

**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”)

SECOND REPORT OF THE MONITOR

September 8, 2022

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ARRANGEMENT OF SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.

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

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

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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>
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AND TO:	<p>MERIT FINISHING SOLUTIONS INC. 1734 Orangebrook Court, Units 20 and 21 Pickering, Ontario L1W 3G8</p> <p>Contacts for Sub-Tenant Email: sandra@meritfinishing.ca</p> <p>Email: jaret@meritrestoration.ca</p> <p>Sub-Tenant of Property 1734 Orangebrook Crt</p>
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**EMAIL SERVICE LIST
(as at September 8, 2022)**

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APPENDICES

Initial Order of Justice M. Penne dated June 24, 2022Appendix A

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INTRODUCTION

1. On June 24, 2022 (the “**Filing Date**”), Sproutly Inc. (“**SI**”) and Toronto Herbal Remedies Inc. (“**THR**”) (collectively the “**Applicants**” or the “**Companies**”) sought and obtained an order (the “**Initial Order**”) pursuant to the *Companies Creditors Arrangement Act* (the “**CCAA**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). Pursuant to the Initial Order BDO Canada Limited (“**BDO**”) was appointed as CCAA Monitor (the “**Monitor**”). In support of the CCAA application, an affidavit of Mr. Craig Loverock sworn June 22, 2022 (the “**Loverock June Affidavit**”) and the pre-filing report of the proposed monitor, BDO dated June 22, 2022 (the “**Pre-Filing Report**”) were submitted to the Court. The proceedings commenced under the CCAA by the Applicants are referred to herein as the “**CCAA Proceedings**”.
2. The Initial Order, inter alia:
 - a. Approved the Stay of Proceedings for the initial 10-day period (the “**Initial Stay Period**”) through July 4, 2022;
 - b. Approved the interim funds advanced by 0982244 B.C. Ltd. o/a Isle of Mann Property Group (the “**DIP Lender**” or “**Mann**”) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures, provided that interim borrowings under such credit facility shall not exceed \$160,000 (the “**DIP Facility**”) pursuant to the conditions set forth in the term sheet between the Applicants and the DIP Lender dated as of June 22, 2022 (the “**DIP Facility Agreement**”).
 - c. Approved certain Court-ordered priority charges, including but not limited to the following:
 - i. Administration charge in support of professional fees and disbursements plus the applicable taxes incurred, before and after the Initial Order, by the Monitor, its legal counsel, and counsel to the Applicants to a maximum amount of \$150,000 (the “**Administration Charge**”);
 - ii. DIP Lender’s charge in support of the funds advanced to the Applicants under the DIP Facility (the “**DIP Lender’s Charge**”); and
 - iii. Directors and officers charge in support of any obligations and liabilities that may be incurred by the 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 willful misconduct up to a maximum amount of \$50,000 (the “**Director’s Charge**”).

- d. Set out the priority of the Administrative Charge, DIP Lender’s Charge and Director’s Charge on the Companies’ assets as: Administration Charge ranked ahead of the DIP Lender’s Charge and Director’s Charge respectively.
 - e. Contemplated a comeback motion to be heard July 4, 2022 (the “**Comeback Motion**”).
3. A copy of the Initial Order is attached as **Appendix “A”**.
 4. On July 4, 2022, the Companies were granted additional relief under the CCAA by Order (the “**Amended and Restated Initial Order**”) of the Court. The relief granted under the Amended and Restated Initial Order included, among other items: an extension of the Stay Period to October 3, 2022; and an increase in the maximum borrowings permitted under the DIP Facility Agreement to \$750,000. A copy of the Amended and Restated Initial Order is attached as **Appendix “B”**.
 5. Additionally, on July 4, 2022, the Companies’ sought and obtained an order (the “**Sales Process Order**”) from the Court that authorized and directed the Companies’, with the assistance of the Monitor, to proceed with the sales and investment solicitation process (the “**SISP**”) to realize on the Companies’ business and assets including: its Health Canada cannabis and Excise Tax licenses (the “**Licenses**”), and it’s owned real estate located at 64-70 Raleigh Avenue, Toronto, Ontario, M1K 1A3 (the “**Real Property**” or “**THR Premises**”, together with the Licenses as, the “**Property**”).
 6. The SISP which was approved in the Sales Process Order included, amongst other items: an outline of the bidding procedures associated with the SISP (the “**Bidding Procedures**”); and authorized the engagement of two sales agents, Hyde Advisory & Investments Inc. (“**Hyde**”) and Avison Young (“**Avison**”), real estate broker firm (together with Hyde, the “**Sales Agents**” or each a “**Sales Agent**”) to assist with executing on the SISP.
 7. A copy of the Sales Process Order is attached as **Appendix “C”**.
 8. In support of the Amended and Restated Initial Order and Sales Process Order, BDO in its capacity as Monitor, filed a report with the Court dated June 29, 2022 (the “**First Report**”).

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

PURPOSE

10. The purpose of this second report (the “**Second Report**”) is to provide information to the Court with respect to the following:
 - a. The activities of the Monitor and the Applicants since the First Report;
 - b. The Companies’ reported receipts and disbursements for the nine-week period from the date of the Initial Order to August 28, 2022 (the “**R&D Period**”) including a comparison of reported to the forecast results;
 - c. The Monitor’s comments and recommendations regarding the Applicants’ motion returnable September 13, 2022 (the “**September 13 Motion**”) seeking:
 - i. An order (“**Approval and Vesting Order**”) which, among other things:
 - I. Approves the asset purchase agreement (“**APA**”) between THR (the “**Seller**”) and 0982244 B.C. Ltd. o/a Isle of Mann Property Group dated September 2, 2022, pursuant to which Mann has designated 1375857 B.C. LTD. (the “**Purchaser**”) as the vesting party thereunder (the “**Transaction**”);
 - II. Vesting the Purchased Assets (herein defined) in the Purchaser, free and clear of any encumbrances, except permitted encumbrances.
 - ii. An order (“**Sale Order**”) which, among other things:
 - I. Approves the bill of sale between THR and Kingston Cannabis Inc. (“**KCI**”) dated September 6, 2022 (“**Bill of Sale**”) for the purchase of THR’s cannabis Flower (herein defined), Distillate (herein defined) and Extract (herein defined) inventories (“**Cannabis Inventories**”) (the “**Cannabis Sale**”); and
 - II. Vesting the Cannabis Inventories in KCI, free and clear of any encumbrances, except permitted encumbrances.
 - iii. An order (“**CCAA Termination Order**”) among other things:
 - I. Permitting the Applicants to arrange for the orderly, expeditious and lawful disposal or destruction of cannabis or cannabis products;

- II. Authorizing each of the Applicants to file an assignment in bankruptcy under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), prior to termination of the CCAA Proceedings and authorizing Craig Loverock to take all steps necessary to make the assignments in bankruptcy;
- III. Authorizing BDO to act as Licensed Insolvency Trustee in the SI estate and THR estate (in such capacities, the “**Trustee**”);
- IV. Substantively consolidating the estates of SI and THR;
- V. Terminating the CCAA Proceedings upon the filing of a certificate (the “**Termination Certificate**”) by the Monitor;
- VI. Discharging the Monitor and granting certain releases in favour of the Monitor, its counsel and the Released Parties (herein defined);
- VII. Terminating the Administration Charge, the DIP Lender’s Charge and the Director’s Charge upon filing of the Termination Certificate; and
- VIII. Approving this Second Report, the activities of the Monitor and its counsel, Affleck Greene McMurtry LLP (“**AGM**”), and the fees and disbursements of the Monitor and AGM as set out below and the Estimated Remaining Fees (herein defined).

TERMS OF REFERENCE

11. In preparing this Second Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants (“**Management**”), and information from other third-party sources (collectively, the “**Information**”).
12. Except as described in this Second Report:
 - a. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants Canada

Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

- b. Some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
13. Future oriented financial information referred to in this Second Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
14. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Second Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.
15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

MONITOR'S ACTIVITIES SINCE THE FIRST REPORT

16. Since the date of the First Report, the Monitor has undertaken the following activities:
 - a. Uploaded all court documents and certain other relevant documents to its website at: <https://www.bdo.ca/en-ca/extranets/SI-and-toronto-herbal-remedies/> (the "**Monitor's Website**");
 - b. Engaged with its legal counsel, AGM, regarding matters related to the CCAA Proceedings;
 - c. Maintained the service list for these CCAA Proceedings (the "**Service List**") and posted same on the Monitor's Website;
 - d. Continued to operate and monitor its email account for stakeholder inquiries;
 - e. Engaged in discussions with the Applicants, its legal counsel, and its Directors and Management regarding issues related to the following, including but not limited to:

- i. Applicants' operations and borrowings under the DIP Facility, including advances under the DIP Facility, reporting requirement associated with the DIP Facility and disbursements of the Applicants;
 - ii. The Licenses, their status and next steps with regards to Health Canada and the Canada Revenue Agency ("CRA");
 - iii. The CRA payroll audit; and
 - iv. Lease and Sub-Lease (both herein defined).
- f. Assisted the Applicants in discussions with suppliers, creditors and employees related to the CCAA Proceedings and responded to requests for information from certain of such parties;
 - g. Supervised and assisted with activities related to the SISP, as described in greater detail below;
 - h. Published in the Globe and Mail (national edition) on June 29, 2022 and July 6, 2022 the notice required by the Amended and Restated Initial Order and Sales Process Order respectively;
 - i. Reviewed the Applicants' actual cash receipts and disbursements for R&D Period and variances to budget for the same time period as outlined in Revised Cash Flow Projections filed as Appendix "A" to the First Report;
 - j. Prepared this Second Report; and
 - k. Dealt with other matters pertaining to the administration of the CCAA Proceedings.

APPLICANTS' RECEIPTS AND DISBURSEMENTS TO DATE

- 17. The Applicants' actual net cash flow on a consolidated basis for the R&D Period was approximately \$89,380 compared to a forecasted net cash flow of \$Nil over that same period as outlined in the Revised Cash Flow Projection. This positive variance is summarized below:

WEEK ENDING	Forecast	Actual	Difference
	weeks 1-9 to 2022-08-28	weeks 1-9 to 2022-08-28	weeks 1-9 to 2022-08-28
Beginning cash (deficit)	\$ -	\$ 6,761	\$ 6,761
Receipts			
DIP Funding	562,977	482,811	(80,166)
Other receipts (lease/refund)		6,865	6,865
Total funding on hand	562,977	496,437	(66,540)
Disbursements from operations			
Salaries and wages (incl taxes)	112,066	104,877	7,189
Employee benefits	2,520	-	2,520
Utilities	20,250	-	20,250
Communications and admin.	14,000	9,097	4,903
Insurance	2,815	879	1,936
Waste removal & cleaning	2,900	-	2,900
Supplies	2,000	1,217	783
Repairs and maintenance	11,717	-	11,717
Destruction/shipping cost of flower inventory	5,000	-	5,000
Source deductions and related fees	34,321	-	34,321
Monitor & counsel fees	140,000	140,000	-
Mortgage interest	65,000	32,500	32,500
DIP fees and interest	17,500	8,750	8,750
Restructuring costs	120,000	105,000	15,000
Phase II Environmental	7,887	-	7,887
Lease payment	-	4,737	(4,737)
KEIP	-	-	-
Contingency	5,000	-	5,000
Total disbursements	562,977	407,057	155,920
Net Cash Flow	-	89,380	89,379
Closing cash (deficit)		\$ 89,380	

18. Explanations for key variances are as follows:

Receipts:

- a. The Revised Cash Flow Projections forecast no receipts and assumed that DIP Facility funding covered all CCAA Proceeding costs incurred up the week-ended October 2, 2022 (the “Period”). As of August 28, 2022, approximately \$482,811 of DIP funding had been received. The \$80,166 variance represents a timing difference which was funded subsequently to the R&D Period;
- b. The Applicants had approximately \$6,751 in cash in their bank accounts at the time of the Initial Order which was not included in the Revised Cash Flow Projections resulting in a permanent difference; and
- c. SI is party to a lease of an industrial unit that is sublet to a third party. The cash inflows from this unit was \$6,865 (rent of \$4,677 and \$2,188 a refund from the landlord). The

revenue and the associated lease costs (\$4,737, net cash inflow of \$2,128) from this unit was not included in the Revised Cash Flow Projections resulting in a permanent difference.

Disbursements:

- a. The majority of the positive variances are temporary in nature and is expected to reverse in the upcoming weeks (i.e., post-filing utilities invoices that have not been received as of the date of this Second Report, the mortgage interest and DIP interest were paid subsequent to the R&D Period, etc.).
 - b. Included in the Revised Cash Flow Projections was a payment of \$30,000 to partially support pre-filing wages owed to the employees assisting the Applicants with the CCAA Proceedings. This payment was made by the Applicants and are included actual salaries and wages figure (inclusive of all source deductions).
19. The Applicants, with the assistance of the Monitor, prepared an updated cash flow forecast for the Period (the “**CCAA Termination Cash Flow Forecast**”) for the purpose of projecting the Applicants’ remaining estimated cash needs. A copy of the CCAA Termination Cash Flow Forecast with cumulative actuals to August 28, 2022 is attached as **Appendix “D”**. The CCAA Termination Cash Flow Forecast assumes the following:
- a. The Timing Differences reverse over remaining weeks of the Period. For example, utilities have not been billed since the Initial Order and CRA is currently conducting a payroll audit to reconcile the pre-filing source deductions, etc.;
 - b. All priority payables are paid either from the DIP Facility funding or from the Deposit (herein defined) associated with the Transaction;
 - c. All payroll, source deductions and accrued vacation incurred during the CCAA Proceedings are paid;
 - d. A retention bonus of \$15,000 is paid to the CFO/security-cleared Director which was required to maintain his support to run the SISF and close a potential sales transaction; and
 - e. It is anticipated that the Applicants will require additional funding from the DIP Facility and increase the overall borrowings to approximately \$749,000 by the end of the Period. This amount is within the DIP Facility maximum of \$750,000 and consistent with the Revised Cash Flow Projections.

SALE AND INVESTMENT SOLICITATION PROCESS RESULTS

20. In accordance with the Sales Process Order, the Applicants, with the assistance of the Sales Agents and the Monitor conducted the SISP.
21. The SISP was intended to solicit interest in and opportunities for an investment in or sale of all or substantially all of the Property and or the Real Property of the Applicants. This could have included the sale of the shares of the Applicants, including the Real Property (the “**Hyde Sale**”) or the sale of the Real Property without the shares and business (the “**Realtor Sale**”).
22. As set out in the First Report and pursuant to the Court approved Bidding Procedures:
 - a. The Sales Agents with the assist of the Monitor and the Applicants, and in consultation with the DIP Lender, developed a list of known potential bidders and provided them with a summary regarding the opportunity and outlining the process under the SISP and inviting them to participate in the SISP;
 - b. The Monitor published notice of the SISP in the Globe & Mail;
 - c. Interested potential bidders were provided with a confidential information package and access to a virtual data room (“**VDR**”) after executing a non-disclosure agreement (“**NDA**”); and
 - d. The deadline to submit a non-binding letter of intent (a “**LOI**”) by any interested bidder was 5:00 pm (Eastern Time) on August 5, 2022 (the “**LOI Bid Deadline**”).
23. The DIP Lender was included in the potential bidder’s list and the DIP Lender reserved their right to credit bid their secured indebtedness (including the DIP Facility) to the Applicants, in addition to previous secured debt facilities extended to THR to purchase the Real Property.
Hyde Sale:
24. Prior to the filing under the CCAA, THR had engaged Hyde on two occasions, to amongst other things, source qualified purchasers to buy 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.
25. On June 29, 2022 the Applicants with the assistance of the Monitor entered into an agreement with Hyde (the “**CCAA Hyde Engagement**”), which was approved by the Court on July 4, 2022.

26. The CCAA Hyde Engagement and marketing for the Property was planned to run simultaneously with the Realtor Sale. The CCAA Hyde Engagement included a \$35,000 break fee, triggered by a close of successful Realtor Sale transaction approved by the Court; however, this break fee would not be payable if the SISP culminated in a credit bid transaction by the DIP Lender.
27. Hyde marketed the Property by canvassing approximately 42 third parties. Seven (7) of these third parties signed NDAs and were granted access to the VDR. Only, one (1) of these third parties attended a site visit at the Company's premises.
28. Despite the efforts of Hyde, there were no LOIs received by the LOI Bid Deadline.

Realtor Sale:

29. With the assistance of the Monitor, the Applicants reached out to three (3) realtors to present listing proposals in relation to the sale of the Real Property. Two (2) realtors presented proposals. On June 29, 2022 the Applicants with the assistance of the Monitor entered into an agreement with Avison Young ("**Avison**") to market the Real Property for sale, which was approved by the Court on July 4, 2022, ("**Avison Engagement**"). The Avison Engagement amongst other things included a \$35,000 break fee clause; however, this clause was triggered by a close of a successful Hyde Sale or a successful credit bid transaction approved by the Court (the "**Break Fee**").
30. Avison listed the Real Property on the real property multiple-listing service database ("**MLS**") and its marketing process was extensive with materials being distributed to over 1300 parties by standard mail, email and/or direct contact. The results of these efforts were that no parties signed a NDA and only one (1) party visited the Companies' premises for a site tour.
31. Despite the efforts of Avison, there were no LOIs received by the LOI Bid Deadline.
32. However, the week after the LOI Bid Deadline, Avison was approached by an interested party who verbally presented an offer to purchase the Real Property.
33. The DIP Lender was not supportive of the purchase price offered, such that this transaction was not ultimately pursued
34. As a result of the lack of acceptable bids in the SISP, the DIP Lender offered to purchase THR's assets for the consideration set out below. The Monitor understands that the DIP Lender/Purchaser will undertake to pay the Break Fee directly to Avison.

PROPOSED TRANSACTION

35. The Applicants and their counsel, in consultation with the Monitor negotiated and finalized the terms of a proposed APA between THR and the DIP Lender.
36. A copy of the APA is attached as **Appendix “E”**. Capitalized terms in this section not otherwise defined herein have the meaning ascribed to them in the APA.
37. Pursuant to the APA, the Purchaser has 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 Licenses held by the THR permitting the processing, cultivation, and sale of cannabis in accordance with *Cannabis Act* and the *Cannabis Regulations* (collectively 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, record, computers and servers.
38. Pursuant to the APA, the purchase price (the “**Purchase Price**”) of \$3,825,000 for the Purchased Assets was to be satisfied as follows:
 - a. The Purchaser was to pay to the Monitor an amount equal to the Priority Payables (herein defined) less the \$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.
39. The Priority Payables will include amounts due under the Administration Charge granted in the CCAA proceeding (if any) as well as property taxes up to the date of closing and outstanding employer health tax amounts registered by the Ministry of Finance (herein defined) on the Real Property.

40. The APA further provides that THR is to return to the DIP Lender an amount in cash representing any excess of the Deposit over the amount of the Priority Payables.
41. In light of the above, the Monitor's view is that the APA and Transactions contemplated therein represent the highest and best possible outcome for the Applicants' stakeholders. The Monitor recommends the Court approve the Transaction for the following reasons:
- a. Efforts to get the best price: The market was widely canvassed pursuant to the Court-approved SISP as both a going concern and as a Real Property sale, resulting in no offers from potential purchasers or investors by the LOI Bid Deadline. Additionally, the SISP did not provide any acceptable offers received after the LOI Bid Deadline. The Transaction is as a result, the highest and best offer for the Real Property;
 - b. Interests of the parties: Mann as first mortgage holder and DIP Lender supports the Transaction notwithstanding that it will suffer a shortfall in the proposed Transaction.
 - i. The proposed Approval and Vesting Order would authorize THR to enter in the APA and transfer the Purchased Assets to the Purchaser, as designee of the DIP Lender, free and clear of any encumbrances, subject only to the permitted encumbrances as outlined in the APA. THR has the following secured creditors:
 - I. The DIP Lender, has, amongst other things, a registered mortgage on the Real Property as well as a registration pursuant to the Ontario *Personal Property Security Act* (the "**PPSA**");
 - II. Infusion Biosciences Inc. ("**Infusion**"), 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;
 - III. 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; and

- IV. 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.
- ii. Therefore, in the Monitor’s opinion, no other party will be prejudiced by the proposed Transaction;
- c. Efficacy and integrity of the process: The SISP, with the assistance of the Sales Agents, was run with integrity. All interested parties were given an opportunity to participate in the sales process. No objections or concerns regarding the sales process have been brought to the Monitor’s attention. Furthermore, the APA was negotiated in good faith, and is the best and highest price under the circumstances; and
- d. There was no unfairness: In the Monitor’s view, there has been no unfairness in the conduct of the sales process. No party has been prejudiced or excluded, and the lack of any offers received confirms the Monitor’s conclusion that the proposed Transaction is the highest and best offer available for the Real Property.

CANNABIS LICENSE, EXCISE LICENSE & CANNABIS INVENTORY

Licenses:

42. THR is engaged in the production, processing and sale of cannabis products. It holds the Applicants’ primary assets, which include the Real Property, various equipment and inventory, and the Health Canada license permitting the processing, cultivation, and sale of cannabis in accordance with the Cannabis Regulations. Currently, THR is no longer growing or producing cannabis products; however, cannabis remains at the licensed facility.
43. Under the Cannabis Regulations, a holder of a cannabis license has to notify Health Canada if it intends to cease activities.
44. As a result of the lack of interest in the license as part of the SISP, on August 30, 2022, THR submitted a Notice of Cessation of Activities Form (“**Notice of Cessation**”) to Health Canada. 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.

45. THR is also in possession of an excise license, which is related to federal excise taxes on cannabis products (the “**Excise License**”). THR has advised the CRA that THR intends to surrender its Excise License. THR is awaiting direction from CRA regarding the destruction of any excise stamps issued.
46. Pursuant to the APA, the Purchased Assets exclude the Licenses and any cannabis inventory.

Cannabis Inventory:

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

Destruction of Cannabis:

48. Under the 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 must be provided to them. THR is currently determining if another entity can take the Samples as an alternative. 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).

BILL OF SALE WITH KCI

49. 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, the Cannabis Sale:

- a. \$1 for the Flower;
 - b. \$1 for the Extracts; and
 - c. \$1,000 for the Distillate.
50. KCI agrees to be responsible for all testing and shipping costs to permit the material to be transferred out of the THR Premises. A copy of the Bill of Sale is attached as **Appendix “F”**.
51. KCI holds the appropriate processing license from Health Canada to take this inventory into possession and additionally with regards to the Distillate, KCI holds the sublicense with regards to the APP technology to use the Distillate.
52. It is contemplated that following Court approval of the Bill of Sale, KCI will take the Flower, Extracts and Distillate before the closing of the Transaction.
53. In light of the above, the Monitor’s view is that the Cannabis Sale represent the highest and best possible outcome for the Applicants’ stakeholders. The Monitor recommends the Court approve the Cannabis Sale for the following reasons:
 - a. the sale of this inventory to KCI facilitates the closing of the Transaction, as confirmation that all cannabis inventory has been removed from the THR Premises is a closing condition;
 - b. this inventory has negligible value, requires additional costs to test and/or destroy and certain of this inventory is subject to license owned by Infusion;
 - c. the DIP Lender and Infusion are supportive; and
 - d. the vesting of the Flower, Extracts and Distillates to KCI free and clear of any encumbrances will not prejudice any of the Secured Creditors.

LEASE

54. Sproutly, Inc. is a party to a lease agreement (the **“Lease”**) dated June 15, 2019 with Invar Corporation and Jade River Holdings Limited (the **“Landlord”**). A copy if the Lease is attached as **Appendix “G”**.
55. Sproutly, Inc. entered into a sub-lease agreement dated June 19, 2020 (the **“Sub-Lease”**) with Merit Finishing Solutions Inc. (the **“Subtenant”**). A copy of the Sub-Lease is attached as **Appendix “H”**.

56. 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 in the remainder of the CCAA Proceedings or in the Applicants' anticipated bankruptcy proceedings if approved by the Court.

REQUESTED TERMINATION OF THE CCAA PROCEEDINGS AND BANKRUPTCIES

Anticipated Bankruptcies:

57. Pending the Court approval of the Transaction and Cannabis Sale transaction, the Applicants will have realized on all of their saleable assets and there will be no further recoveries available for the benefit of the Applicants' creditors. Accordingly, the Applicants do not intend to file a plan of compromise or arrangement on the basis it is unnecessary and there is no reason to do so. The Applicants are of the view that filing assignments in bankruptcy prior to the termination of the CCAA Proceedings would assist with the orderly and efficient wind up of the corporations and provide the Applicants' employees access to amount due under *Wage Earner Protection Program Act* ("WEPPA").
58. The Applicants are seeking to substantively consolidate the SI and THR bankrupt estates as the affairs of the Applicants/Bankrupts, as well as the Trustee's administration of their estates are inextricably intertwined, and that the affairs of the Applicants/Bankrupts were conducted without regard for corporate identity or their separate judicial personalities (including but not limited to, SI being a holding corporation for the purpose of holding THR's shares, certain of the Applicants' employees being in SI or THR, etc.). Additionally, the business and affairs of the Applicants, creditors and other stakeholders will benefit from the improved efficiency and cost-effectiveness of the requested consolidation, and no party will be unfairly prejudiced by it.
59. The Monitor is of the view that the anticipated bankruptcies and substantive consolidation of these estates is reasonable, does not prejudice the stakeholders, and provides for an expedient and efficient path toward winding down the Applicants' business.

Discharge of Certain Court Ordered Charges:

60. If the CCAA Termination Order is granted, the Administration Charge, DIP Lender's Charge and Director's Charge will be terminated upon the filing of the Termination Certificate.

61. The CCAA Termination Cash Flow Forecast (remaining DIP Facility funding), and Deposit from the Transaction are sufficient to pay all outstanding and remaining professional fees and disbursements of the Monitor and its counsel covered under the Administration Charge.
62. The Transaction, as previously outlined, is a credit bid of Mann's outstanding loans to the Applicants including the DIP Facility. As such, upon Court approval and closing of the Sale Transaction the DIP Lender's Charge will no longer be needed.
63. Currently, there are no known claims against the Directors or Officers relating to liabilities incurred by the Applicants after the date of the Initial Order and which would be covered by the Director's Charge. The CCAA Termination Cash Flow Forecast also assumes that all post-filing payroll and accrued vacation pay of the Applicants' employees are paid in full. In addition, the Monitor has been advised by the Applicants' counsel that the beneficiaries of the Directors' Charge are aware of the proposed termination of the Directors' Charge and do not object to same.
64. Accordingly, based on the foregoing the Monitor's view is that it is appropriate for the Administration Charge, DIP Lender's Charge and Directors' Charge to terminate upon filing of the Termination Certificate and termination of the CCAA Proceedings.

Releases:

65. The proposed CCAA Termination Order releases, the Monitor, counsel to the Monitor, and each of their respective affiliates and officers, directors, partners, employees and agents as applicable, (collectively, the "**Released Parties**") are released and 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. The releases do not include any claim or liability arising out of any gross negligence or willful misconduct on the part of the applicable Released Party (the "**Releases**").
66. The proposed form of CCAA Termination Order provides that the Releases would: (a) become effective on the date the CCAA Termination Order is granted; and (b) be deemed to be effective up to and including the date of the termination of the CCAA Proceedings upon filing of the Termination Certificate.
67. Based on the foregoing, the Monitor is of the view that the Releases are fair and reasonable.

Filing of the Termination Certificate and Termination of the CCAA Proceedings:

68. Subject to the CCAA Termination Order being granted, once the activities to finalize the CCAA Proceedings are completed to the Monitor's satisfaction, the Monitor will provide the Service List with the Termination Certificate (attached as Schedule "A" to the proposed CCAA Termination Order) and the CCAA Proceedings will be terminated (and the Monitor will be discharged) as of that time, with the release of the Released Parties deemed to be effective up to the time of termination. The Monitor will file the Termination Certificate.

APPROVAL OF THE MONITOR'S FEES AND ACTIVITIES

69. The Monitor and its legal counsel, AGM, have been paid their fees and disbursements at their standard rates and charges by the Applicants from time to time, in accordance with paragraph 27 of the Amended and Restated Initial Order, as part of the costs of the CCAA Proceedings.
70. The Monitor and AGM have maintained records of their professional time and costs. The Monitor now requests approval of its fees and disbursements for the period from March 15, 2022 to August 31, 2022, and the fees and disbursements for AGM for the period from June 6, 2022 to August 31, 2022.
71. The total fees and disbursements of the Monitor for the period of March 15, 2022 to August 31, 2022 total \$182,418.87, including fees in the amount of \$152,914.50, disbursements in the amount of \$8,518.12, and HST in the amount of \$20,986.25, as more particularly described in the affidavit of Clark Lonergan sworn September 8, 2022 (the "**Lonergan Fee Affidavit**"), a copy of which is attached hereto as **Appendix "I"**.
72. The total fees and disbursements of AGM principally from, June 6, 2022 to August 31, 2022 total \$18,275.21, including fees in the amount of \$16,052.00, disbursements in the amount of 120.75, and HST in the amount of \$2,102.46, as more particularly described in the affidavit of Kyle Peterson sworn September 1, 2022 (the "**Peterson Fee Affidavit**", together with the Lonergan Fee Affidavit, the "**Fee Affidavits**"), a copy of which is attached hereto as **Appendix "J"**.
73. As described herein, prior to the filing of the Termination Certificate, the Monitor and its counsel will perform additional activities and expect to incur fees to complete the CCAA Proceedings (the "**Estimated Remaining Fees**"), estimated to be \$57,000 (exclusive of HST).

74. The Monitor respectfully submits that the fees and disbursements of the Monitor and its counsel, as set out in the Fee Affidavits, are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Orders issued in the CCAA Proceedings. Accordingly, the Monitor respectfully requests the approval of the fees and disbursements of the Monitor as set out in this Second Report, including the Estimated Remaining Fees.
75. The Monitor is also requesting approval of this Second Report and the activities of the Monitor described herein

CONCLUSION

76. The Monitor confirms that the Applicants have acted and continue to act in good faith with due diligence.
77. For the reasons stated in this Second Report, the Monitor supports the relief sought by the Applicants in connection with the September 13 Motion. The Monitor respectfully submits to the Court this, its Second Report.

All of which is respectfully submitted this 8th day of September 2022.

**BDO CANADA LIMITED, in its capacity
as CCAA Monitor of the Applicants, and not in
its corporate or personal capacity.**



**Clark Lonergan, CPA, CA, CIRP, LIT
Senior Vice President**

APPENDIX A



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

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

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

FRIDAY, THE 24th
DAY OF JUNE, 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”)

INITIAL ORDER

THIS APPLICATION, 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 proposed monitor, BDO Canada Limited (“**BDO**”) dated June 22, 2022 (the “**Pre-Filing 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 Application, and on hearing the submissions of counsel for the Applicant, counsel for BDO, and those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavit of Service of Adrienne Ho sworn June 23, 2022, and on reading the consent of BDO to act as the monitor of the Applicants (in such capacity, the “**Monitor**”),

SERVICE & DEFINITIONS

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

2. **THIS COURT ORDERS** that 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.

POSSESSION OF PROPERTY AND OPERATIONS

4. **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 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.

5. **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.

6. **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.

7. **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.

8. **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.

9. **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

10. **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 continue negotiations with stakeholders in an effort to pursue restructuring options.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

11. **THIS COURT ORDERS** that until and including July 4, 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.

NO EXERCISE OF RIGHTS OR REMEDIES

12. **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

13. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, 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

14. **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, 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

15. **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

16. **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 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

17. **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.

18. **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 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

19. **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 17 of this Order.

APPOINTMENT OF MONITOR

20. **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.

21. **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 its 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) 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;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

22. **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.

23. **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.

24. **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.

25. **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, the Monitor shall incur no 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.

26. **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.

27. **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.

28. **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, 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 35 and 37 hereof.

DIP FINANCING

29. **THIS COURT ORDERS** that the Applicants is 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 and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$750,000 (the “**DIP Facility**”) and are limited to what is reasonably necessary for the continued operations of the Applicants in the ordinary course of business during the initial Stay Period, unless permitted by further Order of this Court.

30. **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**”), filed.

31. **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 its 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.

32. **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 35 and 37 hereof.

33. **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.

34. **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

35. **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 \$160,000); and

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

36. **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.

37. **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).

38. **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.

39. **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) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any

negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds 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 the 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.

40. **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

41. **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 this Order publicly available in the manner prescribed under the CCAA in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

42. **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/>.

43. **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, personal delivery or facsimile or other electronic transmission shall be deemed to be received on the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

44. **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

45. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

46. **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.

47. **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.

48. **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.

49. **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.

50. **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

51. **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 in blue ink, appearing to read "Perry J.", is written over 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

INITIAL ORDER

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Lawyers for the Applicants

APPENDIX B



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.

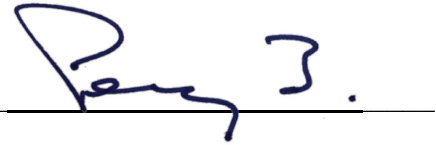
49. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order,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

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Lawyers for the Applicants

APPENDIX C



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.



Perry J.

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)

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Lawyers for the Applicants

APPENDIX D

Sproutly Inc. and
Toronto Herbal Remedies Inc.
CCAA Termination Cash Flow Forecast with weeks 1-9 actuals for the period
June 27, 2022 to October 2, 2022
(CAD \$)

Appendix "D"

WEEK ENDING	Notes	Actual	10	11	12	13	14	1-9 Actual
		weeks 1-9 to 2022-08-28	2022-09-04	2022-09-11	2022-09-18	2022-09-25	2022-10-02	10-14 projection TOTAL
Beginning cash (deficit)	1	\$ 6,761	\$ 89,380	\$ 113,296	\$ 113,488	\$ 113,488	\$ 113,488	\$ 6,761
Receipts								
DIP Funding		482,811	80,166	50,006		14,813	121,102	748,898
Other receipts (lease/refund)	2	6,865						6,865
Total funding on hand		496,437	169,546	163,302	113,488	128,301	234,590	762,524
Disbursements from operations								
Salaries and wages (incl taxes)	3	104,877	-	14,813	-	14,813	17,500	152,003
Employee benefits		-	-	-	-	-	3,780	3,780
Utilities	4	-	-	-	-	-	20,250	20,250
Communications and admin.	5	9,097	-	-	-	-	11,903	21,000
Insurance		879	-	-	-	-	2,836	3,715
Waste removal & cleaning		-	-	-	-	-	3,400	3,400
Supplies	6	1,217	-	-	-	-	1,783	3,000
Repairs and maintenance	7	-	-	-	-	-	2,500	2,500
Destruction/shipping cost of flower inventory		-	-	-	-	-	5,000	5,000
Source deductions and related fees	8	-	-	-	-	-	34,707	34,707
Monitor & counsel fees		140,000	-	25,000	-	-	40,000	205,000
Mortgage interest	9	32,500	32,500	-	-	-	32,500	97,500
DIP fees and interest		8,750	8,750	-	-	-	23,750	41,250
Restructuring costs	10	105,000	15,000	10,000	-	-	10,000	140,000
Phase II Environmental	11	-	-	-	-	-	-	-
Lease payment	2	4,737	-	-	-	-	-	4,737
KEIP	12	-	-	-	-	-	15,000	15,000
Contingency		-	-	-	-	-	-	-
Total disbursements		407,057	56,250	49,813	-	14,813	224,909	752,842
Net Cash Flow		89,380	113,296	113,488	113,488	113,488	9,681	9,681
Closing cash (deficit)		\$ 89,380	\$ 113,296	\$ 113,488	\$ 113,488	\$ 113,488	\$ 9,681	\$ 9,681

Notes:

- Cash balance in the Applicant's bank accounts at the date of the Initial Order.
- The Company is party to a lease of an industrial unit that is sublet to a third party. The rent amount of \$4,676 was received and \$4,737 was paid to the landlord. Furthermore, the receipt includes \$2,188 representing a refund from the landlord.
- Week 1 payment includes \$30,000 which represent a portion of back wages. As payroll is one week in arrears at any given time, we have added one week of payments (\$7,500) to the final week. This also includes \$6,000 of accrued vacation pay during the CCAA period.
- Utilities presented for payment do not include arrears only monthly charges estimated by current rates. The Companies have not been billed since the CCAA Proceedings were initiated. Therefore, the full requested amount will be held to make the payments when they arrive.
- This amount reflects all security and communication costs associated with the cannabis licence and facility.
- Personal protective equipment and cleaning supplies required as a condition of licence.
- Repairs and maintenance include amounts for minor repairs that are necessary to maintain the building.
- These are amount required for payment pursuant to the DIP Agreement and ongoing payroll to close. The Companies' payroll is currently being audited by CRA and there is a dispute which should be resolved once the audit is complete.
- Associated interest costs for current Mann Mortgage.
- This reflects estimated cost for Company's legal counsel.
- A Phase II environmental assessment was completed and invoiced in August 2021 by Try Environmental Services Inc. ("Try"). This payment will not be made.
- Amounts allocated for Key Employee Incentive are to assist with the sales process and keep the CFO/President as a security cleared Director.

APPENDIX E

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:

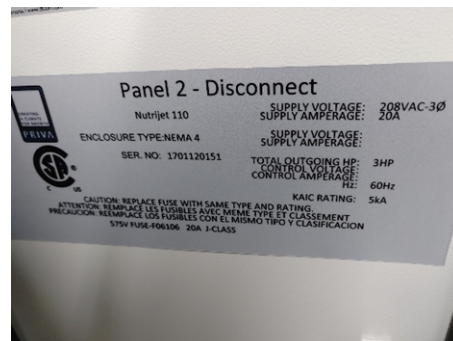
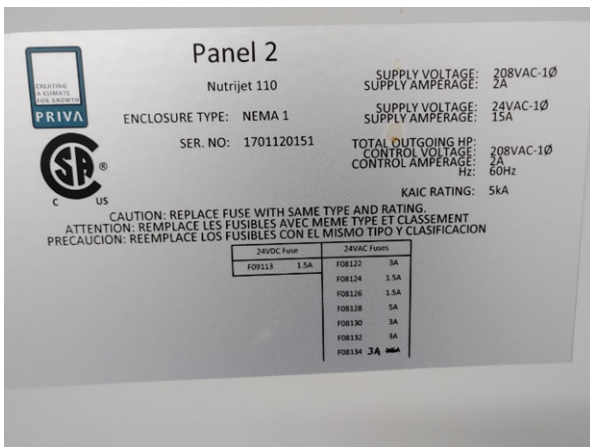
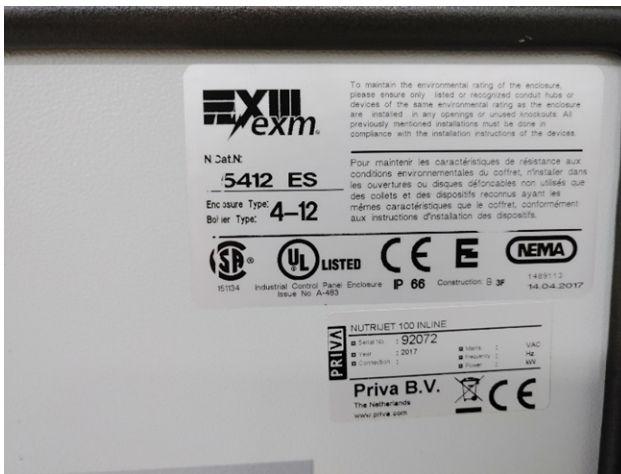
Surplus Equipment July 2021

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-C4I12JdgiokThL7uq2w63MhxyCFAS51QaA1bEALw_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-activated-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		



APPENDIX F

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.

APPENDIX G

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

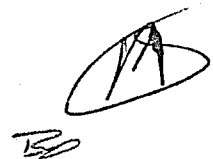
(hereinafter called the "Tenant")

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;

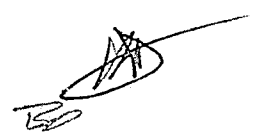
- (f) **"Event of Default"** has the meaning set out in Section 14.1;
- (g) **"Fixturing Period"** means the period, if any, set out in Section 1.1(k) granted to the Tenant for possession prior to the Commencement Date for the purpose of fixturing and improving the Premises in order to carry on the Permitted 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

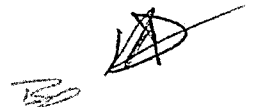
The Tenant will pay to the Landlord the Rental Taxes assessed on: (a) the Rent; (b) the Landlord; and/or (c) the Tenant pursuant to the laws, rules and regulations governing the administration of the Rental Taxes by the authority having jurisdiction, and as such may be amended from time to time during 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

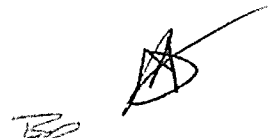
The Tenant shall pay to the Landlord, as Additional Rent, all Realty Taxes levied, rated, charged or assessed throughout the Term, on or in relation to the Premises, or any part thereof, in accordance with the following:

- (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.



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 Conclusiue

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.

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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: _____
Title: *Terence S. Dineen*
Asst

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: _____

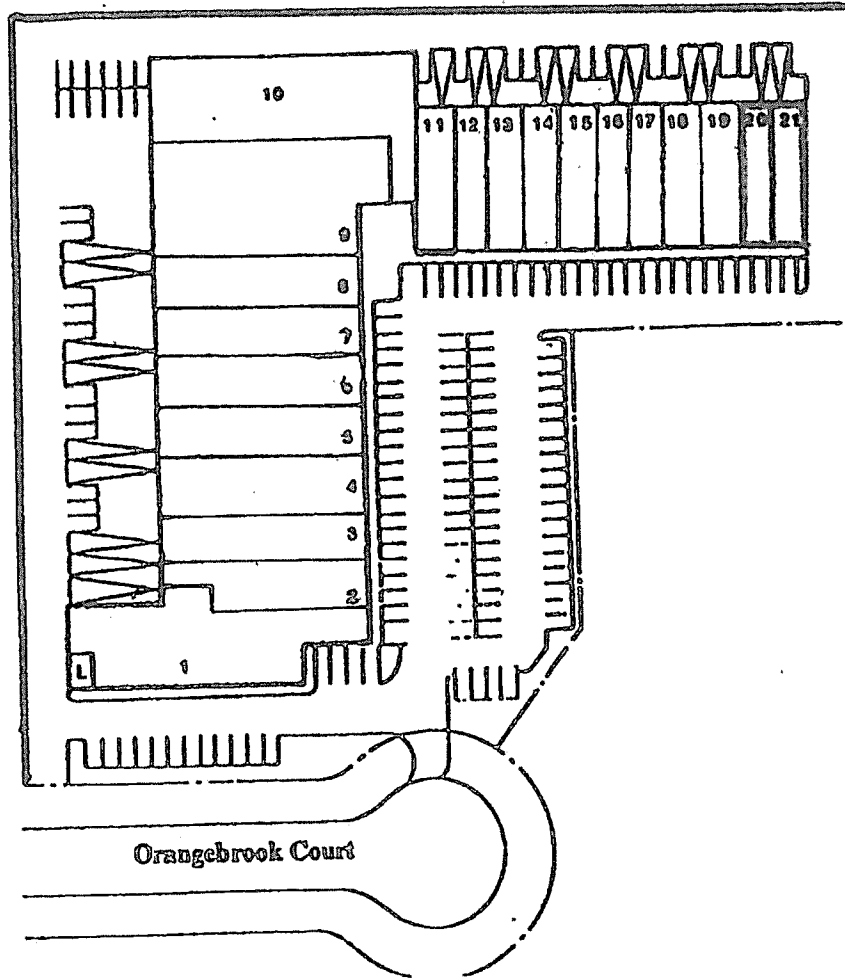
Name: _____
Title: _____

Per: _____

Name: _____
Title: _____

I/We have the authority to bind the Corporation

SCHEDULE "A"
1734 ORANGEBROOK COURT

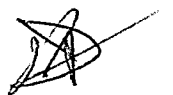


[Handwritten signature]

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.

A handwritten signature or set of initials, possibly 'DA', written in black ink in the bottom right corner of the page.

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.



APPENDIX H

Authentisign ID: D49032DC-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 Sub-tenant to abide by Head Lease 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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Authentisign ID: D49032DC-C158-4151-9033-DFCE238BB199

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 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 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 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): u

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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.

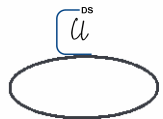
22. LEGAL, ACCOUNTING AND ENVIRONMENTAL ADVICE: The parties acknowledge that any information provided by the broker is not legal, accounting, tax or environmental advice, and that it has been recommended that the parties obtain independent professional advice prior to signing this document.

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):



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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) (Sub-Tenant/Authorized Signing Officer) **Jarret Bilich** **06/20/2020**
 (Witness) (Sub-Tenant/Authorized Signing Officer)
 (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:

(Witness) (Sub-Landlord/Authorized Signing Officer) **Craig Lovernack** **6/23/2020**
DocuSigned by: 7C38C58338484F4...
 (Witness) (Sub-Landlord/Authorized Signing Officer) **Sproutly Inc.**
 (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
	BRENT MCKEAN	<small>(Tel.No.)</small>
	<small>(Salesperson/Broker/Broker of Record Name)</small>	
Co-op/Sub-Tenant Brokerage	ROYAL HERITAGE REALTY LTD.	(905) 723-4800
	STEVEN REA	<small>(Tel.No.)</small>
	<small>(Salesperson/Broker/Broker of Record Name)</small>	

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.

(Sub-Landlord) **Sproutly Inc.** (Date)
 (Sub-Tenant) **Jarret Bilich** **06/20/2020**
DocuSigned by: 7C38C58338484F4...
 (Sub-Landlord) (Date)
 Address for Service **1734 Orangabrook crt 20-21**
 **Pickering**
(Tel. No.) (Tel. No.)
 Sub-Landlord's Lawyer Sub-Tenant's Lawyer
 Address Address
 Email Email
(Tel. No.) (Fax. No.) (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: **STEVEN REA**
(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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Authentisign ID: D49032DC-C158-4151-9033-DFCE238BB199



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 representative(s) 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 represent the Buyer and the property is not listed with any real estate brokerage. The Brokerage will be paid
(does/does not)
 - 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)

JB

BUYER

SR

CO-OPERATING/BUYER BROKERAGE

la

SELLER

BAM

LISTING BROKERAGE

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Authentisign ID: D49032DC-C158-4151-9033-DFCE238BB199

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

 STEVEN REA 06/20/2020
 (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

 [Signature] Jun 23, 2020
 (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.

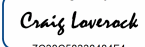



BUYER'S INITIALS SELLER'S INITIALS

ACKNOWLEDGEMENT

I have received, read, and understand the above information.

 06/20/2020
 (Signature of Buyer) (Date)

 6/23/2020
 (Signature of Seller) Sproutly Inc. (Date)

.....
 (Signature of Buyer) (Date)

.....
 (Signature of Seller) (Date)

APPENDIX I

**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 CLARK LONERGAN
(sworn September 8, 2022)**

I, CLARK LONERGAN, of the City of Richmond Hill, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am a Partner of BDO Canada Limited, and as such have personal knowledge of the matters referred to herein.
2. On June 24, 2022, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued an Order (the "**Initial Order**") granting Sproutly Inc. and Toronto Herbal Remedies Inc. (collectively the "**Applicants**" or the "**Companies**") protection pursuant to the Companies Creditors Arrangement Act (the "**CCAA**"). Pursuant to the Initial Order BDO Canada Limited was appointed as CCAA Monitor ("**BDO**" or the "**Monitor**").
3. On July 4, 2022 the Court issued an order extending the initial stay to October 2, 2022 ("**Amended and Restated Initial Order**").
4. On September 8, 2022, the Monitor finalized its Second Report to the Court in which it outlined its activities with respect Applicants and the Monitor as well as provided information with respect to the Monitor's fees and disbursement and those of its legal counsel.

5. Pursuant to the Amended and Restated Initial Order, the Monitor has provided services and incurred disbursements, in the amount of \$152,914.50 and \$8,518.12 (all excluding HST), respectively, for the period March 15, 2022 to August 31, 2022 (the “**Period**”) with respect to services provided. Attached hereto and marked as **Exhibit “A”** and **Exhibit “B”** to this my Affidavit is a summary of all invoices and disbursements, respectively, rendered by the Monitor on a periodic basis during the Period (the “**Monitor’s Accounts**”).
6. True copies of the Monitor’s Accounts, which include a fair and accurate description of the services provided along with hours and applicable rates claimed by the Monitor, are attached as **Exhibit “C”** to this my Affidavit.
7. In the course of performing its duties pursuant to the Amended and Restated Initial Order, the Monitor’s staff has expended a total of 284.50 hours during the Period. Attached as **Exhibit “D”** to this my Affidavit is a schedule setting out a summary of the individual staff involved in the administration of the Monitor’s appointment and the hours and applicable rates claimed by the Monitor for the Period. The average hourly rate billed by the Monitor during the Period is \$537.49.
8. The Monitor requests that this Court approve its Monitor’s Accounts for the Period, in the total amount of \$182,418.75 (including HST) for services rendered and recorded during the Period.
9. The time shown in the detailed account attached as Exhibits A-D are a fair and accurate description of the services provided and the amounts charged by the Monitor, which reflect the Monitor’s time as billed at the standard billing rates.
10. Affleck Greene McMurtry LLP (“**AGM**”), as independent legal counsel to the Monitor, has provided legal services to the Monitor, rendered services throughout these proceedings in a manner consistent with the instructions of the Monitor and has prepared an affidavit with respect to the services rendered in the period up to August 31, 2022 (the “**Counsel’s Period**”). The Monitor has reviewed the invoices rendered by AGM during the Counsel’s Period.

11. To the best of my knowledge, the rates charged by the Monitor and AGM are comparable to the rates charged for the provision of similar services by other accounting and law firms in downtown Toronto.
12. I verily believe that the fees and disbursements incurred by BDO, in its respective capacity as Monitor, and AGM are fair and reasonable in the circumstances
13. This affidavit is sworn in support of the Applicants' Motion for, among other things, approval of the Monitor's fees and disbursements and those of its legal representatives and for no other or improper purpose.

SWORN by Clark Lonergan of the City of Richmond Hill, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on **September 8, 2022**, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits
(or as may be)

ALYSSA HALL



CLARK LONERGAN

This is Exhibit "A" referred to in the
Affidavit of Clark Lonergan, sworn
before me this 8th
day of September, 2022.



A Commissioner for Taking Affidavits

ALYSSA HALL

Exhibit "A"

BDO CANADA LIMITED

IN THE MATTER OF THE CCAA PROCEEDINGS
OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC.

Statement of Fees Summary

Invoice #	Period	Fees Incurred	Disbursements	HST	Total
CINV1817719	Fees incurred until June 24, 2022	\$ 75,905.50	\$ -	\$ 9,867.72	\$ 85,773.22
CINV1871436	June 24, 2022 to July 15, 2022	40,090.00	8,518.12	\$ 6,319.06	\$ 54,927.18
CINV191114	July 16, 2022 to August 12, 2022	13,177.50	-	\$ 1,713.08	\$ 14,890.58
CINV1918000	August 12, 2022 to August 31, 2022	23,741.50	-	\$ 3,086.40	\$ 26,827.90
		<u>\$ 152,914.50</u>	<u>\$ 8,518.12</u>	<u>\$ 20,986.25</u>	<u>\$ 182,418.87</u>

This is Exhibit "B" referred to in the
Affidavit of Clark Lonergan, sworn
before me this 8th
day of September, 2022.



A Commissioner for Taking Affidavits

ALYSSA HALL

Exhibit "B"

BDO CANADA LIMITED

**IN THE MATTER OF THE CCAA PROCEEDINGS
OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC.**

**Disbursement Summary
For the up to August 31, 2022**

PPSA Searches	\$	46.00
Globe & Mail Publication Advertisement - Initial Order		2,632.12
Globe & Mail Publication Advertisement - Sales Process		5,840.00
	\$	<u>8,518.12</u>

This is Exhibit "C" referred to in the
Affidavit of Clark Lonergan, sworn
before me this 8th,
day of September, 2022.



A Commissioner for Taking Affidavits

ALYSSA HALL



Tel: 416 865 0210
Fax: 416 865 0904
www.bdo.ca

BDO Canada Limited
20 Wellington Street E, Suite 500
Toronto ON M5E 1C5 Canada

Strictly Private & Confidential

Sproutly Inc. and Toronto Herbal Remedies Inc.
70 Raleigh Avenue
Scarborough, Ontario
M1K 1A3

June 28, 2022

Invoice
CINV1817719

RE: IN THE MATTER OF THE PROCEEDINGS UNDER THE CCAA OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC. (the "Debtors")

TO OUR FEE FOR PROFESSIONAL SERVICES rendered in connection with our engagement Proposed Monitor and Monitor through June 24, 2022 for the above-noted, as described below:

Our Fee	\$ 75,905.50
HST - 13.00% (#R101518124)	9,867.72
TOTAL	\$ 85,773.22

Summary of Time Charges:

	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
C. Lonergan, Partner	79.8	635.00	50,673.00
A. Koroneos, Sr. Manager	26.6	525.00	13,965.00
E. Klein, Manager	23.9	425.00	10,157.50
Administration/bookkeeping	7.4	150.00	1,110.00
Total	<u>137.7</u>		<u>\$ 75,905.50</u>

Staff	Date	Comments	Hrs.
03/15/2022	Clark Lonergan	Initial planning call with the Company, review of AP and organizational chart, update on assets, review of PPSA(s), review of PIN, review of Mann loan document, review of employee contracts and critical employee analysis and outstanding obligations, review of company cash flow, priority payables, excise tax update, moving of regulated property to other location, discussion with various DIP lenders, discussion with D. Hyde re: sales process, update planning document for options - NOI/CCAA, discussion with Corporate Counsel re: reporting requirements of the public company entity, engagement letter and risk update, multiple discussions with the Company and counsel re: the same, discussion with Prospective Purchaser and counsels re: transaction, update next steps email for Company/Purchaser, update email for DIP lender(s), etc. Call with potential DIP lender, call with Company re: the same, etc.	2.5
03/23/2022	Clark Lonergan	Call with Corporate Counsel re: next steps	0.4
03/24/2022	Clark Lonergan	Call with Corporate Counsel, sales agent and Company re: the sales process	0.6
03/28/2022	Clark Lonergan	Conference call with Company, Counsel re: DIP financing, etc.	0.5
03/28/2022	Emily Klein	Call with Company regarding DIP financing.	0.5
03/29/2022	Clark Lonergan	Update call with DIP lenders, follow up with Company with information required for Application materials and affidavit, discussion with Counsel re: next steps, business term update including asset listing, assumed obligations, etc.	2.8
03/29/2022	Emily Klein	Drafting proposed monitors report and corresponding with Company regarding information requests.	2.1
03/30/2022	Clark Lonergan	Update call with Company re: next steps, asset listing, finalizing cash flows, DIP update, liability discussion, employee update, critical vendor assessment, review of final cash flow and assumptions, etc.	2.3
03/30/2022	Emily Klein	Call with Company regarding information requests. Summarizing breakdown of Company's affidavit in support of the CCAA application. Reviewing forecasted cash flow. Updating proposed monitor's report.	4.5
03/31/2022	Clark Lonergan	Drafting proposed Monitor's Report, DIP term sheet update, review of PPSA and secured claim loan documents, AP update, review of organization structure, update with Counsel re: Mann Mortgage, review of Monitor's counsel engagement letter, review of estimated realization, etc.	3.5

Staff	Date	Comments	Hrs.
03/31/2022	Emily Klein	Corresponding with Company's counsel regarding information requests for the application record.	0.8
04/01/2022	Clark Lonergan	Call with Company and Prospective Purchaser re: Proposed Transaction, update call with Company re: the same, sales process update, proposed Monitor's Report update, outstanding items update listing for Company and Counsel, follow up with DIP lenders, follow up with Purchaser's counsel re: SPA and DIP term sheet, etc.	4.5
04/01/2022	Emily Klein	Drafting first Monitor's report to court.	3.5
04/04/2022	Clark Lonergan	Review Hyde Fee affidavit template, update with Company re: business terms re: the SPA, review of additional DIP offers and discussion with respective parties re: the same, discussion with potential purchaser re: their potential DIP offer and discussions with the Company re: the same, etc.	2.3
04/04/2022	Emily Klein	Corresponding with Company counsel and the Company regarding requested documents from Company counsel.	0.7
04/05/2022	Emily Klein	Corresponding with Company counsel and the Company regarding requested documents from Company counsel.	0.3
04/06/2022	Emily Klein	Corresponding with Company regarding retainer and discussing same with internal banking team. Summarizing file to-do list and sharing same with C. Lonergan.	1.4
04/06/2022	Clark Lonergan	Discussion with Counsel re: next steps, update Monitor's report re: the same, etc.	1.2
04/11/2022	Clark Lonergan	Call with counsel and the Company regarding Share Purchase Agreement ("SPA"), Management Agreement, DIP Term Sheet and APA for blister machine, review those aforementioned draft documents, update next steps listing, etc.	2.3
04/11/2022	Emily Klein	Interviewing D. Hyde to draft his Affidavit for the First Monitor's Report. Summarizing notes regarding the same.	1.5
04/14/2022	Clark Lonergan	Review updated PSA, DIP term sheet, and outstanding business items, update outstanding check list of Company & Counsels, update outstanding business items for D. Hyde, update call with Company and Counsel re: the same, etc.	3.8
04/18/2022	Clark Lonergan	Review of the updated SPA, discussion with the Company re: the same, Review of Bill of Sale, releases and discussion with Company and Counsel re: the same, etc.	2.8
04/19/2022	Clark Lonergan	Update on sale agreement for Blister Machine, review of releases re: the same, discussion with Company and Counsel re: the same, review of potential purchaser turn of the SPA, discussions with Company and Counsel re: the same, call with Blakes re: next steps, follow up with Corporate Assets re: additional growing equipment excluded from the SPA and potential asset valuation, update of Flower inventory sale, etc. Review of updated cash flow and discussion with the Company re: the same. Discussion with Company re: potential new offer for THR shares and required next steps, etc.	3.5

Staff	Date	Comments	Hrs.
04/20/2022	Clark Lonergan	Update call with Blakes re: status of the SPA and closing conditions, discussion with the Company re: the same, update from D. Hyde and Company re: SPA update, etc.	1.3
04/21/2022	Clark Lonergan	Review of potential purchaser response re: the SPA, follow up planning with Company re: next steps, follow up with potential lenders regarding refinancing of the Mann mortgage, etc.	2.5
04/25/2022	Clark Lonergan	Follow up with D. Hyde and Company re: new mortgage holder and bridge loan, etc.	0.8
04/29/2022	Emily Klein	Reviewing various files and organizing on internal drive.	1.0
04/29/2022	Clark Lonergan	Review of new LOI, update with DIP financing re: the same, discussion with Company regarding new LOI, terms and response back to the potential purchaser, etc.	1.8
05/02/2022	Clark Lonergan	Discussion with Company re: LOI and template for potential new purchasers, follow up with potential purchase counsel, etc.	2.5
05/06/2022	Clark Lonergan	Review of new LOI and discussion with Company re: the same and next steps, etc.	2.3
05/09/2022	Clark Lonergan	Review of new LOI, update of PSA and DIP agreement and discussion with Company re the same, etc.	3.5
05/13/2022	Clark Lonergan	Affidavit update and follow up with sales agent re: the same, meeting with BDO team, etc.	0.5
05/13/2022	Emily Klein	Meeting with C. Lonergan re: file status.	0.2
05/18/2022	Clark Lonergan	Update call with Company, DIP lender and counsel re: next steps and pivot to a normal CCAA filing without a prepack transaction, etc.	1.5
05/26/2022	Clark Lonergan	DIP update, cash flow update and discussion with the Company re: the same, etc.	1.3
05/27/2022	Emily Klein	Update call with C. Lonergan and A. Koroneos.	0.3
05/27/2022	Clark Lonergan	Follow up with Pillar re: DIP term sheet, follow up with Company re: due diligence re: the same etc. Follow up with Counsel re: next steps, etc.	1.6
05/31/2022	Anna Koroneos	Meeting with C. Lonergan on realtors; review of correspondence to the 3 realtors; update call with Company, etc.	1.2
05/31/2022	Clark Lonergan	Update call with Company re: DIP, update call with sales agent re: bifurcated process with Relators, update emails to Colliers, JLL, and AY. Discussions with Relators re: the same, etc.	1.2
06/01/2022	Anna Koroneos	Review of realtor correspondence, etc.	0.1
06/02/2022	Clark Lonergan	Finalizing the DIP term sheet, etc.	0.5
06/03/2022	Clark Lonergan	Update discussion with Counsel and the Company re: next steps, update calls with real estate brokers regarding the RFP to sell the real property assets, etc.	1.5
06/03/2022	Anna Koroneos	Correspondence from realtors; correspondence with C. Lonergan, Company and Counsels; call with Company counsel, etc.	1.4

Staff	Date	Comments	Hrs.
06/06/2022	Clark Lonergan	Update call with Counsel, the Company and BDO team re: lender update and ask, next steps for filing, update call with real estate broker re: proposal, etc.	1.0
06/06/2022	Anna Koroneos	Correspondence re: scheduling call; call with Company, C. Lonergan, and counsels, etc.	0.5
06/07/2022	Clark Lonergan	Review of draft report and amended cash flow; discussion with BDO team re: the same, discussion with Company regarding outstanding financial information, etc.	2.5
06/07/2022	Anna Koroneos	Draft pre-filing report and discussions with C. Lonergan; review response to certain questions from C. Lonergan; review of amended Cash Flow from the Company; emails from TGF on mortgagor meeting, etc.	2.6
06/08/2022	Anna Koroneos	Review of F/S received from the Company and update report; review PPSA, comments on draft report; call with secured creditor and Company on CCAA, DIP etc.; conversation with E. Klein on call update, etc.	1.9
06/08/2022	Emily Klein	Reviewing outstanding documents required for pre-filing report and corresponding with A. Koroneos re: the same.	0.2
06/08/2022	Clark Lonergan	Update call with Company, Lender and Counsel re: next steps options, review of material, etc.	1.7
06/09/2022	Clark Lonergan	Update call with Counsel and Company re: next steps, etc.	0.5
06/09/2022	Anna Koroneos	Review of JLL & A&Y proposals, update call with Company and counsel regarding update.	0.5
06/10/2022	Clark Lonergan	Review of JLL proposal & A&Y proposal and discussion with BDO team re: the same, search for liens, etc.	0.3
06/10/2022	Anna Koroneos	Review of realtor proposals and discussion with C. Lonergan re: the same.	0.3
06/13/2022	Anna Koroneos	Review of Company's AP listing and review of email correspondence, etc.	0.2
06/13/2022	Clark Lonergan	Follow up with Counsel re: Secured Lender meeting, next steps, update of cash flows with Company, etc.	0.8
06/16/2022	Anna Koroneos	Discussion with C. Lonergan on status update; correspondence with Company and Counsel, etc.	0.6
06/16/2022	Clark Lonergan	Discussion with Company and Counsel re: Secured Lender support for the CCAA process, review of cash flows and agent proposals re: the same, etc.	0.6
06/17/2022	Clark Lonergan	Call with Secured Creditor and Counsel re: next steps, discussion with Counsel and Company re: subordination of Infusion debt, review of cashflows, review of DIP term sheet, review of consent to act and SISP process etc.	3.1
06/20/2022	Anna Koroneos	Emails on call scheduling; email on notice and to J. Hue on admin; email to C. Loverock on addresses for creditors; call with TGF; call with C. Lonergan on sales process; draft consent to act; review and update report; dual marketing and sales process plan; meeting with E. Klein, etc.	4.0

Staff	Date	Comments	Hrs.
06/20/2022	Emily Klein	Meeting with A. Koroneos re: status of file and checklist for CCAA.	0.8
06/21/2022	Clark Lonergan	Review pre-filing report and provide comments re: the same, review and finalize of cash flow forecast, realtor analysis, DIP lender update, SISP review and timeline discussion with Counsels, discussion with BDO team re: the same, etc.	4.0
06/21/2022	Anna Koroneos	Review of draft order and send comments; review and update cash flow notes; call with Company and C. Lonergan on Cash flow; subsequent discussion with C. Lonergan on realtor choice and commission difference; updates to filing materials; update SISP and forward to team; update Cash Flow and forward as appendix A; with C. Lonergan on ad and emails with D. Flett on two ad and precedent; discussion with R. Kennedy on call with DIP lender; with E. Klein on SISP for court report and SISP for advertisement; call with R. Kennedy, C. Loverock and J. Randhawa on cash flow; call with C. Loverock and R. Kennedy on affidavit; send report for review; messages with R. Kennedy; messages with C. Lonergan;	5.4
06/22/2022	Clark Lonergan	Review of draft report, service list and correspondence with the BDO team and Counsels re: the same, etc.	2.5
06/22/2022	Anna Koroneos	Review of C. Lonergan draft report comments and address; forward report to C. Lonergan' email to J. Parisi and C. Lonergan answering questions regarding the report; update report; with CL on employees and urgency; review of emails; update CEBA amount email to team on same; calls with A. Ho of TGF on CEBA loans, service list and additional creditors; call with C. Loverock on CEBA with J. Hue on checklist; update Form 1 for OSB filing; finalize report; emails with A. Ho and C. Lonergan; with team on creditors list updates; emails from Company's counsel and respond.	3.5
06/23/2022	Clark Lonergan	Update on Court materials, next steps planning, update with sale agents, discussion with BDO team and Counsel re: the same, discussion with BDO team re: website and SISP template.	2.6
06/23/2022	Emily Klein	Corresponding with J. Hue re: status of CCAA website, email address, and newspaper ad. Drafting document detailing the SISP to attach to first report of monitor.	3.0
06/24/2022	Clark Lonergan	Review of Court materials, attendance at Court, review of notices and Globe ad, OSC filings, sales process review, discussion with Counsels re: next steps, discussion with sales agent and potential relators, review of website and discussion with BDO team re: the same, Hydro and employee update, etc.	4.4
06/24/2022	Anna Koroneos	Review of motion materials; review of draft order; prepare emails for Globe and Mail quote; prepare email for webpage posting; prepare for and attend court for initial order; emails to team on creditor list RBC/BMO; call with C. Lonergan and work through OSB submissions; with team on webpage, email address and globe ad; complete draft review of SISP and forward to legal counsel and Company; work on Monitors first report.	4.4
06/24/2022	Emily Klein	Corresponding with J. Hue re: documents to post on website. Corresponding with A. Koroneos re: filing and next steps. Corresponding with Toronto Hydro re: CCAA and status of Company's hydro.	3.1



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Strictly Private & Confidential

Sproutly Inc. and Toronto Herbal Remedies Inc.
 70 Raleigh Avenue
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July 22, 2022

Invoice
 CINV1871436

RE: IN THE MATTER OF THE PROCEEDINGS UNDER THE CCAA OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC. (the "Debtors")

TO OUR FEE FOR PROFESSIONAL SERVICES rendered in connection with our engagement Proposed Monitor and Monitor through June 24, 2022 to July 15, 2022 for the above noted as described below:

Our Fee		\$ 40,090.00
Disbursements:		
PPSA searches	46.00	
Globe and Mail - Initial Order Ad	2,632.12	
Globe and Mail - Sales Process Ad	5,840.00	
		<u>8,518.12</u>
Sub Total		48,608.12
HST - 13% (#RT101518124)		6,319.06
Total		<u><u>\$ 54,927.18</u></u>

Summary of Time Charges:

	Hours	Rate	Amount
C. Lonergan, Partner	32.0	635.00	20,320.00
A. Koroneos, Sr. Manager	28.9	525.00	15,172.50
E. Klein, Manager	6.3	425.00	2,677.50
J. Hue, Sr. Administrator	12.8	150.00	1,920.00
Total	<u>80.0</u>		<u><u>\$ 40,090.00</u></u>

Date	Professional	Description	Hours
24-Jun-22	Clark Lonergan	Review of Court materials, attendance at Court, review of notices and Globe add, OSC submissions/filings, sales process review, discussion with Counsels re: next steps, discussion with sales agent and potential relators, review of website and discussion with BDO team re: the same, Hydro and employee update, Monitor's First Report update, etc.	4.1
24-Jun-22	Anna Koroneos	Review Caselines email; review of draft order; prepare emails for Globe and Mail quote; prepare email for webpage posting; prepare for and attend court for initial order; emails to team on creditor list RBC/BMO; call with C. Lonergan and work through OSB submissions; with team on webpage, email address and globe ad; complete draft review of SISP and forward to legal counsel and Company; work on Monitors First Report.	4.4
24-Jun-22	Emily Klein	Corresponding with J. Hue re: documents to post on website. Corresponding with A. Koroneos re: filing and next steps. Corresponding with Toronto Hydro re: CCAA and status of Company's hydro account.	3.1
24-Jun-22	Jessie Hue	Call with IT regarding email account setup, email Globe and mail request for proof and to publish initial Order notice, call with Globe and Mail regarding ad and the earliest date for publication Wednesday June 29 and circulate date to team; Prepare the documents and naming of the pdf and request to post to the website.	2.5
27-Jun-22	Anna Koroneos	Review SISP ad and circulate for comments; update SISP with K. Peterson comments; emails with AY on timelines and seller's name; telephone calls with the OSB on clarification of Form 2, amend and send Form 2; work on First Report of the Monitor; send timeline to D. Hyde; call with J. Hue on mailing, Monitor's email address and posting on website; review TGF changes on SISP and update; circulate updated SISP; with L. Dula on bank account for deposits and wire information for SISP; emails with RK; send draft report to C. Lonergan for comments; review of notice to creditors; DNB invoice draft .5; vmail and call with J. Lee on storage container; with C. Loverock and call on same; email conclusion to C. Lonergan.	6.3
27-Jun-22	Jessie Hue	Email A. Koroneos the proof of the notice and initial order to be published in the Globe and Mail June 29th for approval and further email to Globe and Mail to proceed with the ad. Request IT to update the website with the Service list and email team status of the website. Email Globe and Mail further request to publish the sales process ad for July 6th and provide proof and cost. Update the creditors listing with the BMO, RBC information and reformat the creditor list. Prepare the email notice to the creditors and mailing to (9) creditors without email address, request to post the notice and the list of creditors to the website, call from Sheila at Toronto Hydro	3.2

Date	Professional	Description	Hours
		and circulate contact to the team. Request IT to update the website with the correct initial order.	
27-Jun-22	Clark Lonergan	Drafting First Report of the Monitor, review of statutory notices and filing requirements with the OSB, discussion with Hyde and AY about SISP and rates, etc.	4.7
27-Jun-22	Emily Klein	Corresponding with J. Hue regarding documents for website. Corresponding with Toronto Hydro re: new account and disconnection notice. Reviewing emails from creditors.	1.5
28-Jun-22	Jessie Hue	Prepare interim invoice in Workday. Follow up with IT on website postings status and email A. Koroneos confirmation.	0.5
28-Jun-22	Anna Koroneos	Review of listing agreement and MLS form from Avison Young ("AY"); emails to C. Lonergan and K. Peterson on draft APA and draft SPA; review of website for changes; with J. Hue on time spent and advise E. Klein; with E. Klein on invoice; review of amendment and extension of stay order draft and the order approving the SISP; several communications with C. Lonergan on the Monitor's first report; call with D. Hyde and C. Loverock on sale; emails with TGF; work on form of LOI; call with R. Kennedy and C. Loverock; email to D. Hyde on new agreement; with CL on report and Hyde agreement; respond to email on deemed trust CRA amounts emails on property tax; review NOM and send comments; call with R. Kennedy on SISP; correspondence with C. Lonergan on break fees; emails on priorities; respond to Health Canada email sent to company	5.9
28-Jun-22	Jessie Hue	Prepare the affidavit of service of the notice to the creditors of the initial order and the list of creditors with method of service.	1.1
28-Jun-22	Clark Lonergan	Update and review of the Monitor's First Report, follow up with AY re: SISP and their agreement, follow up with Hyde re: SISP and his agreement, review and finalize the SISP process, discussion with BDO team and Counsels re: the same, etc.	4.0
29-Jun-22	Jessie Hue	Finalize the affidavit of service of the notice of creditors of initial order and email A. Koroneos. Monitor email account and mail the notice to the creditors since email was returned as undeliverable. Review ad for the sales process proof and email team for approval and Globe and mail to publish for July 6th. Request the tear-sheet for the ad dated June 29th regarding the Initial Order notice, revision to the invoice	1.7
29-Jun-22	Anna Koroneos	Review of Hyde agreement and circulate; emails from C. Lonergan; review of Monitor's First Report; emails from TGF and C. Lonergan; update CF for variance reporting; review of AY agreement and forward changes to AY emails updates on SISP First report etc.; update cashflow; emails with Debtor and TGF; with team on Globe ad; read final First Report and forward for quality review; review G&M invoice and send for	6.1

Date	Professional	Description	Hours
		payment; call with J. Parisi on review of report; edits; prepare email with final documents and forward to C. Lonergan with appendices; emails with TGF on redaction and signed agreements; with C. Loverock and AY on signed agreement; finalize report and circulate for filing; all with A. Ho on SISP order and confirm service; initiate payments schedule for CF variance review.	
29-Jun-22	Clark Lonergan	Update and review of the Monitor's First Report, finalize AY agreement, draft and finalize the Hyde agreement, review revised cash flow forecast, finalize invoice, review, and finalize the SISP process, discussion with BDO team and Counsels re: the same, etc.	4.5
29-Jun-22	Emily Klein	Reviewing Globe and Mail advertisement for SISP.	0.3
30-Jun-22	Clark Lonergan	Review of Court documents, cash expenditures to date, discussion with Company and counsel re: the same.	1.2
30-Jun-22	Anna Koroneos	Send materials for webpage posting to J. Hue; send factum for posting; with K. Peterson on Hyde agreement.	0.5
30-Jun-22	Jessie Hue	Request to post the Factum of the Applicants, Motion Record and First Report of the Monitor. Prepare cheque requisition regarding payment of the Globe and Mail Ad for the Initial Order Notice.	0.9
4-Jul-22	Anna Koroneos	Emails with Hyde and C. Lonergan; upload data room; receipt of updated service list and email to team for posting; attend at court - 10 a.m. - instruct to approve Globe Ad.	1.3
4-Jul-22	Clark Lonergan	Attendance at Court, discussion with Company and Counsel re: the same, SISP update and discussion with sales agents re: the same, etc.	2.4
5-Jul-22	Anna Koroneos	Emails with C. Loverock on cash flow and payments; email to TGF; with C. Lonergan on sales process; with E. Klein on Toronto Hydro; with J. Hue on Globe ad and website posting; with E. Klein on Enbridge and container/creditor; with E. Klein on realtor and respond; review of AV marketing package; comment on same.	1.2
5-Jul-22	Clark Lonergan	SISP update, review of the NDA, review of CA, review of teaser, review of MLS listing, updating the listing and teaser re: the same, discussion with BDO team and Counsel re: the same, etc.	4.3
5-Jul-22	Emily Klein	Creditor inquiries.	1.0
5-Jul-22	Jessie Hue	Request to post updated Service List, Amended & Restated Initial Order, Endorsement and Order Approval of Sale Process to the website. Updated creditors list with current amount and contact and same for Ascend.	0.7

Date	Professional	Description	Hours
6-Jul-22	Jessie Hue	Update creditors email and amounts in Ascend and schedule with the creditor list, request for the Globe and Mail tear- sheet regarding the Sales process Ad; monitor email account and mail the notice of initial order to the creditor G.T.A GSM Ltd. as email was undeliverable.	0.6
6-Jul-22	Anna Koroneos	Review of emails from Sales Agents; review of MLS listing; forward amended cash flow to C. Loverock; review of email from Purolator and instructions to change claim amount; with E. Klein on Lee & Associates; review MLS updated listing; review of Hyde site; review email from C. Lonergan; emails with TGF on cash flow.	1.1
6-Jul-22	Clark Lonergan	Update with Company re: cash flows, update with BDO team re: statutory filling obligations, globe articles, etc. update with Sales Agents re: marketing documents, data rooms, etc.	2.8
6-Jul-22	Emily Klein	Creditor inquiries.	0.2
7-Jul-22	Anna Koroneos	Set up summary for DIP lender reporting; review AY listing on MLS and website; review emails from Sales Agents; review emails on DIP request; review updated Service List; review email from DIP lender; review of response from the ministry on their response; emails with C. Lonergan and C. Loverock on cash flow.	0.8
7-Jul-22	Clark Lonergan	Update with service list, correspondence with Counsel re: the same, data room and cash flow discussion with the Company, sales agent discussion re: go-live process, data room and marketing information sent to date, etc.	0.9
7-Jul-22	Emily Klein	Creditor inquiries.	0.2
8-Jul-22	Clark Lonergan	DIP lender update, SISP update with sales agents, review of data room and discussion with Company re: cash flow, etc.	1.2
11-Jul-22	Anna Koroneos	Review email forwarded from M. Singh (BDO) and respond to RBC on account and contacts; email to D. Hyde on contact.	0.3
12-Jul-22	Anna Koroneos	Review cash flow for this week's disbursements.	0.1
12-Jul-22	Jessie Hue	Follow up with AP regarding the Globe and Mail invoice, updated creditor list with amount and contact information and same in Ascend.	0.6
13-Jul-22	Anna Koroneos	With C. Loverock on Waterlogic, send notice and ask J. Hue to update contact information; with J. Hue on Globe and Mail invoice; email from Affleck Greene McMurtry LLP and forward to J. Hue to update Service List.	0.5
13-Jul-22	Clark Lonergan	Service list update and review of cash flow activity, etc.	0.2
13-Jul-22	Jessie Hue	Updated creditors email on creditors list and same in Ascend, request to upload the current Service List to the website and removal of the previously posted, Submit to AP the request	0.7

Date	Professional	Description	Hours
		for payment of the Globe and mail invoice regarding the Sales Process ad.	
14-Jul-22	Anna Koroneos	Review of emails.	0.1
14-Jul-22	Jessie Hue	Correspondence with IT to modify the posing of the Service List to the one dated July 14 and email A. Koroneos confirmation.	0.3
15-Jul-22	Clark Lonergan	SISP update and discussions with the Sales Agents, Company, and update of reporting for the DIP lender, review of cash flows and variance and discussion with the Company re: the same, etc.	1.7
15-Jul-22	Anna Koroneos	With C. Lonergan on sales agent reporting and review of SISP update.	0.3



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Strictly Private & Confidential

Sproutly Inc. and Toronto Herbal Remedies Inc.
 70 Raleigh Avenue
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August 18, 2022

Invoice
 CINV1911114

RE: IN THE MATTER OF THE PROCEEDINGS UNDER THE CCAA OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC. (the "Debtors")

TO OUR FEE FOR PROFESSIONAL SERVICES rendered in connection with our engagement as Monitor through July 16, 2022 to August 12, 2022 for the above noted as described below:

Our Fee	\$ 13,177.50
HST - 13% (#RT101518124)	1,713.08
Total	\$ 14,890.58

Summary of Time Charges:

	Hours	Rate	Amount
C. Lonergan, Partner	13.0	635.00	8,255.00
A. Koroneos, Sr. Manager	6.7	525.00	3,517.50
E. Klein, Manager	2.0	425.00	850.00
J. Hue, Sr. Administrator	3.7	150.00	555.00
Total	25.4		\$ 13,177.50

Staff	Date	Comments	Time
Koroneos, A	18-Jul-22	Review emails; respond to Ministry on operations; email to C. Lonergan on invoice two.	0.3
Hue, J	19-Jul-22	Prepare invoice to July 15, 2022; follow up with AP regarding Globe and mail invoice and email draft invoice to A. Koroneos.	2.0
Koroneos, A	19-Jul-22	Request invoice; review of invoice two.	0.6
Klein, E	20-Jul-22	Creditor inquiries.	0.3
Koroneos, A	20-Jul-22	Review of cash flow for weekly payments; emails on summary judgement.	0.4
Koroneos, A	21-Jul-22	With R. Kennedy on CF; emails with CL on same; email communication with C. Loverock on payment support.	0.3
Lonergan, C	21-Jul-22	Cannabis product update with the Company, memo re: the same, cash flow update with Company, etc.	2.5
Lonergan, C	22-Jul-22	Update call wit DIP lender, discussion with the Company and prep for the same, cash flow and SISP update correspondence, etc.	1.7
Hue, J	22-Jul-22	Process invoice.	0.3
Klein, E	22-Jul-22	Creditor inquiries.	0.2
Klein, E	25-Jul-22	Creditor inquires.	0.2
Koroneos, A	25-Jul-22	With Ontario EHT about operations and payroll; forward final determination to C. Loverock.	0.2
Koroneos, A	26-Jul-22	Email from C. Loverock on employee claims; respond on WEPP and CCAA not included; review of email on DIP request.	0.3
Koroneos, A	27-Jul-22	Review DIP request and email from lender.	0.1
Lonergan, C	28-Jul-22	Update call with Company re: employee issues, cash flow, etc.	0.5
Lonergan, C	29-Jul-22	Cash flow discussion with Company, sale process and cannabis update with the Company, and weekly DIP Lender update re: the same, etc.	1.0
Koroneos, A	3-Aug-22	Review of this weeks cash flow transactions; review v/m from CRA.	0.2
Klein, E	3-Aug-22	Creditor correspondences.	0.1
Klein, E	4-Aug-22	Creditor correspondences.	0.2
Koroneos, A	4-Aug-22	Review CRA message; email to J. Hue to contact CRA for proper number to callback; review email from Company; emails from E. Klein on employees.	0.3
Koroneos, A	5-Aug-22	Call with E. Klein employees; email to C. Lonergan on LOI possibilities; call to Ginoa at CRA replacing S. Palma 905-379-8486; voicemail message for Meaghan Ward CRA HST auditor; with E. Klein on employee message; call with C. Lonergan on no offers; respond to emails.	1.0

Staff	Date	Comments	Time
Hue, J	5-Aug-22	Several calls to CRA to reach agent and email A. Koroneos contact numbers.	1.4
Lonergan, C	5-Aug-22	Update call with Company regarding sales process update and cash flow update, etc.	1.0
Klein, E	5-Aug-22	Creditor inquiries.	0.3
Koroneos, A	8-Aug-22	Emails with K. Peterson on availability for call; with Arup and R. Kennedy on scheduling call; forward invite; call with counsel on planning; call with R. Kennedy on assets; voicemail message and return call to M. Ward on HST auditor; email to team on auditor; review employee emails, respond to E. Klein; email to Chuck and schedule call.	1.0
Lonergan, C	8-Aug-22	Update call on SISP and next steps regarding the DIP lender and Credit Bid/License RVO vs. APA for the Real Property, etc.	1.0
Koroneos, A	9-Aug-22	Tc with C. Seguinon employee status; subsequent call with E. Klein on same; review of email from Arup on staff/license; respond to same; with C. Lonergan on license due and fee review HC for details and respond.	0.8
Lonergan, C	9-Aug-22	Call with Company regarding RVO and credit bid, license update and outstanding items, including status of employees, insurance, etc.	1.1
Koroneos, A	10-Aug-22	Review of email from Arup on employee liabilities; email to team on same with instructions to post update; emails with Karin to schedule call.	0.4
Klein, E	10-Aug-22	Creditor inquiries.	0.1
Lonergan, C	10-Aug-22	Discussion with Company re: outstanding employee obligations, cannabis product transfer and next steps, etc.	1.2
Koroneos, A	11-Aug-22	Emails on staff queries; call with K. Struder of THR on next steps; review of email.	0.8
Klein, E	11-Aug-22	Employee correspondences and corresponding with A. Koroneos re: same.	0.5
Lonergan, C	11-Aug-22	Employee update and discussion with Counsel and BDO team re: the same.	0.3
Klein, E	12-Aug-22	Creditor correspondences.	0.1
Lonergan, C	12-Aug-22	Follow up with Company re: employee issues, insurance continuation, benefits discussion, CRA update, call with DIP lender re: next steps, property taxes, call with AY re: offer to purchase, various correspondence re: SISP process and offer to purchase the real estate, etc. Discussion with Company re: cash flows and DIP funding, etc.	2.7



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Strictly Private & Confidential

Sproutly Inc. and Toronto Herbal Remedies Inc.
 70 Raleigh Avenue
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August 31, 2022

Invoice
 CINV1918000

RE: IN THE MATTER OF THE PROCEEDINGS UNDER THE CCAA OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC. (the "Debtors")

TO OUR FEE FOR PROFESSIONAL SERVICES rendered in connection with our engagement as Monitor through August 13, 2022 to August 31, 2022 for the above noted as described below:

Our Fee	\$ 23,741.50
HST - 13% (#RT101518124)	3,086.40
Total	<u>\$ 26,827.90</u>

Summary of Time Charges:

	Hours	Rate	Amount
C. Lonergan, Partner	20.9	635.00	13,271.50
A. Koroneos, Sr. Manager	18.4	525.00	9,660.00
E. Klein, Manager	1.8	425.00	765.00
J. Hue, Sr. Administrator	0.3	150.00	45.00
Total	<u>41.4</u>		<u>\$ 23,741.50</u>

Staff	Date	Comments	Hours
Hue, J	15-Aug-22	Update creditors list and arrange to post to the website.	0.3
Lonergan, C	15-Aug-22	SISP update, call with Avison Yonge (“AY”) re: the same, correspondence with SISP parties regarding offer, etc.	0.7
Lonergan, C	16-Aug-22	Asset Purchase Agreement (“APA”) review, update call with Company re: the same, Cannabis memo discussion, employee discussion and next steps, HST and License update, etc.	2.0
Lonergan, C	17-Aug-22	Review of APA, follow up regarding DIP, discussion with BDO team, counsel and realtor re: the same, follow up with Company re: DIP, insurance and benefits, etc. Discussion with DIP lender counsel on next steps, etc.	1.5
Lonergan, C	18-Aug-22	SISP update, discussion with Company, DIP lenders, counsel and sales agents re: the same, etc.	1.3
Lonergan, C	19-Aug-22	Team update call re: next steps and closing items for the APA re: credit bid, update with Company re: cash flows, priority payables, D&O obligations, discussion with BDO team re: closing check list email, etc.	2.3
Klein, E	19-Aug-22	Call with BDO, purchaser, TGF and Company re: outstanding items and status of file. Creating information request list and sharing with same group.	1.8
Lonergan, C	20-Aug-22	Correspondence with counsel, review of equipment listing, set up of Monitor’s second report, etc.	0.5
Koroneos, A	23-Aug-22	Email review, respond to G. Phoenix, send asset listing and confirmation; emails with K. Studer on status; email to C. Lonergan on employee communications; emails on scheduling for update call; next steps with SI/THR team; with C. Loverock on employee meeting; review response from Company on assets.	1.2
Lonergan, C	23-Aug-22	Update call with the Company, counsels and DIP lenders re: next step, APA and outstanding cashflow/priority payables, etc.	1.0
Koroneos, A	24-Aug-22	Review HST recalculation from CRA; email to G. Li; call with employees; work on court report; with TGF on asset listing; emails on data save for Health Canada.	2.2
Lonergan, C	24-Aug-22	Update call with the Company, employees re: next steps, etc.	0.5
Koroneos, A	25-Aug-22	Review APA; emails on APA; review email on cash flow and priorities.	0.3
Koroneos, A	26-Aug-22	Work on actual cash flow for review by THR; email BDO team for actual payments; call with C. Lonergan on planning; email to Craig and Gary on actual cash flow; emails with TGF; work on report; calculate pro fee status and payments to date.	4.1
Lonergan, C	26-Aug-22	Remaining cash flow analysis, priority payables, Report framework and discussion with BDO team re: the same, etc.	0.5

Staff	Date	Comments	Hours
Koroneos, A	29-Aug-22	Email from C. Seguin on equipment/fixed assets and respond; review email from G. Li on payments to Monitor and update schedule; court report; review email from C. Loverock on destruction of cannabis list from C. Seguin; update actual cash flow with projections through to stay period; call with C. Lonergan on report/cash flow and priorities; update costs to complete; review work in progress and with C. Lonergan on same; call with C. Lonergan and C. Loverlock on cash flow and priorities; update documents; draft email to G. Phoenix and James; update email and send to the THR group including purchaser.	5.1
Lonergan, C	29-Aug-22	Update call with Company re; next steps, employee and license issues, etc.	0.6
Lonergan, C	30-Aug-22	Update call with BDO and Company re: cash flow, priority payables, cash required to complete the CCAA process, admin and D&O charge amounts, update with Counsel re: APA items, review of APA, discussion with DIP lender Counsel re: APA, DIP and required cash flow to complete the CCAA process including priority payments, etc.	3.1
Koroneos, A	30-Aug- 22	Email communications with R. Kennedy and L. Williams on estimates; respond to G. Phoenix on costs to complete; email to CL on priorities; call with C. Lonergan on priorities; email to G. Li on employee data and Weppa; with team on preparing invoice; call with G. Phoenix and C. Lonergan on priorities and deposit; discussion with T. Montesano on WEPP; review confirmation of funds received from L. Dula; review email from G. Phoenix on confirmation on monitor and closing; emails with G. Li on employee dates and data; review schedule from Gary and respond.	2.4
Lonergan, C	31-Aug-22	Review of materials and finalizing Monitor's report, etc.	
Koroneos, A	31-Aug-22	Work on employee worksheet; emails to G. Li; respond to TGF; review email from C. Lonergan; forward to T. Montesano for preparation; email form TGF with updated APA; email TGF on filing materials; with CL on same; affidavit of fees.	3.1

This is Exhibit "D" referred to in the
Affidavit of Clark Lonergan, sworn
before me this 8th
day of September, 2022.



A Commissioner for Taking Affidavits

ALYSSA HALL

Exhibit "D"

BDO CANADA LIMITED

IN THE MATTER OF THE CCAA PROCEEDINGS
OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC.

Time Summary
For the Period up to August 31, 2022

	Hours	Rate	Amount
Clark Lonergan, Partner	145.70	\$ 635.00	92,519.50
Anna Koroneous, Senior Manager	80.60	525.00	42,315.00
Emily Klein, Manager	34.00	425.00	14,450.00
Jessie Hue, File Administrator	24.20	150.00	3,630.00
Total	<u>284.50</u>		<u>152,914.50</u>
Average Hourly Amount			<u><u>\$ 537.49</u></u>

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

Proceeding commenced at TORONTO

AFFIDAVIT OF CLARK LONERGAN
(sworn September 8, 2022)

AFFLECK GREENE MCMURTRY LLP
Barristers
200 - 365 Bay St
Toronto ON M5H 2V1

Kyle J. Peterson (51118V)
kpeterson@agmlawyers.com
T/F:(416) 360-5385

Lawyers for the Proposed Monitor

APPENDIX J

**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 KYLE J. PETERSON
(sworn September 1, 2022)**

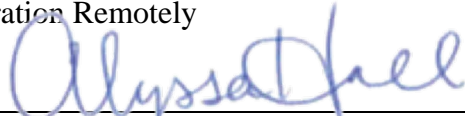
I, Kyle J. Peterson, of the Town of Newmarket, in the Regional Municipality of York,

MAKE OATH AND SAY:

1. I am a lawyer qualified to practice law in the Province of Ontario and I am a partner with Affleck Greene McMurtry LLP ("AGM LLP"), who acts as counsel for BDO Canada Limited "(BDO)", in its capacity as a Court-Appointed Monitor of the Applicants in the within proceeding and as such I have knowledge of the matters to which I hereinafter depose except for those matters based expressly upon information and belief.
2. By order of the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List) (the "Court"), dated June 24, 2022, BDO was appointed Monitor and AGM LLP was appointed as independent legal counsel to the Monitor (the "Order").
3. Pursuant to the Order, AGM LLP has provided services and incurred disbursements, in the amounts of \$16,052.00 and \$120.75 (exclusive of HST) respectively, for the period from June 6, 2022 to August 31, 2022 (the "Period"). Attached hereto and marked as Exhibit "A" are copies of the accounts rendered for the Period.

4. Attached hereto and marked as Exhibit "B" is a summary of the time incurred by professionals at AGM LLP, the hourly rate and fees associated with such, and disbursements for the Period.
5. AGM LLP requests that this Court approve its accounts for the Period, in the total amount of \$18,275.21.
6. The hourly billing rate set out in the Exhibits are in line with the hourly rates charges by AGM LLP for services rendered in similar proceedings.
7. The weighted average hourly rate charged by professionals at AGM LLP is \$559.30.
8. I make this Affidavit in support of the approval of fees and disbursements of AGM LLP in its capacity as counsel to the Court-Appointed Monitor.

SWORN by Kyle Peterson of the City of Newmarket, in the Province of Ontario before me at the City of Toronto, in the Province of Ontario on **September 1, 2022**, in accordance with O.Reg. 431/20, Administering Oath or Declaration Remotely



Commissioner for Taking Affidavits
(or as may be)

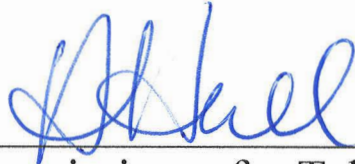
ALYSSA HALL

}



KYLE J. PETERSON

This is Exhibit "A" referred to in the
Affidavit of Kyle J. Peterson,
sworn before me this 1st
day of September, 2022.



A Commissioner for Taking Affidavits

Alyssa Hall



AFFLECK GREENE MCMURTRY LLP
BARRISTERS

BDO Canada Limited
Toronto Centre FRS
500 - 20 Wellington St E
Toronto, ON M5E 1C5

July 28, 2022
Our File: 4291-001
Bill No.: 41240

Attention: Mr. Clark Lonergan

**RE: Sproutly Inc. -
In the Matter of CCAA and In the Matter of a Plan for Compromise**

INTERIM ACCOUNT

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period ending **July 28, 2022:**

Fees Date	Description	Lwyr	Hours	Amount
2022-06-06	Telephone call with Sproutly counsel;	KJP	0.60	360.00
2022-06-20	Review draft Application of Sproutly (0.5); review draft Initial Report of BDO (0.5);	KJP	1.00	600.00
2022-06-21	Review draft Application materials (1.0); discuss Initial Report and Affidavit with C. Lonergan (0.5);	KJP	1.50	900.00
2022-06-22	Telephone call with C. Lonergan (0.3); review Loverock Affidavit in support of Application (0.7); review email correspondence re Application materials from BDO and Sproutly, including revisions to Application materials (1.0);	KJP	2.00	1,200.00
2022-06-23	Final review and revisions to Pre-filing Report of BDO (1.4); file and serve same (0.1); review Factum (1.3); review final Application Record (1.2); prepare for Application appearance (0.5);	KJP	4.50	2,700.00
2022-06-24	Prepare for and attend on application for Initial Order (0.7); email correspondence re subsequent steps of the Initial Order (0.8);	KJP	1.50	900.00
2022-06-27	Review and respond to emails following up from Initial Order (0.5); next steps regarding Comeback hearing (0.5);	KJP	1.00	600.00
2022-06-28	Review and revise draft materials for Comeback motion;	KJP	2.00	1,200.00
2022-06-29	Review all motion materials and First Report of the Monitor, and subsequent revisions (2.4); finalize and serve First Report with Appendices of Monitor (0.6);	KJP	3.00	1,800.00
2022-06-30	Review of monitor's report; hyperlinking; uploading same to Caselines; correspondence with court staff and K Peterson;	LMP	2.00	470.00
2022-06-30	Reviewing and updating Service List and Caselines Documents;	NSC	0.40	94.00
2022-06-30	Review all materials for preparation of Comeback hearing on July 4 (2.0); review Factum of Applicants (1.0);	KJP	3.00	1,800.00

2022-07-04	Reconfigured hyperlinking of First Monitor's Report in Caselines; correspondence with K Peterson re same; provided service list to K Peterson;	LMP	0.80	188.00
2022-07-04	Prepare for and attend on Comeback hearing (1.0); follow up on tasks from Comeback hearing (1.0); review email correspondence regarding next steps in sale process (0.5);	KJP	2.50	1,500.00
2022-07-07	Email correspondence regarding Service List; review Monitor emails;	KJP	0.50	300.00
Total Fees			<u>26.30</u>	<u>\$14,612.00</u>

FEE EARNER SUMMARY

Fee Earner	Hours	Rate	Amount
KJP Kyle J. Peterson	23.10	600.00	13,860.00
LMP Laura-Marie Paynter	2.80	235.00	658.00
NSC Natasha Crasto	0.40	235.00	94.00

Disbursements

Description	Amount
Photocopies	5.75
File Management Fee	100.00
Photocopies	12.25
Scans	2.75
Total Disbursements	<u>\$120.75</u>

New Charges	\$14,732.75
HST	\$1,915.26
Total	<u>\$16,648.01</u>
Balance Due	<u>\$16,648.01</u>

Tax Number: 884372509RT0001

Affleck Greene McMurtry LLP
Per:

Kyle J. Peterson

All amounts are in Canadian dollars

PAYMENT OPTIONS**-By cheque payable to "Affleck Greene McMurtry LLP"****-By wire transfer or EFT/ACH**

Payments in Canadian dollars or non-US currency	
DESTINATION/BENEFICIARY'S BANK	BENEFICIARY
Royal Bank of Canada Main Branch – Toronto 200 Bay Street Toronto, Ontario M5J 2J5 Canada T: (416) 974-3940; F: (416) 974-8837 Bank Code: 003 Transit No: 00002 Swift Code: ROYCCAT2	Affleck Greene McMurtry LLP 365 Bay Street, Suite 200 Toronto, Ontario M5H 2V1 Canada General Account No: 1451830
For wire payments in US dollars, add the following to the above	
INTERMEDIARY BANK	
JP Morgan Chase Bank, New York SWIFT BIC: CHASUS33 ROUTING/ABA: 021000021	

-By credit card: <https://www.agmlawyers.com/payment/>**-By Interac e-Transfer to (\$10,000 CAD limit): info@agmlawyers.com**



AFFLECK GREENE MCMURTRY LLP
BARRISTERS

BDO Canada Limited
Toronto Centre FRS
500 - 20 Wellington St E
Toronto, ON M5E 1C5

September 1, 2022
Our File: 4291-001
Bill No.: 41323

Attention: Mr. Clark Lonergan

**RE: Sproutly Inc. -
In the Matter of CCAA and In the Matter of a Plan for Compromise**

INTERIM ACCOUNT

TO PROFESSIONAL SERVICES RENDERED with respect to the above matter during the period ending **August 31, 2022:**

Fees Date	Description	Lwyr	Hours	Amount
2022-08-08	Telephone call with company counsel and BDO re next steps in sale process;	KJP	0.50	300.00
2022-08-15	Email correspondence relating to potential sale;	KJP	0.20	120.00
2022-08-16	Email correspondence relating to potential sale;	KJP	0.30	180.00
2022-08-17	Email correspondence relating to potential sale;	KJP	0.30	180.00
2022-08-18	Email correspondence relating to potential sale;	KJP	0.30	180.00
2022-08-19	Email correspondence relating to potential sale;	KJP	0.30	180.00
2022-08-19	Video conference with companies, Monitor and counsel re potential sale;	KJP	0.50	300.00
Total Fees			2.40	\$1,440.00

FEE EARNER SUMMARY

Fee Earner	Hours	Rate	Amount
KJP Kyle J. Peterson	2.40	600.00	1,440.00

PAYMENTS

Date	Description	Amount
2022-08-03	Client Account Payment	2,500.00
2022-08-02	Client Account Payment	5,000.00
Total PAYMENTS		\$7,500.00

New Charges	\$1,440.00
HST	\$187.20
Total	\$1,627.20
Previous Balance	\$16,648.01
Payments	-\$7,500.00
Balance Forward	\$9,148.01
Balance Due	\$10,775.21

Tax Number: 884372509RT0001

Affleck Greene McMurtry LLP
 Per: Kyle J. Peterson

All amounts are in Canadian dollars

PAYMENT OPTIONS

-By cheque payable to "Affleck Greene McMurtry LLP"

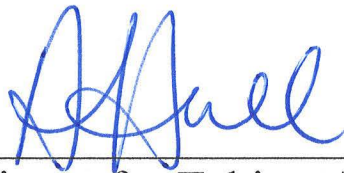
-By wire transfer or EFT/ACH

Payments in Canadian dollars or non-US currency	
DESTINATION/BENEFICIARY'S BANK	BENEFICIARY
Royal Bank of Canada Main Branch – Toronto 200 Bay Street Toronto, Ontario M5J 2J5 Canada T: (416) 974-3940; F: (416) 974-8837 Bank Code: 003 Transit No: 00002 Swift Code: ROYCCAT2	Affleck Greene McMurtry LLP 365 Bay Street, Suite 200 Toronto, Ontario M5H 2V1 Canada General Account No: 1451830
For wire payments in US dollars, add the following to the above	
INTERMEDIARY BANK	
JP Morgan Chase Bank, New York SWIFT BIC: CHASUS33 ROUTING/ABA: 021000021	

-By credit card: <https://www.agmlawyers.com/payment/>

-By Interac e-Transfer to (\$10,000 CAD limit): info@agmlawyers.com

This is Exhibit "B" referred to in the
Affidavit of Kyle J. Peterson,
sworn before me this 1st
day of September, 2022.



A Commissioner for Taking Affidavits

Alyssa Hall

EXHIBIT "B"
AGM LLP TIME SUMMARY

From June 6, 2022 to August 31, 2022

	NAME	YEAR OF CALL	ACTUAL HOURS	HOURLY RATE	TOTAL
Partner	Kyle J. Peterson	2005	25.5	\$600	\$15,300.00
Student	Natasha Crasto		.4	\$235	\$94.00
Clerk	Laura-Marie Paynter		2.8	\$235	\$658.00
TOTAL FEES					\$16,052.00
TOTAL DISBURSEMENTS					\$120.75
TOTAL HST					\$2,102.46
TOTAL FEES, DISBURSEMENTS AND HST					\$18,275.21

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

Proceeding commenced at TORONTO

AFFIDAVIT OF KYLE J. PETERSON

AFFLECK GREENE MCMURTRY LLP
Barristers
200 - 365 Bay St
Toronto ON M5H 2V1

Kyle J. Peterson (51118V)
kpeterson@agmlawyers.com
T/F:(416) 360-5385

Lawyers for the Proposed Monitor

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

Proceeding commenced at TORONTO

**SECOND REPORT OF
THE MONITOR**

AFFLECK GREENE MCMURTRY LLP
Barristers
200 - 365 Bay St
Toronto ON M5H 2V1

Kyle J. Peterson (51118V)
kpeterson@agmlawyers.com
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Lawyers for the Proposed Monitor