacement cost thereof from time to time;
 - (ii) general liability and property damage insurance, including personal liability, contractual liability, tenants' legal liability, non-owned automobile liability, and owners' and contractors' protective insurance coverage with respect to the Premises and the Common Areas, which coverage shall include the business operations conducted by the Tenant and any other person on the Premises. Such policies shall be written on a comprehensive basis with coverage for any one occurrence or claim of not less than **five million dollars (\$5,000,000)** or such higher limits as the Landlord may reasonably require from time to time;
 - (iii) when applicable, broad form comprehensive boiler and machinery insurance on a blanket repair and replacement basis, with limits for each accident in an amount not less than the full replacement costs of the property, with respect to all boilers and machinery owned or operated by the Tenant or by others (other than the Landlord) on behalf of the Tenant in the Premises or relating to or serving the Premises;
 - (iv) business interruption insurance in an amount sufficient to cover the Tenant's Rent for a period of not less than twelve (12) months;
 - (v) plate glass insurance with respect to all glass windows and glass doors in or on the Premises for the full replacement value thereof; and
 - (vi) such other forms of insurance as may be reasonably required by the Landlord and any Mortgagee from time to time.
- (b) All such insurance shall be with insurers and shall be on such terms and conditions as the Landlord reasonably approves. The insurance described in Sections 10.1(a)(i) and 10.1(a)(iii) shall name as loss payee the Landlord and anyone else with an interest in the Premises from time to time designated in writing by the Landlord, and shall provide that any proceeds recoverable in the event of damage to Leasehold Improvements shall be payable to the Landlord. The insurance described in Sections 10.1(a)(ii) and 10.1(a)(iv) shall name as an additional insured the Landlord and anyone else with an interest in the Property from time to time designated in writing by the Landlord. The Landlord agrees to make available such proceeds toward repair or replacement of the insured property if this Lease is not terminated pursuant to the terms of this Lease. All public liability insurance shall contain a provision for cross-liability or severability of interest as between the Landlord and the Tenant.

- (c) All of the foregoing property policies shall contain a waiver of any right of subrogation or recourse by the Tenant's insurers against the Landlord or the Landlord's mortgagees, their contractors, agents and employees, whether or not any loss is caused by the act, omission or negligence of the Landlord, its mortgagees, their contractors, agents or employees. The Tenant shall obtain from the insurers under such policies undertakings to notify the Landlord in writing at least thirty (30) days prior to any cancellation thereof.
- (d) The Tenant shall deposit certificates of all such insurance coverage with the Landlord prior to the Tenant taking possession of the Premises and every year thereafter without notice. The Tenant agrees that if it fails to take out or to keep in force such insurance or if it fails to provide a certificate of every policy and evidence of continuation of coverage as herein provided, the Landlord shall have the right to take out such insurance and pay the premium therefore and, in such event, the Tenant shall pay to the Landlord the amount paid as premium plus fifteen percent (15%), which payment shall be deemed to be Additional Rent payable on the first day of the next month following payment by the Landlord.

10.2 Landlord's Insurance

The Landlord shall provide and maintain insurance on the whole of the Property against loss, damage or destruction caused by fire and extended perils under a standard extended form of fire insurance policy in such amounts and on such terms and conditions as would be carried by a prudent owner of a similar building, having regard to the size, age and location of the Property. The amount of insurance to be obtained shall be determined at the sole discretion of the Landlord. The Landlord may maintain such other insurance in respect of the Property and its operation and management as the Landlord determines. The Tenant shall not be an insured under the policies with respect to the Landlord's insurance, nor shall it be deemed to have any insurable interest in the property covered by such policies, or any other right or interest in such policies or their proceeds.

10.3 Increase of Landlord Premiums

If the occupancy of the Premises, the conduct of business in the Premises, or any acts or omissions of the Tenant in the Property or any part thereof causes or results in any increase in premiums for the insurance carried from time to time by the Landlord with respect to the Property, the Tenant shall pay any such increase in premiums as Additional Rent forthwith after invoices for such additional premiums are rendered by the Landlord. In determining whether increased premiums are caused by or result from the use and occupancy of the Premises, a schedule issued by the organization computing the insurance rate on the Property showing the various components of such rate shall be conclusive evidence of the several items and charges which make up such rate. The Tenant shall comply promptly with all requirements and recommendations of the Insurer's Advisory Organization of Canada (or any successor thereof), or of any insurer now or hereafter in effect, pertaining to or affecting the Premises.

10.4 Tenant Indemnity

The Tenant will indemnify the Landlord and save it harmless from any and all losses or claims, actions, demands, liabilities and expenses in connection with loss of life, personal injury and/or damage to or loss of property: (a) arising out of any occurrence in or about the Premises or the Property; (b) occasioned or caused wholly or in part by any act or omission of the Tenant or anyone for whom it is in law responsible; or (c) arising from any breach by the Tenant of any provision of this Lease. In case the Landlord shall, without fault on its part, be made a party to any litigation, commenced by or against the Tenant, then, the Tenant shall protect and hold the Landlord harmless and shall pay all costs, expenses and reasonable legal fees incurred or paid by the Landlord in connection with such litigation. The Tenant shall also pay all costs, expenses and reasonable legal fees that may be incurred or paid by the Landlord in enforcing the covenants and agreements contained in this Lease, unless a Court shall otherwise award.

10.5 Mutual Release

- (a) Each of the Landlord and the Tenant releases the other and waives all claims against the other and those for whom the other is in law responsible with respect



to occurrences insured against or required to be insured against by the releasing party, whether any such claims arise as a result of the negligence or otherwise of the other or those for whom it is in law responsible, subject to the following:

- (i) such release and waiver shall be effective only to the extent of proceeds of insurance received by the releasing party or proceeds which would have been received if the releasing party had obtained all insurance required to be obtained by it under this Lease (whichever is greater) and, for this purpose, deductible amounts shall be deemed to be proceeds of insurance received (subject to the right of the Landlord to include such deductible amounts in Operating Costs); and
 - (ii) to the extent that both parties have insurance or are required to have insurance for any occurrence, the Tenant's insurance shall be primary.
- (b) Notwithstanding the foregoing or anything else herein contained, in no event, whether or not the result of the wilful act or the negligence of the Landlord, its agents, officers, employees or others for whom it is legally responsible, and irrespective of any insurance that may or may not be carried or required to be carried, shall the Landlord be liable for:
- (i) damage to property of the Tenant or others located on the Premises;
 - (ii) any injury or damage to persons or property resulting from fire, explosion, steam, water, rain, snow or gas which may leak into or issue or flow from any part of the Property or from the water, steam or drainage pipes or plumbing works of the Property or from any other place or quarter;
 - (iii) any damage caused by or attributable to the condition or arrangement of any electrical or other wiring;
 - (iv) any damage caused by anything done or omitted to be done by any other tenant of the Property; or
 - (v) any indirect or consequential damages suffered by the Tenant.

All property of the Tenant kept or stored on the Premises shall be so kept or stored at the risk of the Tenant only and the Tenant shall hold the Landlord harmless from any claims arising out of damages to the same, including, subrogation claims by the Tenant's insurers.

ARTICLE 11.00 - ASSIGNMENT AND SUBLETTING

11.1 Assignment, Subletting

The Tenant shall not effect any Transfer without the prior written consent of the Landlord, which shall not be unreasonably withheld. No consent to any Transfer shall relieve the Tenant from its obligation to pay Rent and to perform all of the covenants, terms and conditions herein contained. In the event of a Transfer, the Landlord may collect Rent or sums on account of Rent from the Transferee and apply the net amount collected to the Rent payable hereunder, but no such Transfer or collection or acceptance of the Transferee as tenant, shall be deemed to be a waiver of this covenant. In the event the Tenant successfully challenges the refusal of the Landlord's consent through a court or other process, the only compensation which the Landlord is required to give to the Tenant is the reversal of the Landlord's decision to refuse its consent.

11.2 Landlord's Consent

If the Tenant desires to effect a Transfer, then and so often as such event shall occur, the Tenant shall make its request to the Landlord in writing. The Tenant's request shall contain the information required by Section 11.3 of this Lease, and the Landlord shall, within fourteen (14) days after receipt of such request, notify the Tenant in writing either that: (a) the Landlord consents or does not consent, as the case may be; or (b) the Landlord elects to cancel and terminate this Lease if the request is to assign the Lease or to sublet or otherwise transfer all of the Premises. The Tenant may not sublet or transfer a portion of the premises without the Landlord's consent which may be unreasonably withheld. If the Landlord elects to cancel this

Lease as aforesaid and so advises the Tenant in writing, the Tenant shall then notify the Landlord in writing within fifteen (15) days thereafter of the Tenant's intention either to refrain from such Transfer or to accept the cancellation of the Lease (in whole or in part, as the case may be). Failure of the Tenant to deliver notice to the Landlord within such fifteen (15) day period advising of the Tenant's desire to refrain from such Transfer shall be deemed to be an acceptance by the Tenant of the Landlord's cancellation of this Lease (in whole or in part, as the case may be). Any cancellation of this Lease pursuant to this Section 11.2 shall be effective on the later of the date originally proposed by the Tenant as being the effective date of the Transfer and the last day of the month sixty (60) days following the date of the Landlord's notice to cancel this Lease.

11.3 Requests for Consent

Requests by the Tenant for the Landlord's consent to a Transfer shall be in writing and shall be accompanied by the name, address, telephone numbers, business experience, credit and financial information and banking references of the Transferee and its principals and shareholders, and shall include a true copy of the document evidencing the proposed Transfer, and any agreement relating thereto. The Tenant shall also provide such additional information pertaining to the Transferee as the Landlord may reasonably require. The Landlord's consent shall be conditional on the following:

- (a) the Tenant remaining fully liable to pay Rent and to perform all of the covenants, terms and conditions herein contained;
- (b) the Landlord being satisfied, in its sole discretion with the financial ability and good credit rating and standing of the Transferee and the ability of the Transferee to carry on the permitted use;
- (c) the Tenant having regularly and duly paid Rent and performed all the covenants contained in this Lease;
- (d) the Transferee having entered into an agreement with the Landlord agreeing to be bound by all of the terms, covenants and conditions of this Lease;
- (e) the Tenant paying to the Landlord, prior to receiving such consent, an administrative fee and all reasonable legal fees and disbursements incurred by the Landlord in connection with the Transfer; and
- (f) the Tenant paying to the Landlord, as Additional Rent, all excess rent and other profit earned by the Tenant in respect of the Transfer.
- (g) the Landlord being satisfied in its sole discretion of the use proposed by the Transferee if such use differs from the Tenant.
- (h) the proposed use by the Transferee does not conflict with any exclusive use granted by the Landlord to other tenants of the Property.
- (i) the proposed rent is not lower than the Landlord is otherwise asking for vacant space in the Property; and
- (j) the Transferee is not currently a tenant in the Property.

11.4 Change of Control

Any transfer or issue by sale, assignment, bequest, inheritance, operation of law, or other disposition, or by subscription, of any part or all of the corporate shares of the Tenant or any other corporation which would result in any change in the effective direct or indirect control of the Tenant, shall be deemed to be a Transfer, and the provisions of this Article 11.00 shall apply *mutatis mutandis*. The Tenant shall make available to the Landlord or to its lawful representatives such books and records for inspection at all reasonable times in order to ascertain whether there has, in effect, been a change in control. This provision shall not apply if the Tenant is a public company or is controlled by a public company listed on a recognized stock exchange and such change occurs as a result of trading in the shares of a corporation listed on such exchange.


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11.5 No Advertising

The Tenant shall not advertise that the whole or any part of the Premises is available for assignment or sublease, and shall not permit any broker or other person to do so unless the text and format of such advertisement is approved in writing by the Landlord. No such advertisement shall contain any reference to the rental rate of the Premises.

11.6 Assignment by Landlord

In the event of the sale or lease by the Landlord of its interest in the Property or any part or parts thereof, and in conjunction therewith the assignment by the Landlord of this Lease or any interest of the Landlord herein, the Landlord shall be relieved of any liability under this Lease.

The Tenant covenants and agrees with the Landlord that it will, if and whenever reasonably required by the Landlord, consent to and become a party to any instrument relating to this Lease which may be required by or on behalf of any purchaser, bank or mortgagee from time to time of the said premises, provided always that the rights of the Tenant as hereinbefore set out shall not be altered or varied by the terms of such instrument or document.

11.7 Status Certificate

The Tenant shall, on ten (10) days' notice from the Landlord, execute and deliver to the Landlord a statement as prepared by the Landlord in writing certifying to the Landlord's Mortgagee and any transferee as the case may be, the following: (a) that this Lease is unmodified and in full force and effect, or, if modified, stating the modifications and that the same is in full force and effect as modified; (b) the amount of the Basic Rent then being paid; (c) the dates to which Basic Rent, by instalments or otherwise, and Additional Rent and other charges have been paid; (d) whether or not there is any existing default on the part of the Landlord or Tenant of which the Tenant has notice; and (e) any other information required by the Landlord, its Mortgagee or transferee as the case may be.

11.8 Subordination and Non-Disturbance

This Lease and all of the rights of the Tenant hereunder are and shall at all times be subject and subordinate to any and all Mortgages and any renewals or extensions thereof, now or hereinafter in force against the Premises. Upon the request of the Landlord, the Tenant shall promptly subordinate this Lease and all its rights hereunder in such form or forms as the Landlord may require to any such Mortgage or Mortgages, and to all advances made or hereinafter to be made on the security thereof and will, if required, attorn to the holder thereof. No subordination by the Tenant shall have the effect of permitting a Mortgagee to disturb the occupation and possession by the Tenant of the Premises or of affecting the rights of the Tenant pursuant to the terms of this Lease, provided that the Tenant performs all of its covenants, agreements and conditions contained in this Lease and contemporaneously executes a document of attornment as required by the Mortgagee.

ARTICLE 12.00 - QUIET ENJOYMENT

12.1 Quiet Enjoyment

The Tenant, on paying the Rent hereby reserved, and performing and observing the covenants and provisions herein required to be performed and observed on its part, shall peaceably enjoy the Premises for the Term.

ARTICLE 13.00 - DAMAGE AND DESTRUCTION

13.1 Damage or Destruction to Premises

If the Premises or any portion thereof are damaged or destroyed by fire or by other casualty, Rent shall abate in proportion to the area of that portion of the Premises which, in the opinion of the Landlord's architect or professional engineer, is thereby rendered unfit for the purposes of the Tenant until the Premises are repaired and rebuilt, and the Landlord shall repair and rebuild the Premises. The Landlord's obligation to repair and rebuild shall not include the obligation to repair and rebuild any chattel, fixture, leasehold improvement, installation, addition or partition in respect of which the Tenant is required to maintain insurance hereunder, or any other property

of the Tenant. Rent shall recommence to be payable one (1) day after the Landlord notifies the Tenant that the Tenant may reoccupy the Premises for the purpose of undertaking its work.

13.2 Rights to Termination

Notwithstanding Section 13.1:

- (a) if the Premises or any portion thereof are damaged or destroyed by any cause whatsoever and cannot, in the opinion of the Landlord's architect or professional engineer, be rebuilt within one hundred and twenty (120) days of the damage or destruction, the Landlord may, instead of rebuilding the Premises, terminate this Lease by giving to the Tenant within thirty (30) days after such damage or destruction notice of termination and thereupon rent and other payments hereunder shall be apportioned and paid to the date of such damage or destruction and the Tenant shall immediately deliver up vacant possession of the Premises to the Landlord; and
- (b) if the Property shall, at any time, be wholly or partially destroyed or damaged (whether or not the Premises have been affected) to the extent that twenty-five percent (25%) or more of the gross floor area of the Property has become unfit for use, the Landlord may elect to terminate this Lease on thirty (30) days' notice to the Tenant, in which event Rent shall remain payable until the date of termination (unless it has abated under Section 13.1).
- (c) If the damage be such that the Premises is wholly unfit for occupancy or if it is impossible or unsafe to use or occupy it, but if in either event the damage, in the opinion of the Landlord, to be given to the Tenant within 45 days from the happening of such damage can be repaired with reasonable diligence within 270 days from the happening of such damage, then the Rent hereby reserved shall abate from the date of the happening of such damage until the damage shall be made good to the extent of enabling the Tenant to use and occupy the Premises and the Landlord shall repair the damage with all reasonable speed.
- (d) If in the opinion of the Landlord the damage to the Premises can be made good, as aforesaid, within two hundred and seventy (270) days of the happening of such destruction or damage and the damage is such that the Premises is capable of being partially used for the purposes for which it is hereby demised, then until such damage has been repaired the annual rent shall abate in the proportion that the Premises rendered unfit for occupancy bears to the whole of the of Premises, and the Landlord shall repair the damage with all reasonable speed.
- (e) In the event the Landlord shall elect to repair, reconstruct or rebuild the Property in accordance with the provisions of this paragraph, it is acknowledged and agreed by the Tenant that the Landlord shall be entitled to use plans and specifications and working drawings in connection therewith other than those used in the original construction of the Property.

13.3 Certificate Conclusive

Any decisions regarding the extent to which the Premises or any portion of the Property has become unfit for use shall be made by an architect or professional engineer appointed by the Landlord, whose decision shall be final and binding on the parties.

13.4 Insurance Proceeds

Notwithstanding Sections 13.1 and 13.2, in the event of damage or destruction occurring by reason of any cause in respect of which proceeds of insurance are substantially insufficient to pay for the costs of rebuilding the Property or the Premises, or are not payable to or received by the Landlord, or in the event that any mortgagee or other person entitled thereto shall not consent to the payment to the Landlord of the proceeds of any insurance policy for such purpose, or in the event that the Landlord is not able to obtain all necessary governmental approvals and permits to rebuild the Property or the Premises, the Landlord may elect to terminate this Lease, and the Tenant shall immediately deliver up vacant possession of the Premises to the Landlord.



13.5 Landlord's Work

In performing any reconstruction or repair, the Landlord may effect changes to the Property and its equipment and systems and minor changes in the location or area of the Premises. The Landlord shall have no obligation to grant to the Tenant any Tenant's allowances to which it may have been entitled at the beginning of the Term, and shall have no obligation to repair any damage to Leasehold Improvements or the Tenant's fixtures.

ARTICLE 14.00 - DEFAULT

14.1 Default and Right to Re-enter

Any of the following constitutes an Event of Default under this Lease:

- (a) any Rent due is not paid within five (5) days after same is due;
- (b) the Tenant has breached any of its obligations in this Lease and, if such breach is capable of being remedied and is not otherwise listed in this Section 14.1, after notice in writing from the Landlord to the Tenant:
 - (i) the Tenant fails to remedy such breach within ten (10) days after notice in writing (or such shorter period as may be provided in this Lease or no notice in the case of emergency as determined by the Landlord); or
 - (ii) if such breach cannot reasonably be remedied within ten (10) days (or such shorter period), the Tenant fails to commence to remedy such breach within ten (10) days of such breach, or thereafter fails to proceed diligently to remedy such breach;
- (c) the Tenant or any Indemnifier becomes bankrupt or insolvent or takes the benefit of any statute for bankrupt or insolvent debtors or makes any proposal, an assignment or arrangement with its creditors, or any steps are taken or proceedings commenced by any person for the dissolution, winding-up or other termination of the Tenant's existence or the liquidation of its assets;
- (d) a trustee, receiver, receiver/manager or a person acting in a similar capacity is appointed with respect to the business or assets of the Tenant or any Indemnifier;
- (e) the Tenant or any Indemnifier makes a sale in bulk of all or a substantial portion of its assets, other than in conjunction with an assignment or sublease approved by the Landlord;
- (f) this Lease or any of the Tenant's assets are taken under a writ of execution and such writ is not stayed or vacated within fifteen (15) days after the date of such taking;
- (g) the Tenant makes an assignment or sublease, other than in compliance with the provisions of this Lease;
- (h) the Tenant abandons or attempts to abandon the Premises or the Premises become vacant or substantially unoccupied for a period of ten (10) consecutive days or more without the consent of the Landlord;
- (i) the Tenant moves or commences, attempts or threatens to move its trade fixtures, chattels and equipment out of the Premises; or
- (j) any insurance policy covering any part of the Property is, or is threatened to be, cancelled or adversely changed (including a substantial premium increase) as a result of any action or omission by the Tenant or any person for whom it is legally responsible.

14.2 Default and Remedies

If and whenever an Event of Default occurs, then, without prejudice to any other rights which it has pursuant to this Lease or at law, the Landlord shall have the following rights and remedies, which are cumulative and not alternative:

- (a) to terminate this Lease by notice to the Tenant or to re-enter the Premises and repossess them and, in either case, enjoy them as of its former estate, and to remove all persons and property from the Premises and store such property at the expense and risk of the Tenant or sell or dispose of such property in such manner as the Landlord sees fit without notice to the Tenant. If the Landlord enters the Premises without notice to the Tenant as to whether it is terminating this Lease under this Section 14.2(a) or proceeding under Section 14.2(b) or any other provision of this Lease, the Landlord shall be deemed to be proceeding under Section 14.2(b), and the Lease shall not be terminated, nor shall there be any surrender by operation of law, but the Lease shall remain in full force and effect until the Landlord notifies the Tenant that it has elected to terminate this Lease. No entry by the Landlord during the Term shall have the effect of terminating this Lease without notice to that effect to the Tenant;
- (b) to enter the Premises as agent of the Tenant to do any or all of the following: (i) relet the Premises for whatever length and on such terms as the Landlord, in its discretion, may determine and to receive the rent therefore; (ii) take possession of any property of the Tenant on the Premises, store such property at the expense and risk of the Tenant, and sell or otherwise dispose of such property in such manner as the Landlord sees fit without notice to the Tenant; (iii) make alterations to the Premises to facilitate their reletting; and (iv) apply the proceeds of any such sale or reletting first, to the payment of any expenses incurred by the Landlord with respect to any such reletting or sale, second, to the payment of any indebtedness of the Tenant to the Landlord other than Rent, and third, to the payment of Rent in arrears, with the residue to be held by the Landlord and applied to payment of future Rent as it becomes due and payable, provided that the Tenant shall remain liable for any deficiency to the Landlord;
- (c) to remedy or attempt to remedy any default of the Tenant under this Lease for the account of the Tenant and to enter upon the Premises for such purposes. No notice of the Landlord's intention to remedy or attempt to remedy such default need be given to the Tenant unless expressly required by this Lease, and the Landlord shall not be liable to the Tenant for any loss, injury or damages caused by acts of the Landlord in remedying or attempting to remedy such default. The Tenant shall pay to the Landlord all expenses incurred by the Landlord in connection therewith plus a 15% administration fee thereon;
- (d) to recover from the Tenant all damages, costs and expenses incurred by the Landlord as a result of any default by the Tenant including, if the Landlord terminates this Lease, any deficiency between those amounts which would have been payable by the Tenant for the portion of the Term following such termination and the net amounts actually received by the Landlord during such period of time with respect to the Premises; and
- (e) to recover from the Tenant the full amount of the current month's Rent together with the next three (3) months' instalments of Rent, all of which shall immediately become due and payable as accelerated rent.

14.3 Distress

Notwithstanding any provision of this Lease or any provision of any applicable legislation, none of the goods and chattels of the Tenant on the Premises at any time during the Term shall be exempt from levy by distress for Rent in arrears, and the Tenant waives any such exemption. If the Landlord makes any claim against the goods and chattels of the Tenant by way of distress, this provision may be pleaded as an estoppel against the Tenant in any action brought to test the right of the Landlord to levy such distress. In case of removal by the Tenant of the goods and

chattels of the Tenant from the leased premises, the Landlord may follow same for thirty (30) days in the same manner as it provided for in the *Commercial Tenancies Act (Ontario)*.

14.4 Costs

The Tenant shall pay to the Landlord all damages, costs and expenses (including, without limitation, all legal fees on a solicitor-and-client basis) incurred by the Landlord in enforcing the terms of this Lease, or with respect to any matter or thing which is the obligation of the Tenant under this Lease, or in respect of which the Tenant has agreed to insure or to indemnify the Landlord.

14.5 Accord and Satisfaction

No payment by the Tenant or receipt by the Landlord of a lesser amount than the monthly Rent herein stipulated shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any cheque or any letter accompanying any cheque or payment as rent be deemed an accord and satisfaction, and the Landlord may accept such cheque or payment without prejudice to the Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

14.6 Landlord's Lien

If the Tenant at the expiration or earlier termination of this Lease shall be in default under any covenant or agreement contained herein, the Landlord shall have a lien on all stock-in-trade, inventory, fixtures, equipment and facilities of the Tenant as security against loss or damage resulting from any such default by the Tenant, and the said stock-in-trade, inventory, fixtures, equipment or facilities shall not be removed by the Tenant until such default is cured, or as otherwise directed by the Landlord.

14.7 Remedies Cumulative

Notwithstanding any other provision of this Lease, the Landlord may from time to time resort to any or all of the rights and remedies available to it in the event of any default hereunder by the Tenant, either by any provision of this Lease, by statute or common law, all of which rights and remedies are intended to be cumulative and not alternative. The express provisions contained in this Lease as to certain rights and remedies are not to be interpreted as excluding any other or additional rights and remedies available to the Landlord by statute or common law.

ARTICLE 15.00 - GENERAL

15.1 Entry

- (a) Provided that the Tenant has not exercised any option to extend this Lease as provided herein, the Landlord shall be entitled, at any time during the last six (6) months of the Term:
 - (i) without notice to or consent by the Tenant, to place on the exterior of the Premises, the Landlord's usual notice(s) that the Premises are for rent; and
 - (ii) on reasonable prior notice, to enter upon the Premises during Normal Business Hours for the purpose of exhibiting same to prospective tenants and to make such repairs, alterations, improvements or additions to the Premises and/or the Property as the Landlord may deem necessary or desirable, and the Landlord shall be allowed to take all material into and upon the Premises which may be required therefore without the same constituting an eviction of the Tenant in whole or in part, and the rent reserved hereunder shall not abate while the said repairs, alterations, improvements or additions are being made due to loss or interruption of the business of the Tenant or otherwise, and the Landlord shall not be liable for any damage, injury and/or death caused to any person(s) or property of the tenant or others located on the Premises as a result of such entry.

- (b) The Landlord may enter the Premises at any time during the Term on reasonable notice for the purpose of exhibiting the Premises to prospective Mortgagees and/or purchasers or for the purpose of inspecting the Premises.
- (c) If the Tenant shall not be personally present to open and permit an entry into the Premises at any time when for any reason entry therein shall be necessary or permissible, the Landlord or its agents may enter the same by a master key, or may forcibly enter the same, without rendering the Landlord or such agents liable therefore, and without in any manner affecting the obligations and covenants of this Lease. Nothing herein contained, however, shall be deemed or construed to impose upon the Landlord any obligations, responsibility or liability whatsoever for the care, maintenance or repair of the Premises or any part thereof, except as otherwise herein specifically provided.

15.2 Unavoidable Delay

Notwithstanding any other provision contained herein, in the event that either the Landlord or the Tenant should be delayed, hindered or prevented from the performance of any act required hereunder by reason of any unavoidable delay, including strikes, lockouts, unavailability of materials, inclement weather, acts of God or any other cause beyond its reasonable care and provided that such party gives written notice to the other party within two (2) business days of becoming aware of the commencement (existing or pending) of such delay or hindrance and a further written notice within two (2) business days following the date that the reason for the delay or hindrance is rectified, then performance of such act shall be postponed for a period of time equivalent to the time lost by reason of such delay. The provisions of this Section 15.2 shall not under any circumstances operate to excuse the Tenant from prompt payment of Rent and/or any other charges payable under this Lease or excuse a delay caused by a lack of funds or other financial circumstances of the Tenant. Provided further however that in the event that the unavoidable delay will, in the Landlord's sole determination or in fact does, extend beyond a period of **one (1) month**, then, at the sole option of the Landlord, the term of this Lease shall be deemed to end on the last day of such period without renewal or extension and the Tenant shall deliver up possession of the Premises in accordance with this Lease and all rights and obligations of the parties hereunder shall immediately be at an end save and except for any pre-existing defaults of the Tenant, all indemnities of each party to the other and the obligation of the parties to re-adjust all rents to the date of termination. In no event shall the Tenant be entitled to any compensation for any inconvenience, nuisance or discomfort occasioned by any delay.

15.3 Effect of Waiver or Forbearance

No waiver by any party of any breach by any other party of any of its covenants, agreements or obligations contained in this Lease shall be or be deemed to be a waiver of any subsequent breach thereof or the breach of any other covenants, agreements or obligations nor shall any forbearance by any party to seek a remedy for any breach by any other party be a waiver by the party so forbearing of its rights and remedies with respect to such breach or any subsequent breach. The subsequent acceptance of Rent by the Landlord shall not be deemed a waiver of any preceding breach by the Tenant of any term, covenant or condition regardless of the Landlord's knowledge of such preceding breach at the time of the acceptance of such Rent. All Rent and other charges payable by the Tenant to the Landlord hereunder shall be paid without any deduction, set-off or abatement whatsoever, and the Tenant waives the benefit of any statutory or other right in respect of abatement or set-off in its favour at the time hereof or at any future time.

15.4 Notices

- (a) Any demand, notice, direction or other communication to be made or given hereunder (in each case, "**Communication**") shall be in writing and shall be made or given by personal delivery, by courier, by PDF e-mail, by facsimile transmission, or sent by registered mail, charges prepaid, addressed to the respective party to the address for such party as set out in Section 1.1(a), 1.1(b) or 1.1(c), as applicable, or to such other address or facsimile number as any party may from time to time designate in accordance with this Section.
- (b) Any Communication made by personal delivery or by courier shall be conclusively deemed to have been given and received on the day of actual

delivery thereof, or, if such day is not a business day (the "Business Day"), on the first Business Day thereafter. Any Communication made or given by facsimile or PDF e-mail on a Business Day before 5:00 p.m. (local time of the recipient) shall be conclusively deemed to have been given and received on such Business Day and otherwise shall be conclusively deemed to have been given and received on the first Business Day following the transmittal thereof. Any Communication that is mailed shall be conclusively deemed to have been given and received on the second Business Day following the date of mailing, but if, at the time of mailing or within two (2) Business Days thereafter, there is or occurs a labour dispute or other event that might reasonably be expected to disrupt delivery of documents by mail, any Communication shall be delivered or transmitted by any other means provided for in this Section. When used in this Offer, "Business Day" means a day other than a Saturday, Sunday or any statutory holiday in the province in which the Premises are located.

15.5 Registration

Neither the Tenant nor anyone on the Tenant's behalf or claiming under the Tenant (including any transferee) shall register this Lease or any Transfer against the Property. The Tenant may register a notice or caveat of this Lease provided that: (a) a copy of the Lease is not attached; (b) no financial terms are disclosed; (c) the Landlord gives its prior written approval to the notice or caveat; and (d) the Tenant pays the Landlord's reasonable costs on account of the matter. The Landlord may limit such registration to one or more parts of the Property. Upon the expiration or earlier termination of the Term, the Tenant shall immediately discharge or otherwise vacate any such notice or caveat. If any part of the Property which, in the opinion of Landlord, is surplus is transferred, the Tenant shall forthwith, at the request of the Landlord, discharge or otherwise vacate any such notice or caveat as it relates to such part. If any part of the Property is made subject to any easement, right-of-way or similar right, the Tenant shall immediately, at the request of the Landlord, postpone its registered interest to such easement, right-of-way or similar right.

15.6 General

- (a) Words importing the singular number only shall include the plural and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders, and words importing persons shall include firms and corporations and *vice versa*.
- (b) The division of this Lease 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 Lease.
- (c) Time shall be of the essence of this Lease and of each and every provision contained herein.
- (d) Any reference to "Tenant" shall include, where the context allows, the servants, employees, agents, and invitees of the Tenant and all others over whom the Tenant might reasonably be expected to exercise control. Wherever the word "Landlord" is used in this Lease, it shall be deemed to include the Landlord and its duly authorized representatives.
- (e) The covenants by the Tenant, if more than one person, firm or corporation, are hereby declared to be joint and several.
- (f) This Lease is governed by and construed in accordance with the laws of the Province of Ontario and Canada applicable thereto.

15.7 Severability

If any term, covenant or condition of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable or illegal, the parties will forthwith use all reasonable and good faith efforts to agree upon a revised or replacement clause within 30 days of the date the clause is held invalid or unenforceable or illegal, which is intended to achieve the same or substantially the same objective as the original clause but without changing

the obligations of the parties to each other in any materially adverse manner, whereupon this Lease shall be amended accordingly. In the event the parties cannot do so, then the remainder of this Lease and/or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable or illegal, shall, at the sole option and discretion of the party for whose benefit the clause was inserted, not be affected thereby and each term, covenant or condition of this Lease shall be separately valid and enforceable to the fullest extent permitted by law.

15.8 Subdivision Control

It is an express condition of this Lease that the subdivision control provisions of the applicable provincial legislation be complied with, if necessary. If such compliance is necessary, the Tenant covenants and agrees to diligently proceed, at its own expense, to obtain the required consent and the Landlord agrees to cooperate with the Tenant in bringing such application.

15.9 Agent/Commission

The Tenant warrants to the Landlord that it has not dealt with any agent or broker in connection with the leasing of the Premises.

15.10 Entire Agreement

There are no covenants, representations, warranties, agreements or other conditions expressed or implied, collateral or otherwise, forming part of or in any way affecting or relating to this Lease, the Premises or the Property save as expressly set out or incorporated by reference herein and this Lease constitutes the entire agreement duly executed by the parties, and no amendment, variation or change to this Lease shall be binding unless the same shall be in writing and signed by the parties.

15.11 Successors and Assigns

The rights and liabilities of the parties shall enure to the benefit of their respective heirs, executors, administrators, successors and assigns, subject to any requirement for consent by the Landlord hereunder.

15.12 Confidentiality

The contents, terms and conditions of this Lease shall be kept strictly confidential by the Tenant. The Tenant shall not, under any circumstances, discuss or reveal the details of this Lease with any arm's-length parties including, but not limited to, any other tenants in the Property, prospective tenants, real estate agents or others except the Tenant's legal and financial advisors, and such advisor has agreed to honour such confidentiality, and except as may be required by law.

15.13 Counterparts and Facsimile

Execution of this Lease in counterpart and delivery by facsimile or PDF email transmission shall be binding upon the parties and, once delivered as aforesaid, shall constitute a firm and binding lease between the parties. Each party undertakes to provide each other party with a copy of this Lease bearing original signatures forthwith upon demand.

15.14 Privacy

The Tenant acknowledges that and hereby consents to the Landlord collecting, using and/or disclosing any and all personal information about the Tenant and Indemnifier (if applicable), that it obtains (notwithstanding when, how or from whom such information was received by the Landlord), for such purposes as are or would be considered reasonable in a commercial landlord and tenant relationship having regard to, inter alia, the nature and business of the Landlord and the Property and including, without limitation the release of such information to prospective purchasers, lenders, investors and advisors, all in accordance with the Landlord's Privacy Policy from time to time in effect.

15.15 Indemnifier

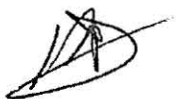
~~In consideration of the Landlord's execution of this Offer, the Indemnifier covenants jointly and severally with the Tenant as a principal obligor and not as a surety that the Tenant will perform all of its obligations under this Offer and under the Lease, and that the Indemnifier will execute and deliver an Indemnity in the form attached to this Lease for the purpose of giving effect to this provision on or before execution of the Lease.~~

15.16 Financial Information

The Tenant agrees that it will, upon request, provide the Landlord and any mortgagee or proposed mortgagee on a confidential basis, with such financial information and corporate organization information of the Tenant and the Indemnifier (if applicable) as the Landlord or such mortgagee or proposed mortgagee may require from time to time, as well as a notarial copy of the articles of incorporation of the Tenant and Indemnifier (if applicable) any other of its constating documents required from time to time by the Landlord. The failure to comply with any request of the Landlord for such information shall constitute a default under this Lease and the Landlord shall thereby be entitled to terminate this Lease and all rights of the Tenant hereunder by notice to the Tenant and the Tenant's deposit (if applicable), shall be forfeited to the Landlord as liquidated damages and not as a penalty and without prejudice to any and all other rights and remedies whatsoever of the Landlord

15.17 Offer to Lease

In the event of a conflict between any provision of this Lease and the Offer to Lease between the Parties for the Premises the terms of the Offer to Lease shall govern but only to the extent of the conflict.



IN WITNESS WHEREOF the parties have duly executed this Lease.

**INVAR CORPORATION and
JADE RIVER HOLDINGS LIMITED**

Per: _____
Name: Terence S. Dineen
Title: ASO

Per: _____
Name: _____
Title: _____
I/We have the authority to bind the Corporation

SPROUTLY INC.

Per: _____
Name: Keith Dolo
Title: CEO

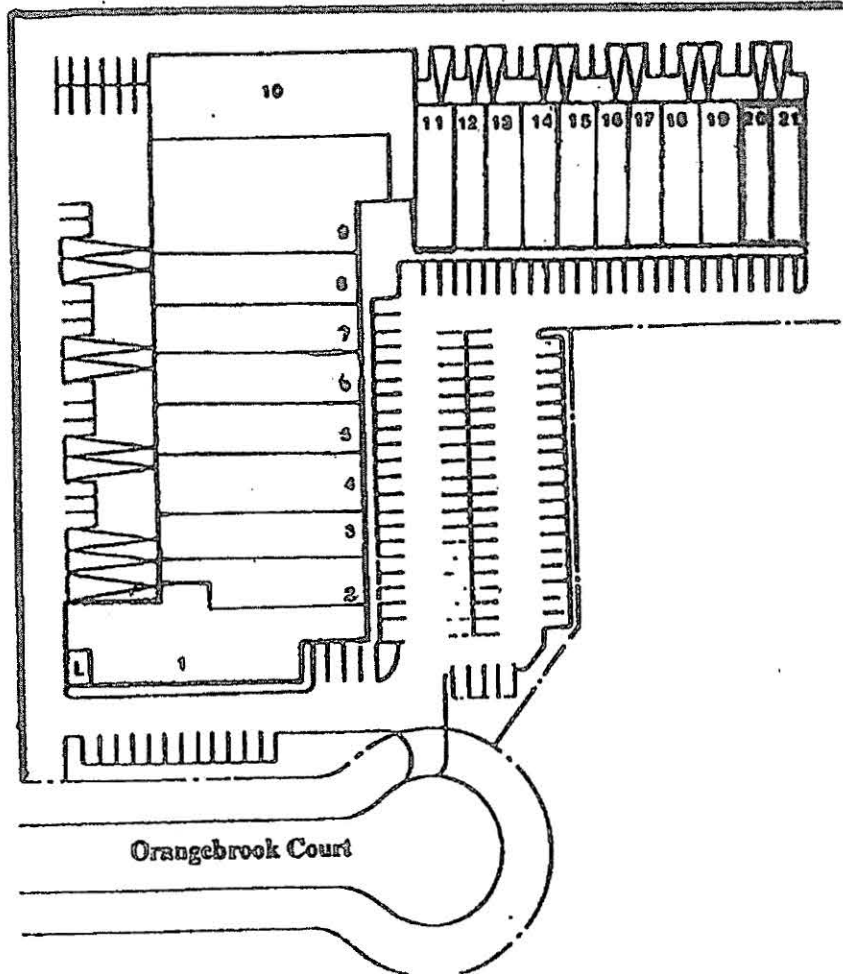
Per: _____
Name: _____
Title: _____
I/We have the authority to bind the Corporation

(and a company to be named)

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____
I/We have the authority to bind the Corporation

SCHEDULE "A"
1734 ORANGEBROOK COURT



SCHEDULE "B"

**KNOWN MUNICIPALLY AS 1734, 1736 & 1738 ORANGEBROOK COURT,
PICKERING**

Part of Lot 18, Range 3, Broken Front Concession, and more particularly
described as Part 2 on Plan 40R-9410, City of Pickering, Regional Municipality of
Durham.



Schedule "C"

Rules and Regulations

1. The Tenant shall not permit any cooking or food preparation in the Premises, other than light refreshments and beverages for staff, without the written consent of the Landlord.
2. The sidewalks, entries, passages and staircases shall not be obstructed or used by the Tenant, its agents, servants, contractors, invitees or employees for any purpose other than ingress to and egress from the Premises. The Landlord reserves entire control of all parts of the Property employed for the common benefit of the tenants and, without restricting the generality of the foregoing, the Landlord reserves entire control of the sidewalks, entries, corridors and passages not within the Premises, washrooms, air-conditioning closets, fan rooms, janitor's closets, electrical closets and other closets, stairs, flues, stacks, pipe shafts and ducts, and shall have the right to place such signs and appliances therein as it may deem advisable, provided that ingress to and egress from the Premises is not unduly impaired thereby.
3. The Tenant, its agents, servants, contractors, invitees, employees or others for whom the Tenant is in law responsible, shall not bring in or take out, position, construct, install or move any safe, machine or other heavy equipment without first obtaining the consent in writing of the Landlord.
4. The Tenant shall not place or cause to be placed any additional locks on any doors of the Premises without the approval of the Landlord. In addition, the placing of any additional locks on any doors of the Premises shall be subject to any conditions imposed by the Landlord.
5. The washroom facilities shall not be used for any purpose other than those for which they were constructed, and no sweeping, rubbish, rags, ashes or other substances shall be thrown therein.
6. No one shall use the Premises for sleeping apartments or residential purposes, or for the storage of personal effects or articles other than those required for business purposes.
7. Canvassing, soliciting and peddling in the Property are prohibited.
8. Any hand trucks, carryalls, or similar appliances used in the Property shall be equipped with rubber tires, side guards and such other safeguards as the Landlord shall require.
9. No animals or birds shall be brought into the Property.
10. The Tenant shall, at its expense and at such reasonable intervals as the Landlord requires, exercise such pest control measures as directed by the Landlord using contractors designated by the Landlord, failing which the Landlord shall have the right, at its option, to exercise such pest control measures for the Premises, at the expense of the Tenant.
11. The Tenant shall not misuse or damage the Premises or any of the improvements or facilities therein, or unreasonably deface or mark any walls or other parts of the Premises.
12. The Tenant shall not: (a) install or use any radio, television or other similar device in the Premises which may in any manner constitute a disturbance or an annoyance to any other tenant in the Property; (b) install in the Premises or elsewhere in the Property any transmitting radio communications equipment without the Landlord's prior written consent; or (c) operate an electrical device from which may emanate electrical waves that may interfere with or impair radio or television broadcasting or reception from or in the Property. The Tenant shall not in any case erect or cause to be erected any aerial anywhere in the Property.
13. The Tenant shall not use or permit use of the Premises in such manner as to create any noises or odours objectionable or offensive to the Landlord or any other tenant of the Property or other nuisance or hazard or to breach the provisions of applicable laws or any requirement of the insurers of the Property.
14. If required by the Landlord, bicycles or other vehicles shall not be brought or left in or on any part of the Property except in such area or areas as are designated by the Landlord from time to time.



Schedule "D"

Landlord's Work and Tenant's Work

LANDLORD'S WORK

The Tenant agrees to take the space "as is".

TENANT'S WORK

The Tenant shall undertake, carry out and provide, at its sole cost and expense and in accordance with all governmental rules and regulations, all work and equipment required to be performed or provided in order to render the Premises complete, ready and suitable to open for business (the "Tenant's Work") including, without limitation, the work described below:

None.

The Tenant's Work shall be carried out in a good and workmanlike manner and be subject to the prior written approval of the Landlord in compliance with the Landlord's current design criteria, policies and guidelines. Prior to commencement of any work on the Premises by or on behalf of the Tenant, the Tenant shall submit to the Landlord complete drawings and specifications which shall be subject to the Landlord's approval together with all costs and expenses incurred by the Landlord's consultants to review the Tenant's Work. The Tenant's Work shall be performed by and at the expense of the Tenant, provided nevertheless that the Landlord may, at its option, require that all or any part(s) of the Tenant's Work be carried out by the Landlord's contractors at the Tenant's sole cost and expense plus a 15% administration fee thereon. During the time that the Tenant is in occupancy of the Premises for the purpose of carrying out the Tenant's Work, but before the Commencement Date, it shall be bound by all of the provisions of the Lease except those requiring payment of Basic Rent only, but the Tenant shall pay its contribution in respect of Taxes and Operating Costs, providing that if the Tenant commences business operations in the Premises before the Commencement Date, it shall also pay Basic Rent from the date business operations commence. The Tenant shall cause its employees and contractors to do their work so as not to interfere with the Landlord's contractors and employees.

Handwritten initials and a signature in the bottom right corner of the page.

Schedule "E"

Additional Terms

OPTION TO EXTEND:

Provided that the Tenant **SPROUTLY INC., and a company to be named**, is itself in occupation of the whole of the Premises and is not in default and has not been in default during the Term, and has duly and punctually paid the rent during the Term then, upon delivery of written notice exercising this right given to the Landlord not more than nine (9) months and not less than six (6) months before the expiration of the Term, the Tenant shall have the right to extend the Term of the Lease for the whole of the Premises at the expiration of the Term for a period of **FIVE (5) years** (the "**Extended Term**"). The Extended Term shall be on the same terms and conditions as the Term save and except:

- a) there will be no further right to extend the Term;
- b) the Basic Rent rate for the Extended Term shall be the then prevailing Basic Rent rate for comparable premises in the area together with escalations, provided that in no event shall such rate be less than the Basic Rent payable during the last twelve (12) month period immediately preceding the commencement of the Extended Term; and
- c) there shall be no leasehold improvement allowance, Landlord's Work, rent free period or other inducements.

In the event that the Landlord and the Tenant are unable to agree upon the Basic Rent to be paid by the Tenant during an Extension Term by a date which is three (3) months prior to the expiry of the Term or prior Extension Term as the case may be, then the Basic Rent shall be determined by a single arbitrator in accordance with the Arbitration Act of Ontario. If the annual Basic Rent has not been determined by the commencement of the Extension Term, the Tenant shall pay Basic Rent at the annual rate proposed by the Landlord until such Basic Rent is determined, and within ten (10) days after the Basic Rent for the Extended Term is determined, the parties shall adjust any amount owing from the commencement of the Extension Term. The parties shall execute a Lease Extension Agreement prepared by the Landlord to reflect the terms of the Extended Term.

ADDITIONAL RENT ESTIMATE

The Landlord estimates that the Tenant's share of the Operating Costs for the calendar year 2019 is \$4.95 p.s.f. Notwithstanding the foregoing, the Tenant releases the Landlord and its representatives from and against any damages or liabilities caused or contributed to by the fact that the actual Operating Costs in respect of the 2019 calendar year and any subsequent calendar year may be higher than the estimates set out herein. The Tenant expressly acknowledges that the above estimates are not a representation and warranty by the Landlord.

FREE RENT

There shall be a period of two (2) months from the Commencement Date until August 15th 2019 during which period the Tenant will not be required to pay Net Rent nor will Net Rent accrue. The Tenant shall be responsible to pay for all utilities and Additional Rent during this rent free period.

TENANT'S COVENANT

The Tenant covenants and agrees not to bring any cannabis onto the premises for manufacturing or storage purposes.

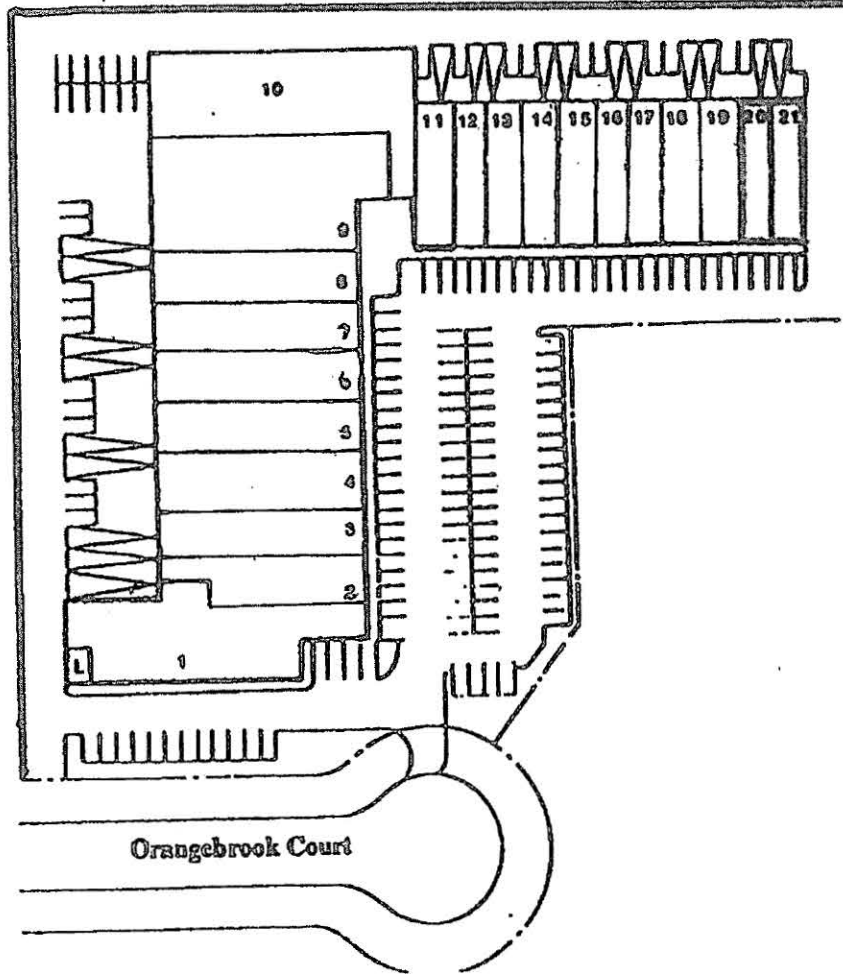
CONDITIONS OF OCCUPANCY

It is understood and agreed by the Tenant that it will not be given occupancy of the Premises until such time as it has provided the Landlord the following:

1. An executed Lease Agreement;
2. Certificate of Insurance showing Liability Coverage of not less than \$5,000,000 per occurrence;
3. Completed Pre-Authorized Debit Form with copy of void cheque;
4. Evidence that utility accounts have been transferred into the name of the Tenant.



SCHEDULE "A"
1734 ORANGEBROOK COURT



[Handwritten signature]

SCHEDULE "B"

**KNOWN MUNICIPALLY AS 1734, 1736 & 1738 ORANGEBROOK COURT,
PICKERING**

Part of Lot 18, Range 3, Broken Front Concession, and more particularly
described as Part 2 on Plan 40R-9410, City of Pickering, Regional Municipality of
Durham.



Schedule "C"

Rules and Regulations

1. The Tenant shall not permit any cooking or food preparation in the Premises, other than light refreshments and beverages for staff, without the written consent of the Landlord.
2. The sidewalks, entries, passages and staircases shall not be obstructed or used by the Tenant, its agents, servants, contractors, invitees or employees for any purpose other than ingress to and egress from the Premises. The Landlord reserves entire control of all parts of the Property employed for the common benefit of the tenants and, without restricting the generality of the foregoing, the Landlord reserves entire control of the sidewalks, entries, corridors and passages not within the Premises, washrooms, air-conditioning closets, fan rooms, janitor's closets, electrical closets and other closets, stairs, flues, stacks, pipe shafts and ducts, and shall have the right to place such signs and appliances therein as it may deem advisable, provided that ingress to and egress from the Premises is not unduly impaired thereby.
3. The Tenant, its agents, servants, contractors, invitees, employees or others for whom the Tenant is in law responsible, shall not bring in or take out, position, construct, install or move any safe, machine or other heavy equipment without first obtaining the consent in writing of the Landlord.
4. The Tenant shall not place or cause to be placed any additional locks on any doors of the Premises without the approval of the Landlord. In addition, the placing of any additional locks on any doors of the Premises shall be subject to any conditions imposed by the Landlord.
5. The washroom facilities shall not be used for any purpose other than those for which they were constructed, and no sweeping, rubbish, rags, ashes or other substances shall be thrown therein.
6. No one shall use the Premises for sleeping apartments or residential purposes, or for the storage of personal effects or articles other than those required for business purposes.
7. Canvassing, soliciting and peddling in the Property are prohibited.
8. Any hand trucks, carryalls, or similar appliances used in the Property shall be equipped with rubber tires, side guards and such other safeguards as the Landlord shall require.
9. No animals or birds shall be brought into the Property.
10. The Tenant shall, at its expense and at such reasonable intervals as the Landlord requires, exercise such pest control measures as directed by the Landlord using contractors designated by the Landlord, failing which the Landlord shall have the right, at its option, to exercise such pest control measures for the Premises, at the expense of the Tenant.
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12. The Tenant shall not: (a) install or use any radio, television or other similar device in the Premises which may in any manner constitute a disturbance or an annoyance to any other tenant in the Property; (b) install in the Premises or elsewhere in the Property any transmitting radio communications equipment without the Landlord's prior written consent; or (c) operate an electrical device from which may emanate electrical waves that may interfere with or impair radio or television broadcasting or reception from or in the Property. The Tenant shall not in any case erect or cause to be erected any aerial anywhere in the Property.
13. The Tenant shall not use or permit use of the Premises in such manner as to create any noises or odours objectionable or offensive to the Landlord or any other tenant of the Property or other nuisance or hazard or to breach the provisions of applicable laws or any requirement of the insurers of the Property.
14. If required by the Landlord, bicycles or other vehicles shall not be brought or left in or on any part of the Property except in such area or areas as are designated by the Landlord from time to time.



Schedule "D"

Landlord's Work and Tenant's Work

LANDLORD'S WORK

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TENANT'S WORK

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None.

The Tenant's Work shall be carried out in a good and workmanlike manner and be subject to the prior written approval of the Landlord in compliance with the Landlord's current design criteria, policies and guidelines. Prior to commencement of any work on the Premises by or on behalf of the Tenant, the Tenant shall submit to the Landlord complete drawings and specifications which shall be subject to the Landlord's approval together with all costs and expenses incurred by the Landlord's consultants to review the Tenant's Work. The Tenant's Work shall be performed by and at the expense of the Tenant, provided nevertheless that the Landlord may, at its option, require that all or any part(s) of the Tenant's Work be carried out by the Landlord's contractors at the Tenant's sole cost and expense plus a 15% administration fee thereon. During the time that the Tenant is in occupancy of the Premises for the purpose of carrying out the Tenant's Work, but before the Commencement Date, it shall be bound by all of the provisions of the Lease except those requiring payment of Basic Rent only, but the Tenant shall pay its contribution in respect of Taxes and Operating Costs, providing that if the Tenant commences business operations in the Premises before the Commencement Date, it shall also pay Basic Rent from the date business operations commence. The Tenant shall cause its employees and contractors to do their work so as not to interfere with the Landlord's contractors and employees.

Handwritten initials and a signature in the bottom right corner of the page.

Schedule "E"

Additional Terms

OPTION TO EXTEND:

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- a) there will be no further right to extend the Term;
- b) the Basic Rent rate for the Extended Term shall be the then prevailing Basic Rent rate for comparable premises in the area together with escalations, provided that in no event shall such rate be less than the Basic Rent payable during the last twelve (12) month period immediately preceding the commencement of the Extended Term; and
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In the event that the Landlord and the Tenant are unable to agree upon the Basic Rent to be paid by the Tenant during an Extension Term by a date which is three (3) months prior to the expiry of the Term or prior Extension Term as the case may be, then the Basic Rent shall be determined by a single arbitrator in accordance with the Arbitration Act of Ontario. If the annual Basic Rent has not been determined by the commencement of the Extension Term, the Tenant shall pay Basic Rent at the annual rate proposed by the Landlord until such Basic Rent is determined, and within ten (10) days after the Basic Rent for the Extended Term is determined, the parties shall adjust any amount owing from the commencement of the Extension Term. The parties shall execute a Lease Extension Agreement prepared by the Landlord to reflect the terms of the Extended Term.

ADDITIONAL RENT ESTIMATE

The Landlord estimates that the Tenant's share of the Operating Costs for the calendar year 2019 is \$4.95 p.s.f. Notwithstanding the foregoing, the Tenant releases the Landlord and its representatives from and against any damages or liabilities caused or contributed to by the fact that the actual Operating Costs in respect of the 2019 calendar year and any subsequent calendar year may be higher than the estimates set out herein. The Tenant expressly acknowledges that the above estimates are not a representation and warranty by the Landlord.

FREE RENT

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TENANT'S COVENANT

The Tenant covenants and agrees not to bring any cannabis onto the premises for manufacturing or storage purposes.

CONDITIONS OF OCCUPANCY

It is understood and agreed by the Tenant that it will not be given occupancy of the Premises until such time as it has provided the Landlord the following:

1. An executed Lease Agreement;
2. Certificate of Insurance showing Liability Coverage of not less than \$5,000,000 per occurrence;
3. Completed Pre-Authorized Debit Form with copy of void cheque;
4. Evidence that utility accounts have been transferred into the name of the Tenant.



This is Exhibit “K” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock of the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Pickering, in the Province of Ontario, this 8th day of September, 2022 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

Roxana Gabriela Manea, a Commissioner, etc.,
Province of Ontario, for
Thornton Grout Finnigan LLP,
Barristers and Solicitors.
Expires June 5, 2024.

AuthenticSign ID: 049032DC-C158-4151-9033-DFCE238BB199



Agreement to Sub-Lease Commercial

Form 515

for use in the Province of Ontario

This Agreement to Sub-Lease (Agreement) dated this 19th day of June 2020

SUB-TENANT: Merit Finishing Solutions Inc.
(Full legal names of all Sub-Tenants)

SUB-LANDLORD: Sproutly Inc.
(Full legal name of Sub-Landlord)

The Sub-Tenant hereby offers to sub-lease from the Sub-Landlord the premises as described herein on the terms and subject to the conditions as set out in this Agreement.

For the purposes of this Agreement to Sub-Lease "Sub-Tenant" includes sub-lessee and "Sub-Landlord" includes sub-lessor.

1. PREMISES: The "Premises" consisting of approximately 4,274 square feet more or less on the main floor of the "Building" known municipally as 1734 Orangebrook Crt20-21 in the town of Pickering, Province of Ontario, as shown outlined on the plan attached as Schedule ".....".

2. USE: The Premises shall be used only for renovation & restoration corporation, warehouse is needed for storage.

3. TERM OF SUB-LEASE:

(a) The Sub-Lease shall be for a term of Forty-Eight (48) months commencing on the 1st day of July 2020, and terminating on the 1st day of July 2024

(b) Provided the Sub-Tenant is not at any time in default of any covenants within the Sub-Lease, the Sub-Tenant shall be entitled to renew this Sub-Lease for Sixty additional term(s) of 60 months (each) on written notice to the Sub-Landlord given not less than 3 months prior to the expiry of the current term at a rental rate to be negotiated. In the event the Sub-Landlord and Sub-Tenant can not agree on the fixed minimum rent at least two months prior to expiry of the current Sub-Lease, the fixed minimum rent for the renewal period shall be determined by arbitration in accordance with the Arbitration Act or any successor or replacement act.

4. RENTAL: Fixed minimum rent: The fixed minimum rent payable by the Sub-Tenant for each complete twelve-month period during the Sub-Lease term shall be:

From <u>07-01-20</u> to <u>06-30-21</u> inclusive, \$ <u>29,490.60</u> per annum being \$ <u>2,457.55</u> per month, based upon \$ <u>6.90</u> per sq. <u>foot</u> (foot/metre)
From <u>07-01-21</u> to <u>06-30-22</u> inclusive, \$ <u>30,131.70</u> per annum being \$ <u>2,510.98</u> per month, based upon \$ <u>7.05</u> per sq. <u>foot</u> (foot/metre)
From <u>07-01-22</u> to <u>06-30-23</u> inclusive, \$ <u>30,772.80</u> per annum being \$ <u>2,564.40</u> per month, based upon \$ <u>7.20</u> per sq. <u>foot</u> (foot/metre)
From <u>07-01-23</u> to <u>06-30-24</u> inclusive, \$ <u>31,413.90</u> per annum being \$ <u>2,617.83</u> per month, based upon \$ <u>7.35</u> per sq. <u>foot</u> (foot/metre)
From to inclusive, \$ per annum being \$ per month, based upon \$ per sq. <u>foot</u> (foot/metre)

INITIALS OF SUB-TENANT(S):

JB

INITIALS OF SUB-LANDLORD(S):

u

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plus HST, and other tax (other than income tax) imposed on the Sub-Landlord or the Sub-Tenant with respect to rent payable by the Sub-Tenant, payable on: **(Check one box only)**

the 1st day of each month commencing 08/01/2020

the day of the first month immediately following completion of the Sub-Landlord's Work.

The fixed minimum rent shall be adjusted if the actual measurements of the Sub-leased Premises differ from the approximate area. The actual measurement shall be agreed upon and failing agreement, calculated by an Ontario Land Surveyor/Architect using the current Building Owners And Managers Association standard form of measurement and shall be binding on both parties.

5. DEPOSIT AND PREPAID RENT:

The Sub-Tenant delivers upon acceptance (Herewith/Upon acceptance/as otherwise described in this Agreement)

by negotiable cheque payable to Avison Young Commercial Real Estate "Deposit Holder"

in the amount of Nine Thousand Seven Hundred Nineteen point Sixty-Three

Canadian dollars (Can\$ 9,719.63) to be deposited and held in trust as security for the faithful performance by the Sub-Tenant of all terms, covenants and conditions of the Agreement and after the earlier of occupancy by the Sub-Tenant or execution of the Sub-Lease to be applied

by the Sub-Landlord against the First and Last month's rent and HST. If the Agreement is not accepted, the deposit is to be returned to the Sub-Tenant without interest or deduction. For the purposes of this Agreement, "Upon Acceptance" shall mean that the Sub-Tenant is required to deliver the deposit to the Deposit Holder within 24 hours of the acceptance of this Agreement. The parties to this Agreement hereby acknowledge that, unless otherwise provided for in this Agreement, the Deposit Holder shall place the deposit in trust in the Deposit Holder's non-interest bearing Real Estate Trust Account and no interest shall be earned, received or paid on the deposit.

6. SERVICES: (Check one box only)

The Sub-Tenant shall pay the cost of hydro, gas, water, heating, air-conditioning and for all other services and utilities as may be provided to the premises. The Sub-Tenant shall arrange with the local authority for connection of gas, electricity and water in the name of the Sub-Tenant.

The Sub-Landlord shall pay the cost of hydro, gas, water, heating, air-conditioning and for all other services and utilities as may be provided to the premises.

7. ADDITIONAL RENT AND CHARGES:

Check this box if Additional Rent as described below to be paid by Sub-Tenant

The Sub-Tenant shall additionally pay a proportionate share of all costs and expenses incurred by the Head Landlord in maintaining, operating, cleaning, insuring and repairing the property and, without limiting the generality of the foregoing, such costs and expenses shall include the costs of:

- (i) snow, garbage, and trash removal;
- (ii) landscaping and planters;
- (iii) heating, ventilating and air-conditioning, and providing hot and cold water and other utilities and services to, and operating the common areas of the property, and maintaining and repairing the machinery and equipment for such utilities and services;
- (iv) the realty taxes, assessments, rates, charges and duties levied or assessed against the property (save any tax on the personal income of the Head Landlord);
- (v) insuring the property and such other insurance as the Head Landlord will effect against public liability, property damage, loss of rental income and other casualties and risks.

(vi) TMI \$5.05 / 2020

INITIALS OF SUB-TENANT(S):

JB

INITIALS OF SUB-LANDLORD(S):

u

AuthentiSign ID: D49032DC-C158-4151-9033-DFCE238BB199

8. **SCHEDULES:** The Schedules attached hereto shall form an integral part of this Agreement to Sub-Lease and consist of: Schedule(s)

A

9. **HEAD LEASE:** The Sub-Tenant's interest in the Premises is by virtue of a lease (the "Head Lease") between:

INVAR CORPORTION and JADE RIVER HOLDINGS LIMITED and SPROUTLY INC.

Dated: 06/15/2019, a copy of which is attached hereto as Schedule(s) C. The Sub-Lease described herein is to be subject to and in accordance with the terms of the Head Lease, except for any terms and conditions of the Sub-Lease that are in direct contradiction to any term of the Head Lease, in which case the terms and conditions within the Sub-Lease Agreement between Sub-Landlord and Sub-Tenant will apply. Subject to this provision, both the Sub-Landlord and the Sub-Tenant agree to fully comply with the terms and conditions of the Head Lease and the Sub-Lease.

10. **APPROVAL OF HEAD LEASE BY SUB-TENANT:** The Sub-Tenant shall have until no later than 5:00pm (a.m./p.m.) on the 22nd day of June 2020, to approve the Head Lease. If the Head Lease is not satisfactory to the Sub-Tenant, at the sole and absolute discretion of the Sub-Tenant, the Sub-Tenant may terminate this Agreement by notice in writing delivered to the Sub-Landlord prior to the expiry of the time period stated above and the deposit shall be returned to the Sub-Tenant in full without deduction.

11. **APPROVAL OF SUB-TENANT BY HEAD LANDLORD:** This Offer to Sub-Lease is conditional upon the approval of the Sub-Tenant by the Head Landlord. Unless the Sub-Landlord gives notice in writing delivered to the Sub-Tenant or to the Sub-Tenant's address as hereinafter indicated not later than 5:00 (a.m./p.m.) on the 23rd day of July 2020, that this condition is fulfilled, this offer shall be null and void and the deposit shall be returned to the Sub-Tenant in full without deduction.

12. **IRREVOCABILITY:** This offer shall be irrevocable by Sub-Tenant until 5:00 (a.m./p.m.) on the 23rd day of June 2020, after which time if not accepted, this offer shall be null and void and all monies paid thereon shall be returned to the Sub-Tenant without interest or deduction.

13. **NOTICES:** The Sub-Landlord hereby appoints the Listing Brokerage as agent for the Sub-Landlord for the purpose of giving and receiving notices pursuant to this Agreement. Where a Brokerage (Sub-Tenant's Brokerage) has entered into a representation agreement with the Sub-Tenant, the Sub-Tenant hereby appoints the Sub-Tenant's Brokerage as agent for the purpose of giving and receiving notices pursuant to this Agreement. Where a Brokerage represents both the Sub-Landlord and the Sub-Tenant (multiple representation), the Brokerage shall not be appointed or authorized to be agent for either the Sub-Tenant or the Sub-Landlord for the purpose of giving and receiving notices. Any notice relating hereto or provided for herein shall be in writing. In addition to any provision contained herein and in any Schedule hereto, this offer, any counter-offer, notice of acceptance thereof or any notice to be given or received pursuant to this Agreement or any Schedule hereto (any of them, "Document") shall be deemed given and received when delivered personally or hand delivered to the Address for Service provided in the Acknowledgement below, or where a facsimile number or email address is provided herein, when transmitted electronically to that facsimile number or email address, respectively, in which case, the signature(s) of the party (parties) shall be deemed to be original.

FAX No.: 905-886-5744 (For delivery of Documents to Sub-Landlord)

FAX No.: (905) 240-0405 (For delivery of Documents to Sub-Tenant)

Email Address: (For delivery of Documents to Sub-Landlord)

Email Address: Stevenreaproperties@gmail.com (For delivery of Documents to Sub-Tenant)

14. **SUB-LANDLORD'S AND SUB-TENANT'S WORK:** The Sub-Landlord agrees to complete the work described as the "Sub-Landlord's Work" in Schedule " " attached hereto. The Sub-Tenant agrees to complete any additional work necessary to prepare the Premises for the Sub-Tenant's use, described as "Sub-Tenant's Work" in Schedule " A " attached hereto. The Sub-Tenant shall not proceed with any work within or affecting the Premises without the Sub-Landlord's and Head Landlord's prior written approval.

INITIALS OF SUB-TENANT(S): JB

INITIALS OF SUB-LANDLORD(S): A

Authenticsign ID: D49032DC-C158-4151-9033-DFCE238BB199

15. SIGNAGE: The Sub-Tenant may, at its own expense, erect signage in a good and workmanlike manner, subject to municipal by laws and government regulations and subject to the Sub-Landlord's and Head Landlord's written approval as to the design, colour, and content of any such signs, and to be

located as follows:
sub-tenant to abide by Head Lease

16. INSURANCE: The Sub-Tenant agrees to insure the property and operations of the Sub-Tenant, including insurance for fire and such additional perils as are normally insured against, liability insurance and any other insurance as may be reasonably required by the Sub-Landlord and Head Landlord.

17. EXECUTION OF SUB-LEASE: The Sub-Lease shall be prepared by the Sub-Landlord at the Sub-Landlord's expense, in accordance with the terms and conditions of this Agreement. The Sub-Lease will be signed and executed by both parties hereto prior to the commencement of work on the premises by either party and prior to occupancy by the Sub-Tenant.

18. OCCUPANCY OR RENT TO ABATE: In the event the premises are not completed by the Sub-Landlord for occupancy by the Sub-Tenant on the date set out herein for commencement of the Term of the Sub-Lease, the rent under this Agreement shall abate to the extent of such delay, and the Sub-Tenant hereby agrees to accept such abatement of rent in full settlement of all claims which the Sub-Tenant might otherwise make because the Premises were not ready for occupancy by the said date.

19. ASSIGNMENT: This Agreement to Sub-Lease shall not be assignable or otherwise transferable by the Sub-Tenant. The Sub-Tenant may not sublet or assign or transfer its interest in the Sub-Lease contemplated herein without securing the written consent from the Sub-Landlord, which consent shall not be unreasonably withheld, provided however, if the consent is granted, the Sub-Tenant shall remain liable for all obligations under the Sub-Lease. Any assignment or transfer of the Sub-Lease by the Sub-Tenant is to be subject to and in accordance with the terms and conditions of the Head Lease.

If the Sub-Tenant is a corporation, the transfer of the majority of the issued shares in the capital stock, or any transfer, issuance or division of shares of the corporation sufficient to transfer control of the corporation shall be deemed for all purposes to be an assignment within the meaning of this Agreement and any Sub-Lease. This provision shall not apply to a corporation whose shares are listed and traded on any recognized public stock exchange in Canada or the United States.

20. PARKING: Unless otherwise stipulated, parking, if applicable, shall be in common and unreserved.
sub-tenant to abide by Head Lease

21. AGREEMENT IN WRITING: If there is any conflict or discrepancy between any provision added to this Agreement (including any Schedule attached hereto) and any provision in the standard pre-set portion hereof, the added provision shall supersede the standard pre-set provision to the extent of such conflict or discrepancy. This Agreement, including any Schedule attached hereto, shall constitute the entire Agreement between Sub-Landlord and Sub-Tenant. There is no representation, warranty, collateral agreement or condition, which affects this Agreement other than as expressed herein. This Agreement shall be read with all changes of gender or number required by the context.

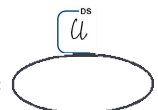
22. LEGAL, ACCOUNTING AND ENVIRONMENTAL ADVICE: The parties acknowledge that any information provided by the broker is not legal, accounting, tax or environmental advice, and that it has been recommended that the parties obtain independent professional advice prior to signing this document.

23. BINDING AGREEMENT: This Agreement and the acceptance thereof shall constitute a binding agreement by the parties to enter into the Sub-Lease of the Premises and to abide by the terms and conditions herein contained.

INITIALS OF SUB-TENANT(S):



INITIALS OF SUB-LANDLORD(S):



Authentisign ID: D49032DC.C158-4151-9033.DFCE238BB199

24. SUCCESSORS AND ASSIGNS: The heirs, executors, administrators, successors and assigns of the undersigned are bound by the terms herein.

SIGNED, SEALED AND DELIVERED in the presence of: IN WITNESS whereof I have hereunto set my hand and seal:

.....
 (Witness) *Janet Bilich* (Sub-Tenant/Authorized Signing Officer) (Seal) (Date) 06/20/2020

 (Witness) (Sub-Tenant/Authorized Signing Officer) (Seal) (Date)

 (Witness) (Guarantor) (Seal) (Date)

We/I the Sub-Landlord hereby accept the above offer, and agree that the commission together with applicable Harmonized Sales Tax (and any other tax as may hereafter be applicable) may be deducted from the deposit and further agree to pay any remaining balance of commission forthwith.

SIGNED, SEALED AND DELIVERED in the presence of: IN WITNESS whereof I have hereunto set my hand and seal:

DocuSigned by:
Craig Leverock 7C38C5838484F4... 6/23/2020

 (Witness) (Sub-Landlord/Authorized Signing Officer) **Sproutly Inc.** (Seal) (Date)

 (Witness) (Sub-Landlord/Authorized Signing Officer) (Seal) (Date)

CONFIRMATION OF ACCEPTANCE: Notwithstanding anything contained herein to the contrary, I confirm this Agreement with all changes both typed and written was finally accepted by all parties at this day of, 20..... (a.m./p.m.)

(Signature of Sub-Landlord or Sub-Tenant)

INFORMATION ON BROKERAGE(S)	
Listing Brokerage	AVISON YOUNG COMMERCIAL REAL ESTATE (905) 886-5744 (Tel.No.)
.....	BRENT MCKEAN (Salesperson/Broker/Broker of Record Name)
Co-op/Sub-Tenant Brokerage	ROYAL HERITAGE REALTY LTD. (905) 723-4800 (Tel.No.)
.....	STEVEN REA (Salesperson/Broker/Broker of Record Name)

ACKNOWLEDGEMENT

I acknowledge receipt of my signed copy of this accepted Agreement to Sub-Lease and I authorize the Brokerage to forward a copy to my lawyer.

I acknowledge receipt of my signed copy of this accepted Agreement to Sub-Lease and I authorize the Brokerage to forward a copy to my lawyer.

DocuSigned by:
Craig Leverock 7C38C5838484F4...
 (Sub-Landlord) **sproutly Inc.** (Date)
 (Sub-Landlord) (Date)
 Address for Service.....
 (Tel. No.)
 Sub-Landlord's Lawyer.....
 Address.....
 Email.....
 (Tel. No.) (Fax. No.)

Janet Bilich 06/20/2020
 (Sub-Tenant) (Date)
 (Sub-Tenant) (Date)
 Address for Service **1734 Orangebrook crt 20-21**
Pickering (Tel. No.)
 Sub-Tenant's Lawyer.....
 Address.....
 Email.....
 (Tel. No.) (Fax. No.)

FOR OFFICE USE ONLY	COMMISSION TRUST AGREEMENT
To: Co-operating Brokerage shown on the foregoing Agreement to Sub-Lease: In consideration for the Co-operating Brokerage procuring the foregoing Agreement to Sub-Lease, I hereby declare that all moneys received or receivable by me in connection with the Transaction as contemplated in the MLS® Rules and Regulations of my Real Estate Board shall be receivable and held in trust. This agreement shall constitute a Commission Trust Agreement as defined in the MLS® Rules and shall be subject to and governed by the MLS® Rules pertaining to Commission Trust.	DATED as of the date and time of the acceptance of the foregoing Agreement to Sub-Lease. Acknowledged by: <i>STEVEN REA</i> (Authorized to bind the Listing Brokerage) (Authorized to bind the Co-operating Brokerage)

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Schedule A Agreement to Sub-Lease - Commercial

Form 516

for use in the Province of Ontario

This Schedule is attached to and forms part of the Agreement to Sub-Lease between:

SUB-TENANT: Merit Finishing Solutions Inc., and

SUB-LANDLORD: Sproutly Inc.

for the sub-lease of 1734 Orangebrook Crt, unit 20-21 Pickering Ontario

dated the 19 day of June, 2020

Sub-Tenant Work:

- All Carpet flooring in office areas will be replaced with high-end vinyl.

The above alterations/improvements to said premises will be done at the Sub-Tenant's own expense, subject to the Head Landlord's written consent, which cannot be unreasonably withheld. The Sub-Tenant may make any minor internal improvements to the said premises, at the Sub-Tenant's own expense, without the Head Landlord's consent and in compliance with all applicable governmental bylaws and codes governing the use of the said premises.

The rentable area of the leased premises is about 4,274 square feet, which the actual area to be adjusted accordingly, should the actual measurement differ. The area shall be measured by using the current Building Owners and Managers Association Standards.

Rent Free Period:

The Sub-Tenant will not be required to pay the Gross rental rate for the month of July 2020. Rent payments will commence in full on August 1, 2020.

Early Occupancy:

The Sub-Tenant shall be granted possession of the premises before the commencement date if all prior documentation and approvals have been completed including, formal lease execution by all required parties, Sub-Tenant receiving approval from Head Landlord, Sub-Tenant's insurance being deemed satisfactory by the Head Landlord, and utility accounts being set up by the Sub-Tenant.

The Sub-Landlord warrants that all mechanical, heating, ventilating, air conditioning equipment (HVAC), and electrical equipment will be in good working order, normal wear and tear expected, on or before the occupancy date set herein.

This form must be initialed by all parties to the Agreement to Sub-Lease.

INITIALS OF SUB-TENANT(S):

INITIALS OF SUB-LANDLORD(S):

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Confirmation of Co-operation and Representation

Form 320

for use in the Province of Ontario

BUYER: Merit Finishing Solutions Inc.

SELLER: Sproutly Inc.

For the transaction on the property known as: 1734 Orangebrook Crt20-21 Pickering

DEFINITIONS AND INTERPRETATIONS: For the purposes of this Confirmation of Co-operation and Representation: "Seller" includes a vendor, a landlord, lessor, or a prospective, seller, vendor, landlord or lessor and "Buyer" includes a purchaser, a tenant, lessee or a prospective, buyer, purchaser, tenant or lessee and "sale" includes a lease, and "Agreement of Purchase and Sale" includes an Agreement to Lease. Commission shall be deemed to include other remuneration.

The following information is confirmed by the undersigned salesperson/broker representatives of the Brokerage(s). If a Co-operating Brokerage is involved in the transaction, the brokerages agree to co-operate, in consideration of, and on the terms and conditions as set out below.

DECLARATION OF INSURANCE: The undersigned salesperson/broker representative(s) of the Brokerage(s) hereby declare that he/she is insured as required by the Real Estate and Business Brokers Act, 2002, (REBBA).

1. LISTING BROKERAGE

- a) The Listing Brokerage represents the interests of the Seller in this transaction. It is further understood and agreed that:
 - 1) The Listing Brokerage is not representing or providing Customer Service to the Buyer. (If the Buyer is working with a Co-operating Brokerage, Section 3 is to be completed by Co-operating Brokerage)
 - 2) The Listing Brokerage is providing Customer Service to the Buyer.

b) **MULTIPLE REPRESENTATION:** The Listing Brokerage has entered into a Buyer Representation Agreement with the Buyer and represents the interests of the Seller and the Buyer, with their consent, for this transaction. The Listing Brokerage must be impartial and equally protect the interests of the Seller and the Buyer in this transaction. The Listing Brokerage has a duty of full disclosure to both the Seller and the Buyer, including a requirement to disclose all factual information about the property known to the Listing Brokerage. However, the Listing Brokerage shall not disclose:

- That the Seller may or will accept less than the listed price, unless otherwise instructed in writing by the Seller;
- That the Buyer may or will pay more than the offered price, unless otherwise instructed in writing by the Buyer;
- The motivation of or personal information about the Seller or Buyer, unless otherwise instructed in writing by the party to which the information applies, or unless failure to disclose would constitute fraudulent, unlawful or unethical practice;
- The price the Buyer should offer or the price the Seller should accept;
- And; the Listing Brokerage shall not disclose to the Buyer the terms of any other offer.

However, it is understood that factual market information about comparable properties and information known to the Listing Brokerage concerning potential uses for the property will be disclosed to both Seller and Buyer to assist them to come to their own conclusions.

Additional comments and/or disclosures by Listing Brokerage: (e.g. The Listing Brokerage represents more than one Buyer offering on this property.)

2. PROPERTY SOLD BY BUYER BROKERAGE – PROPERTY NOT LISTED

- The Brokerage (does/does not) represent the Buyer and the property is not listed with any real estate brokerage. The Brokerage will be paid
- by the Seller in accordance with a Seller Customer Service Agreement
 - or: by the Buyer directly

Additional comments and/or disclosures by Buyer Brokerage: (e.g. The Buyer Brokerage represents more than one Buyer offering on this property.)


INITIALS OF BUYER(S)/SELLER(S)/BROKERAGE REPRESENTATIVE(S) (Where applicable)


BUYER


CO-OPERATING/BUYER BROKERAGE


SELLER


LISTING BROKERAGE

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3. Co-operating Brokerage completes Section 3 and Listing Brokerage completes Section 1.

CO-OPERATING BROKERAGE- REPRESENTATION:

- a) The Co-operating Brokerage represents the interests of the Buyer in this transaction.
- b) The Co-operating Brokerage is providing Customer Service to the Buyer in this transaction.
- c) The Co-operating Brokerage is not representing the Buyer and has not entered into an agreement to provide customer service(s) to the Buyer.

CO-OPERATING BROKERAGE- COMMISSION:

- a) The Listing Brokerage will pay the Co-operating Brokerage the commission as indicated in the MLS® information for the property
 **4% Year 1 +1.75% On The Net** to be paid from the amount paid by the Seller to the Listing Brokerage.
 (Commission As Indicated In MLS® Information)
- b) The Co-operating Brokerage will be paid as follows:

Additional comments and/or disclosures by Co-operating Brokerage: (e.g., The Co-operating Brokerage represents more than one Buyer offering on this property.)

Commission will be payable as described above, plus applicable taxes.

COMMISSION TRUST AGREEMENT: If the above Co-operating Brokerage is receiving payment of commission from the Listing Brokerage, then the agreement between Listing Brokerage and Co-operating Brokerage further includes a Commission Trust Agreement, the consideration for which is the Co-operating Brokerage procuring an offer for a trade of the property, acceptable to the Seller. This Commission Trust Agreement shall be subject to and governed by the MLS® rules and regulations pertaining to commission trusts of the Listing Brokerage's local real estate board, if the local board's MLS® rules and regulations so provide. Otherwise, the provisions of the OREA recommended MLS® rules and regulations shall apply to this Commission Trust Agreement. For the purpose of this Commission Trust Agreement, the Commission Trust Amount shall be the amount noted in Section 3 above. The Listing Brokerage hereby declares that all monies received in connection with the trade shall constitute a Commission Trust and shall be held, in trust, for the Co-operating Brokerage under the terms of the applicable MLS® rules and regulations.



SIGNED BY THE BROKER/SALESPERSON REPRESENTATIVE(S) OF THE BROKERAGE(S) (Where applicable)

ROYAL HERITAGE REALTY LTD.
 (Name of Co-operating/Buyer Brokerage)
 342 KING STREET W UNIT 201 OSHAWA ON L1J2J9
 Tel: (905) 723-4800 Fax: (905) 240-0405
 AUTHENTICATED: 06/20/2020
 STEVEN REA
 (Authorized to bind the Co-operating/Buyer Brokerage) (Date)
 STEVEN REA
 (Print Name of Salesperson/Broker/Broker of Record)

AVISON YOUNG COMMERCIAL REAL ESTATE
 (Name of Listing Brokerage)
 55 Commerce Valley Dr W#501 Markham ON L3T7V9
 Tel: (905) 886-5744 Fax: 905-886-5744
 AUTHENTICATED: Jun 23, 2020
 BRENT MCKEAN
 (Authorized to bind the Listing Brokerage) (Date)
 BRENT MCKEAN
 (Print Name of Salesperson/Broker/Broker of Record)

CONSENT FOR MULTIPLE REPRESENTATION (To be completed only if the Brokerage represents more than one client for the transaction)

The Buyer/Seller consent with their initials to their Brokerage representing more than one client for this transaction.




 BUYER'S INITIALS SELLER'S INITIALS

ACKNOWLEDGEMENT

I have received, read, and understand the above information.

AUTHENTICATED: 06/20/2020
 JANA BILICH
 (Signature of Buyer) (Date)
 (Signature of Buyer) (Date)

DocuSigned by:
 Craig Lovrock
 7C38C58338484F4...
 6/23/2020
 (Signature of Seller) sproutly Inc. (Date)
 (Signature of Seller) (Date)

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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 SPROUTLY, INC. and TORONTO HERBAL REMEDIES INC. (each an “**Applicant**” and collectively, the “**Applicants**”)

Court File No. CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF CRAIG LOVEROCK

Thornton Grout Finnigan LLP
3200 – 100 Wellington Street West
TD West Tower, Toronto-Dominion Centre
Toronto, ON M5K 1K7

Rebecca L. Kennedy (LSO# 61146S)

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Tel: 416-304-1616

Fax: 416-304-1313

Lawyers for the Applicants

TAB 4

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

THE HONOURABLE MADAM) TUESDAY, THE 13th
)
JUSTICE CONWAY) DAY OF SEPTEMBER, 2022
)
)

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 **SPROUTLY, INC.** and **TORONTO
HERBAL REMEDIES INC.**

(each an “Applicant” and collectively the “Applicants”)

APPROVAL AND VESTING ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an order approving the sale transaction (the “**Asset Transaction**”) contemplated by an asset purchase agreement (the “**Asset Purchase Agreement**”) between Toronto Herbal Remedies Inc. (the “**Seller**”) and 0982244 B.C. Ltd. o/a Isle of Mann Property Group (“**IOM**”) dated September 2, 2022, appended to the Second Report of the Monitor dated September 8, 2022 (the “**Second Report**”), pursuant to which IOM has designated 1375857 B.C. LTD. (the “**Purchaser**”) as the vesting entity thereunder and (i) vesting in the Purchaser the Seller’s right, title and interest in the Purchased Assets (as defined in the Asset Purchase Agreement); and (ii) seeking certain other related relief was heard this day by judicial video conference.

ON READING the Second Report, the Affidavit of Craig Loverock sworn September 8, 2022, and such further materials as counsel may advise, and on hearing the submissions of counsel to the Applicants and counsel to the Monitor and counsel to those parties listed on the counsel list for today’s hearing, and no one else appearing for any other interested person, although duly served as evidenced by 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.

DEFINITIONS

2. **THIS COURT ORDERS** that capitalized terms used herein that are otherwise not defined shall have the meaning ascribed to them in the Asset Purchase Agreement and/or the Amended and Restated Initial Order of the Honourable Justice Penny dated July 4, 2022 (the “**Initial Order**”).

APPROVAL OF ASSET TRANSACTION

3. **THIS COURT ORDERS AND DECLARES** that the Asset Purchase Agreement and the Asset Transaction be and are hereby approved and that the execution of the Asset Purchase Agreement by the Seller is hereby authorized, with such minor amendments as the Seller and the Purchaser, with the approval of the Monitor, may agree upon. The Seller, with the consent of the Monitor, is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Asset Transaction and for the conveyance of the Purchased Assets to the Purchaser.

4. **THIS COURT ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Seller to proceed with the Asset Transaction and that no shareholder or other approval shall be required in connection therewith.

5. **THIS COURT ORDERS** that the Seller is authorized and directed to perform its obligations under the Asset Purchase Agreement and any ancillary documents related thereto.

6. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor’s certificate to the Seller (or its counsel) and to the Purchaser (or its counsel) substantially in the form attached as Schedule “A” hereto (the “**Monitor’s Certificate**”), all of the Seller’s right, title and interest in and to the Purchased Assets described in the Asset Purchase Agreement 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, 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 orders made in these CCAA proceedings; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system, including those registrations listed on **Schedule "B"** hereto; (iii) all instruments registered on title to the Real Property (as hereinafter defined), including those instruments listed on **Schedule "D"** 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 "E"** hereto) and for greater certainty, this Court orders that all Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

7. **THIS COURT ORDERS** that upon the registration in the Land Registry Office for the Land Titles Division of Metro Toronto (LRO No. 80) of an Application for Vesting Order in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act*, which the Purchaser is authorized to submit for registration following delivery of the Monitor's Certificate, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in **Schedule "C"** hereto (the "**Real Property**") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims (including without limitation all registered instruments on title to the Real Property and those instruments listed on **Schedule "D"** hereto) save and except the permitted encumbrances, easements and restrictive covenants listed on **Schedule "E"** hereto.

8. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if

the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

9. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof to the Seller and the Purchaser, or to their respective counsel.

10. **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* (Canada) (the "BIA") in respect of the Applicants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicants;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicants and shall not be void or voidable by creditors of the Applicants, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

GENERAL

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other foreign jurisdiction to give effect to this Order and to assist the Applicants, 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or

desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

12. **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 without any need for filing or entry.

Schedule “A” – Form of Monitor’s Certificate

Court File No. CV-22-00683056-00CL

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.**

(each an “Applicant” and collectively the “Applicants”)

MONITOR’S CERTIFICATE**RECITALS**

A. Pursuant to an Order of the Honourable Justice Penny of the Ontario Superior Court of Justice (the "**Court**") dated June 24, 2022, BDO Canada Limited was appointed as the monitor (the "**Monitor**") of the undertaking, property and assets of the Applicants.

B. Pursuant to an Order of the Court dated September 13, 2022, the Court approved the Asset Purchase Agreement (the "**APA**") by and between Toronto Herbal Remedies Inc. (the "**Seller**") and 0982244 B.C. Ltd. o/a Isle of Mann Property Group ("**IOM**") dated September 2, 2022 pursuant to which IOM has designated 1375857 B.C. LTD. (the "**Purchaser**") as the vesting entity thereunder and the sale transaction (the "**Asset Transaction**") contemplated therein and provided for the vesting in the Purchaser of the Seller’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Purchaser and the Seller (or their counsel) of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions

to Closing as set out in the APA have been satisfied or waived by the Seller and/or the Purchaser, as applicable; and (iii) the Asset Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the APA.

THE MONITOR CERTIFIES the following:

1. The conditions to Closing under the APA have been satisfied and/or waived by the Seller and the Purchaser, as applicable.
2. The Purchaser has paid and the Seller has received the Purchase Price for the Purchased Assets, subject to applicable adjustments, for the Purchased Assets payable on the Closing Date pursuant to the APA.
3. The Asset Transaction has been completed to the satisfaction of the Monitor.
4. This Certificate was delivered by the Monitor at _____ [TIME] on _____ [DATE].

**BDO Canada Limited, in its capacity of the
Monitor of the Applicants, and not in its
personal or corporate capacity**

Per: _____

Name:

Title:

Schedule “B” – PPSA Registrations to be Released

Date of Registration	Secured Party	File Number	Registration Number	Expiry Date
February 5, 2020	Infusion Biosciences Inc.	759882717	20200205 1105 1862 8027	February 5, 2025
December 30, 2020	Her Majesty in Right of Ontario as Represented by the Minister of Finance	768919932	20201230 1818 1031 0702	December 30, 2025
November 19, 2021	Jane Bailey	778362111	20211119 1036 1590 5184	November 19, 2024
June 16, 2022	0982244 B.C. Ltd.	784044585	20220616 1423 1590 7490	June 16, 2027

Schedule "C" – Real Property**PIN 06443-0179 (LT)**

LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

Address: 64 Raleigh Ave, Toronto, Ontario

Schedule “D” – Claims to be deleted and expunged from title to Real Property

Instruments on Title – PIN 06443-0179 (LT)

Current as of August 31, 2022

Reg No.	Registration Date	Type	Amount	Parties From	Parties To:
AT3995694	August 31, 2015	Charge	\$3,250,000.00	Toronto Herbal Remedies Inc.	0982244 B.C. Ltd.
AT3995695	August 31, 2015	Notice of Assignment of Rents General		Toronto Herbal Remedies Inc.	0982244 B.C. Ltd.
AT4812828	March 1, 2018	Notice	\$2.00	Toronto Herbal Remedies Inc.	0982244 B.C. Ltd.
AT5352062	January 28, 2020	Notice	\$2.00	Toronto Herbal Remedies Inc.	0982244 B.C. Ltd.
AT5382792	March 6, 2020	Charge	\$1,000,000.00	Toronto Herbal Remedies Inc.	Infusion Biosciences Inc.
AT5748147	May 27, 2021	Lien	\$8,782.32	Her Majesty the Queen in Right of Ontario as Represented by the Minister of Finance	
AT6122507	July 4, 2022	Application to Register Court Order		Ontario Superior Court of Justice	0982244 B.C. Ltd.

Schedule “E”**Permitted Encumbrances, Easements and Restrictive Covenants related to the Purchased Assets (unaffected by the Approval and Vesting Order)**

Any of the following encumbrances:

1. Minor Encroachments: Minor encroachments from the Real Property over neighbouring lands and/or permitted under agreements with neighbouring landowners and any fences or concrete curbs and minor encroachments over the Real Property from neighbouring land and/or permitted under agreements with neighbouring landowners and any fences and concrete curbs.
2. Crown Grant: Any subsisting restrictions, exceptions, reservations, limitation, provisos and conditions (including, with limitation, royalties, reservation of mines, mineral rights and timber rights, access to navigable waters and similar rights) expressed in any original grants from the Crown of the lands comprising the Real Property and any statutory limitations, exceptions, reservations and qualifications.
3. Restrictions, Zoning, etc.: Zoning, land use and building restrictions, by-laws, regulations and ordinances of any Governmental Authority, including municipal by-laws and regulations, airport zoning regulations, restrictive covenants and other land use limitations in favour of or imposed or reserved by any Governmental Authority.
4. Work Order: Any and all Work Orders issued by any Governmental Authority.
5. Easements: Any unregistered or registered easements required for the supply of domestic utility services to the Real Property.
6. Survey matters: Encroachments, deficiencies or other matters disclosed by any plan of survey in respect of the Real Property or any part thereof.
7. Taxes/Utilities: Encumbrances or prior claims for Real Property taxes (which term includes charges, rates and assessments) or charges or levies for electricity, power, gas, water and other services and utilities in connection with the Real Property that have accrued but are not yet due and owing or, if due and owing, are adjusted for on Closing.
8. Restrictive Covenants: Restrictive covenants, private deed restrictions, rights-of-way, facility cost sharing agreements, servicing agreements, crane swing/tie back agreements, reciprocal use agreements or other similar land use control agreements or rights in land (including, without limitation, restrictions, rights-of-way and servitudes for sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to other persons or property, or reserved by other persons or the benefit of other property.
9. Applicable Laws: The provisions of all Applicable Laws, including by-laws, regulations, ordinances and similar instruments relating to development and zoning at the Real Property.

10. Land Titles Act: The exceptions and qualifications contained in Section 44 of the *Land Titles Act* (Ontario), save and except paragraph 5 thereof relating to the *Family Law Act*, paragraph 11 thereof respecting the *Planning Act* (Ontario) and escheats/forfeiture to the Crown.
11. Registered Agreements: Registered agreements with any Governmental Authorities or public utilities, including subdivision agreements, development agreements, engineering, grading or landscaping agreements and similar agreements.

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.** (each an "Applicant" and collectively, the "Applicants")

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

APPROVAL AND VESTING ORDER

Thornton Grout Finnigan LLP
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TD West Tower, Toronto-Dominion Centre
Toronto, ON M5K 1K7

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Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicants

TAB 5

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE ~~_____~~ MADAM) ~~WEEKDAY~~ TUESDAY, THE #13th
JUSTICE ~~_____~~ CONWAY) DAY OF ~~MONTH, 20YR~~ SEPTEMBER,
) 2022
)

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

~~BETWEEN:~~

~~PLAINTIFF~~

Plaintiff

~~-and-~~

~~DEFENDANT~~

Defendant

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.

(each an "Applicant" and collectively the "Applicants")

APPROVAL AND VESTING ORDER

THIS MOTION, made by ~~[RECEIVER'S NAME] in its capacity as the Court appointed receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor" the Applicants, pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order approving the sale transaction (the "Asset Transaction") contemplated by an asset purchase agreement ~~of purchase and sale~~ (the "Sale" Asset Purchase Agreement") between Toronto Herbal Remedies Inc. (the Receiver "Seller") and ~~[NAME OF PURCHASER] (the "Purchaser"~~ 0982244 B.C. Ltd. o/a Isle of Mann Property Group ("IOM")) dated ~~[DATE] and~~ September 2, 2022, appended to the Second Report of the ~~Receiver~~ Monitor~~

dated [DATE]September 8, 2022 (the "Second Report"), pursuant to which IOM has designated 1375857 B.C. LTD. (the "Purchaser") as the vesting entity thereunder and (i) vesting in the Purchaser the ~~Debtor~~Seller's right, title and interest in ~~and to the assets described~~the Purchased Assets (as defined in the ~~Sale~~Asset Purchase Agreement); and (the ~~"Purchased Assets"~~); ii) seeking certain other related relief was heard this day ~~at 330 University Avenue, Toronto, Ontario~~by judicial video conference.

ON READING the Second Report, the Affidavit of Craig Loverock sworn September 8, 2022, and such further materials as counsel may advise, and on hearing the submissions of counsel ~~for the Receiver, [NAMES OF OTHER PARTIES APPEARING]~~to the Applicants and counsel to the Monitor and counsel to those parties listed on the counsel list for today's hearing, and no one else appearing for any other interested person ~~on the service list~~, although properly~~duly~~ served as ~~appears from~~evidenced by the ~~affidavit~~Affidavit of [NAME] sworn [DATE]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.

DEFINITIONS

2. THIS COURT ORDERS that capitalized terms used herein that are otherwise not defined shall have the meaning ascribed to them in the Asset Purchase Agreement and/or the Amended and Restated Initial Order of the Honourable Justice Penny dated July 4, 2022 (the "Initial Order").

APPROVAL OF ASSET TRANSACTION

3. THIS COURT ORDERS AND DECLARES that the Asset Purchase Agreement and the Asset Transaction ~~is~~be and are hereby approved,² and that the execution of the Sale~~Asset Purchase~~ Agreement by the ~~Receiver~~³Seller is hereby authorized ~~and approved~~, with such minor amendments as the ~~Receiver~~Seller and the Purchaser, with the approval of the Monitor, may ~~deem necessary~~agree upon. The ~~Receiver~~Seller, with the consent of the Monitor, is hereby authorized and directed to take such additional steps and execute such additional documents as may be

necessary or desirable for the completion of the Asset Transaction and for the conveyance of the Purchased Assets to the Purchaser.

4. THIS COURT ORDERS AND DECLARES that this Order shall constitute the only authorization required by the Seller to proceed with the Asset Transaction and that no shareholder or other approval shall be required in connection therewith.

5. THIS COURT ORDERS that the Seller is authorized and directed to perform its obligations under the Asset Purchase Agreement and any ancillary documents related thereto.

6. 2.—THIS COURT ORDERS AND DECLARES that upon the delivery of a ~~Receiver~~ Monitor's certificate to the Seller (or its counsel) and to the Purchaser (or its counsel) substantially in the form attached as Schedule "A" hereto (the ~~"Receiver"~~ "Monitor's Certificate"), all of the ~~Debtor~~ Seller's right, title and interest in and to the Purchased Assets described in the Sale Asset Purchase Agreement ~~[and listed on Schedule B hereto]~~⁴ 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, 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"⁵) including, without limiting the generality of the foregoing:— (i) any encumbrances or charges created by the Initial Order of the Honourable Justice [NAME] dated [DATE] or any other orders made in these CCAA proceedings; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system, including those registrations listed on Schedule "B" hereto; and (iii) all instruments registered on title to the Real Property (as hereinafter defined), including those Claims instruments listed on Schedule "D" 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 D "E" hereto) and, for greater certainty, this Court orders that all ~~of the~~ Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

7. ~~3.~~ **THIS COURT ORDERS** that upon the registration in the Land Registry Office for the ~~[Registry Division of {LOCATION} of a Transfer/Deed of Land in the form prescribed by the Land Registration Reform Act duly executed by the Receiver]~~ Land Titles Division of ~~{LOCATION}~~ Metro Toronto (LRO No. 80) of an Application for Vesting Order in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act*⁶, which the Purchaser is authorized to submit for registration following delivery of the Monitor's Certificate, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in **Schedule B** "C" hereto (the **"Real Property"**) in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims (including without limitation all registered instruments on title to the Real Property and those instruments listed in on Schedule C "D" hereto) save and except the permitted encumbrances, easements and restrictive covenants listed on Schedule "E" hereto.

8. ~~4.~~ **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds⁷ from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the ~~Receiver~~ Monitor's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale⁸, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

9. ~~5.~~ **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~ Monitor to file with the Court a copy of the ~~Receiver~~ Monitor's Certificate, forthwith after delivery thereof.

~~6. THIS COURT ORDERS that, pursuant to clause 7(3)(e) of the Canada Personal Information Protection and Electronic Documents Act, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed on Schedule "●" to the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor~~ Seller and the Purchaser, or to their respective counsel.

10. ~~7.~~ **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* (Canada) (the “BIA”) in respect of the ~~Debtor~~Applicants and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the ~~Debtor~~Applicants;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the ~~Debtor~~Applicants and shall not be void or voidable by creditors of the ~~Debtor~~Applicants, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

~~8. — THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).~~

GENERAL

11. ~~9.~~ **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 or any other foreign jurisdiction to give effect to this Order and to assist the ~~Receiver~~Applicants, the Monitor and ~~its~~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 ~~Receiver~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the

~~Receiver~~Applicants and ~~its~~the Monitor and their respective agents in carrying out the terms of this Order.

12. 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 without any need for filing or entry.

Schedule ~~“A-”~~ – Form of ~~Receiver~~Monitor’s Certificate

Court File No. ~~_____~~ CV-22-00683056-00CL

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

~~BETWEEN:–~~

~~PLAINTIFF~~

Plaintiff

~~–and–~~

~~DEFENDANT~~

Defendant

RECEIVER

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 SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.

(each an “Applicant” and collectively the “Applicants”)

MONITOR’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable ~~[NAME OF JUDGE]~~Justice Penny of the Ontario Superior Court of Justice (the "Court") dated ~~[DATE OF ORDER]~~, ~~[NAME OF RECEIVER]~~June 24, 2022, BDO Canada Limited was appointed as the ~~receiver~~monitor (the "~~Receiver~~Monitor") of the undertaking, property and assets of ~~[DEBTOR]~~ (the "~~Debtor~~")Applicants.

B. Pursuant to an Order of the Court dated ~~[DATE]~~September 13, 2022, the Court approved the ~~agreement of purchase and sale made as of [DATE OF AGREEMENT]~~ (the "~~Sale~~Asset Purchase Agreement") (the "APA") by and between ~~the Receiver [Debtor] and [NAME OF PURCHASER]~~Toronto Herbal Remedies Inc. (the "Seller") and 0982244 B.C. Ltd. o/a Isle of Mann Property Group ("IOM") dated September 2, 2022 pursuant to which IOM has designated 1375857 B.C. LTD. (the "'Purchaser"') as the vesting entity thereunder and the sale transaction (the "Asset Transaction") contemplated therein and provided for the vesting in the Purchaser of the ~~Debtor~~Seller's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the ~~Receiver~~Monitor to the Purchaser and the Seller (or their counsel) of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in ~~section • of the Sale Agreement~~APA have been satisfied or waived by the ~~Receiver~~Seller and/or the Purchaser, as applicable; and (iii) the Asset Transaction has been completed to the satisfaction of the ~~Receiver~~Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the ~~Sale Agreement~~APA.

THE ~~RECEIVER~~MONITOR CERTIFIES the following:

1. The conditions to Closing under the APA have been satisfied and/or waived by the Seller and the Purchaser, as applicable.
2. The Purchaser has paid and the ~~Receiver~~Seller has received the Purchase Price for the Purchased Assets, subject to applicable adjustments, for the Purchased Assets payable on the Closing Date pursuant to the ~~Sale Agreement~~;
- ~~2. The conditions to Closing as set out in section • of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; andAPA.~~
3. The Asset Transaction has been completed to the satisfaction of the ~~Receiver~~Monitor.

4. This Certificate was delivered by the ~~Receiver~~Monitor at _____ [TIME] on _____ [DATE].

~~{NAME OF RECEIVER}~~BDO Canada Limited, in its capacity ~~as Receiver~~ of the ~~undertaking, property~~Monitor of the Applicants, and ~~assets of {DEBTOR}, and~~ not in its personal or corporate capacity

Per: _____
Name:
Title:

Schedule "~~B—Purchased Assets~~" – PPSA Registrations to be Released

<u>Date of Registration</u>	<u>Secured Party</u>	<u>File Number</u>	<u>Registration Number</u>	<u>Expiry Date</u>
<u>February 5, 2020</u>	<u>Infusion Biosciences Inc.</u>	<u>759882717</u>	<u>20200205 1105 1862 8027</u>	<u>February 5, 2025</u>
<u>December 30, 2020</u>	<u>Her Majesty in Right of Ontario as Represented by the Minister of Finance</u>	<u>768919932</u>	<u>20201230 1818 1031 0702</u>	<u>December 30, 2025</u>
<u>November 19, 2021</u>	<u>Jane Bailey</u>	<u>778362111</u>	<u>20211119 1036 1590 5184</u>	<u>November 19, 2024</u>
<u>June 16, 2022</u>	<u>0982244 B.C. Ltd.</u>	<u>784044585</u>	<u>20220616 1423 1590 7490</u>	<u>June 16, 2027</u>

Schedule "C" – Real Property

PIN 06443-0179 (LT)

LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

Address: 64 Raleigh Ave, Toronto, Ontario

Schedule "D" – Claims to be deleted and expunged from title to Real Property**Instruments on Title – PIN 06443-0179 (LT)**Current as of August 31, 2022

<u>Reg No.</u>	<u>Registration Date</u>	<u>Type</u>	<u>Amount</u>	<u>Parties From</u>	<u>Parties To:</u>
<u>AT3995694</u>	<u>August 31, 2015</u>	<u>Charge</u>	<u>\$3,250,000.00</u>	<u>Toronto Herbal Remedies Inc.</u>	<u>0982244 B.C. Ltd.</u>
<u>AT3995695</u>	<u>August 31, 2015</u>	<u>Notice of Assignment of Rents General</u>		<u>Toronto Herbal Remedies Inc.</u>	<u>0982244 B.C. Ltd.</u>
<u>AT4812828</u>	<u>March 1, 2018</u>	<u>Notice</u>	<u>\$2.00</u>	<u>Toronto Herbal Remedies Inc.</u>	<u>0982244 B.C. Ltd.</u>
<u>AT5352062</u>	<u>January 28, 2020</u>	<u>Notice</u>	<u>\$2.00</u>	<u>Toronto Herbal Remedies Inc.</u>	<u>0982244 B.C. Ltd.</u>
<u>AT5382792</u>	<u>March 6, 2020</u>	<u>Charge</u>	<u>\$1,000,000.00</u>	<u>Toronto Herbal Remedies Inc.</u>	<u>Infusion Biosciences Inc.</u>
<u>AT5748147</u>	<u>May 27, 2021</u>	<u>Lien</u>	<u>\$8,782.32</u>	<u>Her Majesty the Queen in Right of Ontario as Represented by the Minister of Finance</u>	
<u>AT6122507</u>	<u>July 4, 2022</u>	<u>Application to Register</u>		<u>Ontario Superior</u>	<u>0982244 B.C. Ltd.</u>

		<u>Court Order</u>		<u>Court of Justice</u>	
--	--	------------------------	--	-----------------------------	--

Schedule ~~D~~—“E”

Permitted Encumbrances, Easements and Restrictive Covenants related to the ~~Real Property~~ Purchased Assets (unaffected by the Approval and Vesting Order)

Any of the following encumbrances:

1. Minor Encroachments: Minor encroachments from the Real Property over neighbouring lands and/or permitted under agreements with neighbouring landowners and any fences or concrete curbs and minor encroachments over the Real Property from neighbouring land and/or permitted under agreements with neighbouring landowners and any fences and concrete curbs.
2. Crown Grant: Any subsisting restrictions, exceptions, reservations, limitation, provisos and conditions (including, with limitation, royalties, reservation of mines, mineral rights and timber rights, access to navigable waters and similar rights) expressed in any original grants from the Crown of the lands comprising the Real Property and any statutory limitations, exceptions, reservations and qualifications.
3. Restrictions, Zoning, etc.: Zoning, land use and building restrictions, by-laws, regulations and ordinances of any Governmental Authority, including municipal by-laws and regulations, airport zoning regulations, restrictive covenants and other land use limitations in favour of or imposed or reserved by any Governmental Authority.
4. Work Order: Any and all Work Orders issued by any Governmental Authority.
5. Easements: Any unregistered or registered easements required for the supply of domestic utility services to the Real Property.
6. Survey matters: Encroachments, deficiencies or other matters disclosed by any plan of survey in respect of the Real Property or any part thereof.
7. Taxes/Utilities: Encumbrances or prior claims for Real Property taxes (which term includes charges, rates and assessments) or charges or levies for electricity, power, gas, water and other services and utilities in connection with the Real Property that have accrued but are not yet due and owing or, if due and owing, are adjusted for on Closing.
8. Restrictive Covenants: Restrictive covenants, private deed restrictions, rights-of-way, facility cost sharing agreements, servicing agreements, crane swing/tie back agreements, reciprocal use agreements or other similar land use control agreements or rights in land (including, without limitation, restrictions, rights-of-way and servitudes for sewers, drains, gas and oil pipelines, gas and water mains, electric light and power and telephone or

telegraph or cable television conduits, poles, wires and cables) granted to other persons or property, or reserved by other persons or the benefit of other property.

9. Applicable Laws: The provisions of all Applicable Laws, including by-laws, regulations, ordinances and similar instruments relating to development and zoning at the Real Property.
10. Land Titles Act: The exceptions and qualifications contained in Section 44 of the *Land Titles Act* (Ontario), save and except paragraph 5 thereof relating to the *Family Law Act*, paragraph 11 thereof respecting the *Planning Act* (Ontario) and escheats/forfeiture to the Crown.
11. Registered Agreements: Registered agreements with any Governmental Authorities or public utilities, including subdivision agreements, development agreements, engineering, grading or landscaping agreements and similar agreements.

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 SPROUTLY, INC. and TORONTO HERBAL
REMEDIES INC. (each an "Applicant" and collectively, the "Applicants")

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

APPROVAL AND VESTING ORDER

Thornton Grout Finnigan LLP

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Document comparison by Workshare Compare on Thursday, September 8, 2022 4:52:42 PM

Input:	
Document 1 ID	iManage://tgf-mobility-ca.imatech.com/CLIENT/5238551/1
Description	#5238551v1<tgf-mobility-ca.imatech.com> - approval-and-vesting-order-EN (1)
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Description	#5252828v1<tgf-mobility-ca.imatech.com> - 2022 09 08 Draft Approval & Vesting Order
Rendering set	Standard

Legend:	
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Format change	
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Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	290
Deletions	167
Moved from	2
Moved to	2
Style changes	0
Format changes	0
Total changes	461

¹ ~~This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.~~

² ~~In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.~~

³ ~~In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.~~

⁴ ~~To allow this Order to be free standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.~~

⁵ ~~The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.~~

⁶ ~~Elect the language appropriate to the land registry system (Registry vs. Land Titles).~~

⁷~~The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at "net proceeds".~~

⁸~~This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.~~

TAB 6

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

THE HONOURABLE MADAM) TUESDAY, THE 13th
)
JUSTICE CONWAY) DAY OF SEPTEMBER, 2022
)
)

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 **SPROUTLY, INC.** and **TORONTO
HERBAL REMEDIES INC.**

(each an “Applicant” and collectively the “Applicants”)

Order re Sale

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an order (the “**Order**”), (i) approving the sale transaction (the “**Transaction**”) contemplated by the Bill of Sale and General Conveyance dated September 6, 2022 (the “**Bill of Sale**”) between Toronto Herbal Remedies Inc. (the “**Seller**”) and Kingston Cannabis Inc. (the “**Purchaser**”) appended to the Second Report of the Monitor dated September 8, 2022 (the “**Second Report**”); (ii) vesting in the Purchaser the Seller’s right, title and interest in the Purchased Assets (as defined below); (iii) seeking other certain related relief was heard this day via video conference due to the COVID-19 pandemic.

ON READING the Second Report, the Affidavit of Craig Loverock sworn September 8, 2022, and such further materials as counsel may advise, and on hearing the submissions of counsel to the Monitor and to the Applicants and counsel to those parties listed on the counsel list for today’s hearing, and no one else appearing for any other interested person, although duly served as evidenced by 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, unless otherwise defined herein, capitalized terms used in this Order shall have the meaning given to them in the Amended and Restated Initial Order of the Honourable Justice Penny dated July 4, 2022 made in these proceedings (the “**Initial Order**”).

APPROVAL OF THE BILL OF SALE

3. **THIS COURT ORDERS AND DECLARES** that the Bill of Sale and the Transaction be and are hereby approved and that the execution of the Bill of Sale by the Seller is hereby authorized, with such minor amendments as the Seller and the Purchaser, with the approval of the Monitor, may agree upon. The Seller, with the consent of the Monitor, is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets (as defined in the Bill of Sale) to the Purchaser.

4. **THIS COURT ORDERS AND DECLARES** that this Order shall constitute the only authorization required by the Seller to proceed with the Bill of Sale and that no shareholder or other approval shall be required in connection therewith.

5. **THIS COURT ORDERS** that the Seller is authorized and directed to perform its obligations under the Bill of Sale and any ancillary documents related thereto.

6. **THIS COURT ORDERS** that upon payment of the Purchase Price (as defined in the Bill of Sale) to the Seller by the Vendor, all of the Seller’s right, title and interest in and to the Purchased Assets described in the Asset Purchase Agreement 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, 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 including, without limiting the generality of the foregoing (i) any encumbrances or charges created by the Initial Order or any other orders made in these CCAA proceedings; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system including those registrations listed on **Schedule “A”** (all of which are collectively referred to as the “**Encumbrances**”) and for greater certainty, this Court orders that all Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

GENERAL

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other foreign jurisdiction to give effect to this Order and to assist the Applicants, 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

8. **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 without any need for filing or entry.

Schedule “A” – PPSA Registrations to be Released

Date of Registration	Secured Party	File Number	Registration Number	Expiry Date
February 5, 2020	Infusion Biosciences Inc.	759882717	20200205 1105 1862 8027	February 5, 2025
December 30, 2020	Her Majesty in Right of Ontario as Represented by the Minister of Finance	768919932	20201230 1818 1031 0702	December 30, 2025
November 19, 2021	Jane Bailey	778362111	20211119 1036 1590 5184	November 19, 2024
June 16, 2022	0982244 B.C. Ltd	784044585	20220616 1423 1590 7490	June 16, 2027

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.** (each an "Applicant" and collectively, the "Applicants")

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

ORDER RE SALE

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Lawyers for the Applicants

TAB 7

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

THE HONOURABLE MADAM) TUESDAY, THE 13th
)
JUSTICE CONWAY) DAY OF SEPTEMBER, 2022
)
)

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 **SPROUTLY, INC.** and **TORONTO
HERBAL REMEDIES INC.**

(each an “Applicant” and collectively the “Applicants”)

CCAA Termination Order

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an order (the “**Order**”), among other things, (i) authorizing the destruction of cannabis, (ii) approving the activities, conduct and report of BDO Canada Limited (“**BDO**”) in its capacity as Monitor, (iii) approving the fees and disbursements of the Monitor and the Monitor’s legal counsel, as described in the Second Report of the Monitor dated September 8, 2022 (the “**Second Report**”) including the affidavits attached thereto and sworn in support of, (iv) terminating these CCAA proceedings and discharging the Monitor at the CCAA Termination Time (as defined below), (v) terminating the Court-ordered charges approved in these CCAA proceedings effective as at the CCAA Termination Time, (vi) permitting the Applicants to file for bankruptcy and consolidating these estates; and (vii) granting certain related relief, was heard this day via video conference due to the COVID-19 pandemic.

ON READING the Second Report, the Affidavit of Craig Loverock sworn September 8, 2022 and the exhibits thereto, the Affidavit of Clark Lonergan sworn September 6, 2022 in connection with the Monitor’s fees (the “**Lonergan Affidavit**”), the Affidavit of Kyle Peterson sworn September 1, 2022 in connection with the fees of the counsel to the Monitor (the “**Peterson**

Affidavit”) and such further materials as counsel may advise, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor and such other counsel as were present, and no one else appearing for any other interested person, although duly served as evidenced by 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, unless otherwise defined herein, capitalized terms used in this Order shall have the meaning given to them in the Amended and Restated Initial Order of the Honourable Justice Penny dated July 4, 2022 made in these proceedings (the “**Initial Order**”).

DESTRUCTION

3. **THIS COURT ORDERS** that the Applicants shall arrange for the orderly, expeditious and lawful disposal or destruction of cannabis or cannabis products that form part of the Property in compliance with applicable law.

TERMINATION OF CCAA PROCEEDINGS

4. **THIS COURT ORDERS** that, upon service by the Monitor of an executed certificate substantially in the form attached hereto as **Schedule “A”** (the “**Termination Certificate**”) on the service list in these CCAA proceedings certifying that, to the best of the knowledge and belief of the Monitor, all matters to be attended to in connection with the CCAA proceedings have been completed, the within CCAA proceedings shall be terminated without any other act or formality (the “**CCAA Termination Time**”), save and except as provided in this Order, and provided that nothing herein impacts the validity of any Orders made in these CCAA proceedings or any action or steps taken by any Person pursuant thereto.

5. **THIS COURT ORDERS** that the Monitor is hereby directed to file a copy of the Termination Certificate with the Court as soon as is practicable following the service thereof on the service list in these CCAA proceedings.

6. **THIS COURT ORDERS** that the Administration Charge, the DIP Lender's Charge, and the Directors' Charge shall be and are hereby terminated, released and discharged at the CCAA Termination Time without any further act or formality.

DISCHARGE OF MONITOR

7. **THIS COURT ORDERS** that effective at the CCAA Termination Time, BDO shall be and is hereby discharged from its duties as the Monitor and shall have no further duties, obligations or responsibilities as Monitor from and after the CCAA Termination Time, provided that, notwithstanding its discharge as Monitor, BDO shall have the authority to carry out, complete or address any matters in its role as Monitor that are ancillary or incidental to these CCAA proceedings following the CCAA Termination Time, as may be required or appropriate ("**Monitor Incidental Matters**").

8. **THIS COURT ORDERS** that, notwithstanding any provision of this Order, the Monitor's discharge or the termination of these CCAA proceedings, nothing herein shall affect, vary, derogate from, limit or amend, and the Monitor shall continue to have the benefit of, all of the rights, approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, or any other Order of this Court in these CCAA proceedings or otherwise, all of which are expressly continued and confirmed following and after the CCAA Termination Time, including in connection with any Monitor Incidental Matters and other actions taken by the Monitor following the CCAA Termination Time with respect to the Applicants or these CCAA proceedings.

9. **THIS COURT ORDERS** that effective at the CCAA Termination Time, in addition to the protections in favour of the Monitor in any Order of this Court in the CCAA proceedings or the CCAA, the Monitor, its counsel, and each of their respective affiliates, officers, directors, partners, employees and agents, as applicable, (collectively, the "**Released Parties**") are hereby released and forever discharged from any and all liability that the Released Persons now or may hereafter have by reason of

any act, omission, transaction, dealing or other occurrence in any way relating to arising out of, or in respect of these CCAA proceedings, including in carrying out any Monitor Incidental Matters, whether known or unknown, matured or unmatured, foreseen or unforeseen, relating to matters that were raised, or could have been raised, in the within proceedings, save and except for any gross negligence or wilful misconduct.

APPROVAL OF ACTIVITIES AND FEES

10. **THIS COURT ORDERS** that the Second Report of the Monitor and the activities described therein are hereby approved.

11. **THIS COURT ORDERS** that the fees and disbursements of the Monitor, as set out in the Second Report and as detailed in the Lonergan Affidavit, are hereby approved.

12. **THIS COURT ORDERS** that the fees and disbursements of the counsel for the Monitor, as set out in the Second Report and as detailed in the Peterson Affidavit, are hereby approved.

13. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel estimated not to exceed \$57,000 (exclusive of HST) for the completion of remaining activities in connection with these CCAA proceedings, are hereby approved.

ASSIGNMENT IN BANKRUPTCY

14. **THIS COURT ORDERS** that, from and after the CCAA Termination Time:

- (a) The Applicants are hereby authorized to make an assignment in bankruptcy pursuant to *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended (“BIA”);
- (b) the Monitor is hereby authorized and empowered to file any such assignment in bankruptcy for and on behalf of the Applicants, and to take any steps incidental thereto; and
- (c) BDO Canada Limited is hereby authorized and empowered, but not obligated, to act as trustee in bankruptcy in respect of the Applicants.

PROCEDURAL CONSOLIDATION

15. **THIS COURT ORDERS** that, upon the Applicants filing in bankruptcy pursuant to the BIA, the trustee in bankruptcy (the “**Trustee**”) may administer the bankruptcy estates of the Applicants as follows:

- (a) A single court file number and title of proceeding of “In the Matter of the Bankruptcy of Sproutly, Inc. and Toronto Herbal Remedies Inc.”;
- (b) The Trustee is authorized to administer the bankrupt estates of the Applicants as if such estates were a single bankrupt estate for the purpose of carrying out its administrative duties and responsibilities as trustee under the BIA with respect to the administration of bankrupt estates generally, including without limitation as follows:
 - i) the Trustee is authorized to send a notice of the first meeting of creditors (the “**Notice**”) in the manner prescribed by section 102 of the BIA by sending a consolidated Notice for all of the Applicants, together with directions to download documents to accompany the Notice set out in section 102(2) of the BIA (the “**Forms**”);
 - ii) meetings of creditors and inspectors in the bankrupt estates of the Applicants may be convened through one combined advertisement and conducted jointly provided that the results of any creditors’ vote shall be separately tabulated for each such bankrupt estate;
 - iii) the Trustee is authorized to use a consolidated form of proof of claim that directs creditors to identify the bankrupt estate in which a claim is made for voting and for distribution purposes;
 - iv) the Trustee is authorized to maintain a consolidated bank account with respect to the Applicants’ respective bankruptcy estates;
 - v) the Trustee is authorized to issue consolidated reports in respect of the bankruptcy estates of the Applicants;

- vi) the Trustee is authorized to perform a consolidated making, filing, advertising and distribution of all filings and notices in the bankrupt estates of the Applicants required under the BIA; and
- vii) a single group of inspectors shall be the inspectors, if appointed, for the consolidated bankruptcy estates of the Applicants.

16. **THIS COURT ORDERS** that this procedural consolidation is not a substantive consolidation of the bankrupt estates of the Applicants and will automatically terminate if the Trustee is replaced as licensed insolvency trustee of any, but not all, of the estates of the Applicants.

GENERAL

17. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any other foreign jurisdiction to give effect to this Order and to assist the Applicants, 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

18. **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 without any need for filing or entry.

SCHEDULE “A”

FORM OF TERMINATION CERTIFICATE

Court File No. CV-22-00683056-00CL

**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 **SPROUTLY, INC.** and **TORONTO
HERBAL REMEDIES INC.**

(each an “Applicant” and collectively the “Applicants”)

TERMINATION CERTIFICATE

RECITALS

1. BDO Canada Limited (“**BDO**”) was appointed as the Monitor of the Applicants in the within proceedings commenced under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the “Court”) dated June 24, 2022 (as amended, the “**Initial Order**”).
2. Pursuant to an Order of this Court dated September 13, 2022 (the “**CCAA Termination Order**”), among other things, BDO shall be discharged as the Monitor and the Applicants’ CCAA proceedings shall be terminated upon the service of this Termination Certificate on the service list in these CCAA proceedings, all in accordance with the terms of the CCAA Distribution and Termination Order.
3. Unless otherwise indicated herein, capitalized terms used in this Termination Certificate shall have the meaning given to them in the Initial Order or the Termination Order, as applicable.

THE MONITOR CERTIFIES the following:

4. To the knowledge of the Monitor, all matters to be attended to in connection with the Applicants' CCAA Proceedings (Court File No. CV-22-00683056-00C) have been completed.

ACCORDINGLY, the CCAA Termination Time as defined in the CCAA Termination Order has occurred.

DATED at Toronto, Ontario this _____ day of _____, 2022.

**BDO Canada Limited, in its capacity of the
Monitor of the Applicants, and not in its
personal or corporate capacity**

Per: _____
Name:
Title:

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 **SPROUTLY, INC.** and **TORONTO HERBAL REMEDIES INC.** (each an "Applicant" and collectively, the "Applicants")

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

CCAA TERMINATION ORDER

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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 SPROUTLY, INC. and TORONTO HERBAL REMEDIES INC. (each an "Applicant" and collectively, the "Applicants")

Court File No. CV-22-00683056-00CL

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

Proceedings commenced at Toronto, Ontario

MOTION RECORD
(Re: Approval and Vesting Order and Ancillary Relief)
(Returnable on September 13, 2022, at 11:00 a.m.)

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