

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**COMMERCIAL LIST**

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED, A  
CORPORATION INCORPORATED UNDER THE LAWS OF  
ONTARIO**

**MOTION RECORD**

May 5, 2020

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# TAB 1



Estate / Court File No. 31-2643278  
Estate / Court File No. 31-2643278

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
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**NOTICE OF MOTION**

Muskoka Grown Limited (the "**Applicant**" or "**Muskoka Grown**") will make a motion before the Honourable Justice Koehnen of the Ontario Superior Court of Justice (Commercial List) on May 6, 2020, at 10:00am or as soon after that time as the motion can be heard.

**PROPOSED METHOD OF HEARING:** The motion is to be heard by videoconference as a result of the COVID-19 pandemic.

**THE MOTION IS FOR:**

1. An order substantially in the form attached at Tab 3 of the motion record (the "**NOI Process Order**"), *inter alia*:
  - (a) abridging the time for service of this notice of motion and the motion record and dispensing with service on any person other than those served;
  - (b) approving a debtor-in-possession facility in the maximum amount of \$4,000,000 (the "**DIP Loan**") and a super-priority charge on the current and future assets, undertakings and property of the Applicant in respect of amounts borrowed under the DIP Loan (the "**DIP Lender's Charge**");

- (c) approving a super-priority administration charge in the aggregate amount of \$300,000 on the current and future assets, undertakings and property of the Applicant in favour of the Proposal Trustee (as defined below), counsel to the Proposal Trustee and counsel to the Applicant (the "**Administration Charge**");
  - (d) approving a super-priority charge in favour of the Applicant's directors and officers (the "**Directors and Officers**") in the aggregate amount of \$200,000 (the "**Directors' Charge**"); and
  - (e) extending the time for the Applicant to file a proposal under the BIA (as defined below) and the corresponding stay of proceedings (the "**Stay Extension**") to and including July 19, 2020;
2. Such further and other relief as this Honourable Court deems just;

**THE GROUNDS FOR THE MOTION ARE:**

***Background***

3. The Applicant is a privately held corporation incorporated under the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16 and headquartered in Bracebridge Ontario;
4. The Applicant's business is focused on providing premium craft cannabis products, while building meaningful connections within Muskoka Grown's community;
5. The Applicant has been cash flow negative since its inception and has relied on equity and debt financing for funding. Notwithstanding the Applicant's efforts to date, Muskoka Grown has not managed to achieve profitability and is now facing a liquidity crisis. The Applicant urgently requires additional funding and protection from its creditors to avoid the immediate cessation of its business. Muskoka Grown currently only has approximately \$1,200;
6. To address its liquidity crisis the Applicant filed a notice of intention to make a proposal (the "**NOI**") on May 5, 2020 pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"). A. Farber & Partners Inc. was appointed as the proposal trustee under the NOI (in such capacity, the "**Proposal Trustee**");

7. The Applicant believes that these NOI proceedings, supplemented by the additional relief within the proposed NOI Process Order, provide the best means of rehabilitating Muskoka Grown's business and are in the best interests of all of its stakeholders;

***The DIP Loan and the DIP Lender's Charge***

8. The Applicant requires the DIP Loan to satisfy its immediate payroll obligations, fund the cost of its day-to-day operations, and develop a viable proposal for the restructuring of its business for the benefit of its stakeholders;

9. Without the DIP Loan, the Applicant will not meet its payroll obligation and will be forced to cease its going concern operations;

10. The Applicant's senior secured lender, Arthur Zwingenberger ("**Zwingenberger**"), is supportive of these NOI proceedings and has agreed to provide the DIP Loan in the maximum principal amount of \$4,000,000;

11. The proposed DIP Loan is conditional upon, among other things, the provision of an order of this Court approving the DIP Loan and granting the DIP Lender's Charge up to a maximum amount of \$4,000,000 that will rank in priority to all interests and encumbrances except the Administration Charge and the Directors' Charge;

12. The Proposal Trustee is supportive of the DIP Loan and the DIP Lender's Charge and does not believe that creditors will be prejudiced as a result of its approval;

***The Administration Charge***

13. The beneficiaries of the proposed Administration Charge will each play distinct and critical roles in Muskoka Grown's NOI proceedings and restructuring steps, including the development of a proposal, and it is unlikely that they will participate in these NOI proceedings unless the Administration Charge is granted to secure their fees and disbursements, particularly given that the beneficiaries of the proposed Administration Charge do not have the benefit of retainers in light of the Applicant's dire liquidity situation;

14. The quantum of the proposed Administration Charge is reasonable in light of the complexity of Muskoka Grown's business and the stringent statutory and regulatory environment in which its business operates;

15. It is proposed that the Administration Charge will be in priority to all other interests and encumbrances, including the DIP Lender's Charge and the Directors' Charge;

16. Muskoka Grown, the Proposal Trustee, and Zwingenberger are supportive of the Administration Charge and its quantum;

### ***The Directors' Charge***

17. The Applicant is seeking the Directors' Charge to secure the indemnity of its directors and officers for liabilities they may incur during these NOI proceedings;

18. The continued involvement of the Directors and Officers is essential to the success of these NOI proceedings. Without the Directors' Charge, the Directors and Officers are unlikely to assume the risks inherent to these NOI proceedings;

19. Muskoka Grown and the Proposal Trustee are supportive of the Directors' Charge and its quantum;

### ***The Stay Extension***

20. The time for the Applicant to file a proposal and the corresponding stay of proceedings expires on June 4, 2020;

21. The Applicant has acted, and is acting in good faith and with due diligence in seeking to preserve its business on a going concern basis for the benefit of all stakeholders;

22. The Stay Extension will enhance the prospects of the Applicant being able to make a viable proposal and will not materially prejudice any creditor if granted. Obtaining the Stay Extension at this time will reduce professional fees, for the benefit of all stakeholders;

23. The Proposal Trustee and Zwingenberger support the granting of the Stay Extension;

**OTHER GROUNDS:**

24. The Proposal Trustee supports all of the relief sought by the Applicant on this motion;
25. The provisions of the BIA, including sections 50.4, 62(1), 64.1, 64.2, 65.13 and 69, and the inherent and equitable jurisdiction of this Honourable Court;
26. Rules 1.04, 1.05, 2.03, 3.02, 16, 37 and 39 of the Ontario *Rules of Civil Procedure*, R.R.O 1990, Reg. 194; and
27. Such further and other grounds as counsel may advise and this honourable Court may permit;

**DOCUMENTARY EVIDENCE:**

28. The following documentary evidence will be used at the hearing of the motion:
  - (a) the Affidavit of David Ascott sworn May 5, 2020, and the exhibits attached thereto;
  - (b) the First Report of the Proposal Trustee dated May 5, 2020; and
  - (c) such further and other evidence as counsel may advise and this Court may permit.

May 5, 2020

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***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**COMMERCIAL LIST**

Proceedings commenced in Toronto

**NOTICE OF MOTION**

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# TAB 2

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**AFFIDAVIT OF DAVID ASCOTT**

I, David Ascott, of the city of Huntsville, in the Province of Ontario, MAKE OATH AND SAY:

1. This Affidavit is made in support of an urgent motion by Muskoka Grown Limited ("**Muskoka Grown**" or the "**Applicant**") for an Order (the "**NOI Process Order**") granting relief under the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 as amended (the "**BIA**").
2. I am the Chief Financial Officer of Muskoka Grown and have served in this role since January 2019. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with Muskoka Grown's senior management team and Muskoka Grown's legal and financial advisors.
3. All references to monetary amounts in this Affidavit are in Canadian dollars unless noted otherwise.



## A. INTRODUCTION AND BACKGROUND

4. On May 5, 2020, Muskoka Grown filed a notice of intention to make a proposal (the "**NOI**") pursuant to section 50.4 of the BIA. A. Farber & Partners Inc. is the proposal trustee under the NOI (the "**Proposal Trustee**"). A copy of the NOI and the Certificate of Filing of a Notice of Intention to Make a Proposal are attached hereto as Exhibit "A".

5. As further detailed below, Muskoka Grown filed the NOI in response to a liquidity crisis it began to face within the last year, which has accelerated in light of recent global developments, including the COVID-19 pandemic. Through these proceedings, Muskoka Grown intends to address its immediate liquidity crisis and emerge as a going concern.

6. Muskoka Grown is a community-focused cannabis company committed to providing premium craft cannabis products, while building meaningful connections within its community. Muskoka Grown operates a purpose built 65,000 sq. ft. cannabis cultivation and processing facility in Bracebridge, Ontario that produces small-batch cannabis using unique genetics (the "**Production Facility**").

7. Muskoka Grown is a privately held corporation that was incorporated under the *Business Corporation Act* (Ontario), R.S.O. 1990, c.B.16 (the "**OBCA**") on November 20, 2013 under the name Muskoka Medical Marijuana Company Limited ("**Muskoka Medical Limited**"). On or around November 9, 2017, Muskoka Medical Limited filed Articles of Amendment and changed its name to Muskoka Grown Limited. A copy of Muskoka Grown's Articles of Incorporation and the Articles of Amendment are attached hereto as Exhibit "B".

8. Muskoka Grown currently employs approximately 47 people (the "**Employees**"). 45 of the Employees work in Bracebridge, Ontario (the "**Bracebridge Employees**") while the remaining 2

Employees work remotely from Toronto, Ontario. With respect to the Bracebridge Employees: (i) 6 work at the corporate office located at 440 Eccelstone Drive, Unit C5, Bracebridge, Ontario (the "**Corporate Office**"); and (ii) 39 work at the production facility which is located at 50A Keith Road, Bracebridge, Ontario (the "**Production Facility**"). Muskoka Grown owns the Production Facility and has, as further detailed below, recently renewed its lease agreement for the Corporate Office.

9. Muskoka Grown has been cash flow negative since its inception (with the exception of a two-month period in 2019) and has relied on equity and debt financing for funding. In October 2019, Muskoka Grown successfully brought the entire second floor of the Production Facility online for production purposes. Muskoka Grown's goal was to increase its production to 500 kilograms of cannabis per month. However, the costs to achieve this volume of production have been too onerous given Muskoka Grown's financial position in the face of stagnant sales and tight liquidity. As part of a strategy to achieve profitability and stabilize the business, Muskoka Grown was forced to layoff employees and reduce its production to 200 kilograms of cannabis per month. Muskoka Grown's aim was to focus on quality and not quantity until it had stable cash flow to finance an increase in production. Despite its best intentions, and in part due to a substandard first crop of cannabis which had inconsistent tests for tetrahydrocannabinol, Muskoka Grown was unable to reach this goal and now requires additional funding.

10. In addition, the lack of brick and mortar stores in Ontario as a result of the COVID-19 pandemic hindered up-front sales from the Ontario Cannabis Store and led to Muskoka Grown needing to sell its cannabis through the wholesale market at lower margins.

11. Muskoka Grown currently has very limited cash on hand (approximately \$1,200) and is generally unable to meet its obligations as they become due, the most pressing of which is its upcoming payroll due on May 7, 2020.

12. To address its liquidity crisis, Muskoka Grown entered into discussions with its senior secured lender, Arthur Zwingenberger ("**Zwingenberger**"), to obtain additional financing through these proceedings that would allow Muskoka Grown's business the chance to emerge as a going concern. As a result of those discussions and subsequent negotiations, Zwingenberger, has agreed to provide additional financing to Muskoka Grown through a debtor-in-possession loan facility (the "**DIP Loan**"), subject to certain relief being granted.

13. The proposed NOI process and DIP Loan will be for the benefit of all stakeholders of Muskoka Grown including the Employees, Health Canada and Muskoka Grown's customers, suppliers, contracting parties, creditors and shareholders.

## **B. CORPORATE STRUCTURE**

14. Muskoka Grown is incorporated under the *OBCA* with its registered head office located in Bracebridge, Ontario. Muskoka Grown has only one subsidiary, 2634436 Ontario Inc. ("**263 Ontario**"), which is a shell company with no assets, activities or liabilities. As a result, 263 Ontario has not filed a notice of intention to make a proposal and no relief is being sought in respect thereof.

15. Muskoka Grown's management team is comprised of:

- (a) David Grand – CEO & Founder;
- (b) Nick Anderson – Chief Operating Officer;

- (c) Broidy Rondelet – VP Corporate Developments & Stakeholder Relations;
- (d) David Ascott – Chief Financial Officer;
- (e) Cheryl Bissonette – Chief Quality & Regulatory Affairs Officer; and
- (f) Andrea Grand – Marketing Director.

## C. MUSKOKA GROWN'S BUSINESS

### (a) Cannabis Industry in Canada

16. The cannabis industry has, and continues to, rapidly evolve in Canada. Licences to produce, cultivate, and/or handle cannabis are currently regulated under the *Cannabis Act*, S.C. 2018, c. 16 (the "***Cannabis Act***"), and the *Cannabis Regulations*. In 2012, the Canadian Government created the *Marijuana for Medical Purposes Regulations* ("***MMPR***"). Under the *MMPR*, rather than licensing thousands of home-growers, Health Canada licensed larger scale producers, creating and regulating a medical cannabis industry. Patients would submit their prescription to a licensed producer, select the medicine of their choice, and receive it through the mail.

17. In late 2016, the Canadian Government announced that the *MMPR* would be replaced with the *Access to Cannabis for Medical Purposes Regulations* (the "***ACMPR***"). The *ACMPR* facilitated the development of an industry of commercial entities engaged in the high volume production of medical cannabis, while also allowing individual home grow licences.

18. On October 17, 2018, the non-medical use of cannabis was legalized in Canada. On that date, the *Cannabis Act*, which regulates retail cannabis for recreational/adult-use, medical cannabis and industrial hemp in Canada, came into effect. Additionally, cannabis was removed as a

controlled substance from the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, and the *ACMPR* was repealed.

19. The cannabis industry continues to be a highly regulated industry, with the *Cannabis Act* regulating the possession, cultivation, production, distribution, sale, research, testing, import and export and promotion of cannabis.

**(b) Business**

20. Muskoka Grown's business, which is headquartered in Bracebridge, Ontario, is a community-focused cannabis company, committed to providing premium craft cannabis products, while building a meaningful connection with its community.

21. The Production Facility is Muskoka Grown's only processing and growing facility, with cultivation, extraction and distribution capabilities. The Production Facility, at full capacity, has the capability of growing/producing 500 kilograms of cannabis per month and 6,000 kilograms of cannabis annually. The Production Facility has eleven (11) grow rooms and space dedicated to mother rooms, vegetation rooms, dry rooms, production rooms and laboratory testing.

22. Muskoka Grown is currently a party to agreements with various provincial agencies and wholesale partners in Canada for the supply of cannabis product, including: (i) the Ontario Cannabis Store; and (ii) the Province of Saskatchewan. Muskoka Grown is also currently in the process of negotiating agreements with the Provinces of Alberta and Manitoba.

**(c) Cannabis Licences**

23. Muskoka Grown currently holds 1 licence issued by Health Canada (the "**Cannabis Licence**"). The Cannabis Licence permits Muskoka Grown to cultivate and process cannabis for

recreational/adult-use markets and to sell cannabis plant seeds, cannabis plants, dried cannabis and fresh cannabis to provincially/territorially authorized distributors/retailers. The cultivation component of the Cannabis Licence was granted on March 23, 2018, the standard processing component of the Cannabis Licence was granted on May 3, 2019 and the ability to sell to provincial/territorial authorities was granted on September 13, 2019.

24. As the holder of the Cannabis Licence, Muskoka Grown is subject to a comprehensive and rigorous regulatory regime as set out in the *Cannabis Act* and the regulations thereunder. This regime requires ongoing compliance with a variety of operational requirements, including compliance with site location requirements and ongoing reporting obligations, and that its directors, officers and certain management personnel must hold security clearances.

**(d) Employees**

25. As previously noted, Muskoka Grown currently employs approximately 47 people on a full time basis. 15 of the Employees are salaried while the remaining 32 are paid hourly. The Employees and their roles are further detailed in the chart below.

Role	Production Facility	Corporate Office/Remote
Corporate Staff	-	8
Production Staff	39	-

26. There are no registered pension plans for the Employees and they are non-unionized. Muskoka Grown, through its benefits provider Green Shield Canada, offers health and dental benefits for all of its Employees. These benefits are not expected to be affected by these proceedings.

**(e) Leased and Owned Property**

27. As previously noted, Muskoka Grown leases the Corporate Office and owns the Production Facility.

28. The Production Facility is made up of three (3) separate parcels of land: (i) PIN: 48053-0802 (LT); (ii) PIN: 48053-0803 (LT); and (iii) PIN: 48053-0801 (LT) (together, the "**Property**"). The Production Facility is located on one parcel while the other two adjacent parcels remain vacant. Attached hereto as Exhibit "C" are copies of the real property searches against the Property.

29. On March 20, 2020, Muskoka Grown entered into a new lease for its Corporate Office (the "**Corporate Lease**"). The term of the Corporate Lease is set to expire on April 30, 2022. As of the date of this Affidavit, the monthly rent due under the Corporate Lease is \$3,390 and Muskoka Grown is currently in arrears in the amount of \$5,085.

**(f) Suppliers**

30. Muskoka Grown relies on a number of vendors and third-party service providers to operate its business. For instance, lab services, seed to sell software and utility providers are all essential to Muskoka Grown's operations. As is further detailed later in this Affidavit, Muskoka Grown is not current with respect to its obligations under a number of its agreements with these vendors and third-party service providers.

**(g) Excise Tax**

31. A federal excise duty is payable by a licensed cannabis producer under Canadian tax law when the cannabis products it packages are delivered to a purchaser. As such, Muskoka Grown pays federal excise tax on a monthly basis in respect of the amount of cannabis product delivered

in the prior month. Muskoka Grown is current with these amounts and, subject to the relief sought being granted, will continue to pay such amounts when due.

32. In addition, cannabis producers are required to post security pursuant to the *Excise Tax Act, 2001*, S.C. 2002, c. 22. The security provides the Canada Revenue Agency ("**CRA**") with financial assurance for any outstanding excise taxes payable. The security can be posted in the form of a surety bond or a deposit with the CRA.

33. The security required to be posted with the CRA is calculated as the highest amount of cannabis duties payable for a calendar month in the previous twelve (12) calendar months. Muskoka Grown's cash deposit in the amount of \$27,000 is due at the end of May 2020 (the "**Cash Deposit**"). It is Muskoka Grown's intention, as is reflected in the Cash Flow Statement (as defined below), to remit the Cash Deposit to the CRA in the ordinary course should the NOI Process Order be granted.

#### (h) **Cash Management**

34. Muskoka Grown has one (1) bank account with the Royal Bank of Canada ("**RBC**") and one (1) bank account with Alterna Savings and Credit Union Ltd. (the "**Alterna Account**"). The Alterna Account has not been used by Muskoka Grown for at least six (6) months. In addition to holding a bank account with RBC, Muskoka Grown uses RBC Express for automated clearing house, wire transfers and certain bill payments. Muskoka Grown uses the services of PayWorks, an automatic payroll provider, to process payroll for its Employees.

35. Muskoka Grown has provided two (2) credit cards to certain Employees (the "**Credit Cards**") for business expenses incurred on behalf of Muskoka Grown. The maximum combined



credit limit of the Credit Cards is \$25,000. As of the date of this Affidavit, approximately \$25,000 (exclusive of interest and fees) was owing under the Credit Cards.

#### **D. FINANCIAL POSITION OF MUSKOKA GROWN**

36. As of the date of the swearing of this Affidavit, Muskoka Grown has approximately \$1,200 cash on hand.

37. A copy of Muskoka Grown's unaudited, combined balance sheet as at March 31, 2020 is attached hereto as Exhibit "D". Certain information contained in this unaudited balance sheet is summarized below.

##### **(a) Assets**

38. As at March 31, 2020, the assets of Muskoka Grown had an unaudited book value of approximately \$31,813,235 and consist of the following:

<b>Current Assets: \$4,926,725.00</b>	
Cash and cash equivalents	(\$8,859.00)
Accounts Receivable	\$183,866.00
Prepaid Expenses	\$182,526.00
HST Receivable	\$134,311.00
Biological Assets	\$585,385.00
Inventory	\$3,849,496.00
<b>Non-Current Assets: \$26,886,551.00</b>	
Property, plant and equipment	\$25,058,392.00
Loan Receivable	\$1,659,360.00
Licensing and Regulatory Costs	\$168,758.00
<b>Total Assets</b>	<b>\$31,813,235.00</b>

**(b) Liabilities**

39. As at March 31, 2020, the liabilities of Muskoka Grown had an unaudited book value of approximately \$15,105,643 (as reflected below):

<b>Current Liabilities: \$8,999,248.00</b>	
Bank Indebtedness	\$1,985,000.00
Accounts payable and accrued liabilities	\$6,261,802.00
Due to Related Party	\$26,862.00
Short Term Note Payable	\$725,584.00
Mortgage Payable – Current Portion	-
<b>Non-Current Liabilities: \$6,106,395.00</b>	
Mortgage Payable	\$197,349.00
Loan Payable – Muskoka Futures	\$466,206.00
Loan Payable – RB Morris	-
Loan Payable – Other	\$5,000,000.00
Convertible Debenture Financing	\$442,840.00
<b>Shareholders' Equity: \$16,707,592.00</b>	
Common Shares	\$23,874,334.00
Equity Component of Convertible Debenture	\$180,626.00
Share-Based Payments Reserves	\$2,298,545.00
Deficit	(\$9,645,913.00)
<b>Total Liabilities and Equity</b>	<b>\$31,813,235.00</b>

**(c) Zwingenberger Debt**

40. As noted previously, attached as Exhibit "C" are search results from real property searches conducted against the Property effective April 30, 2020. Except for PIN: 48053-0803(LT), which has a charge (this charge is a vendor take back mortgage and resulted from the purchase of the land) in favour of 1035065 Ontario Inc. in the amount of \$350,000 with \$197,349 currently outstanding (the "**VTB Charge**"), there are only two other parties with instruments registered on

title. Zwingenberger holds a charge in the amount of \$10,000,000 and 2089871 Ontario Limited holds a construction lien in the amount of \$168,849 (the "**Construction Lien**"). Copies of the VTB Charge and the Construction Lien are attached hereto as Exhibit "E" and Exhibit "F", respectively.

(i) **Arthur Zwingenberger**

41. On or about March 20, 2019, Muskoka Grown and Zwingenberger entered into a loan agreement (the "**Zwingenberger Loan Agreement**") pursuant to which Muskoka Grown borrowed \$6,731,000 by way of a non-revolving loan facility (the "**First Tranche**"). Approximately \$4,252,537.94 of the First Tranche was directed by Muskoka Grown to be paid for the benefit of GOF-BC Holdings Ltd. ("**RC Morris**") for the discharge of Muskoka Grown's obligation pursuant to a loan agreement dated August 22, 2018. The remaining \$2,478,462.06 of the First Tranche was received by Muskoka Grown for working capital purposes, including, but not limited to, payments to trade creditors. The First Tranche carries an interest rate of 12.0% per annum calculated and compounded monthly. A copy of the Zwingenberger Loan Agreement is attached hereto as Exhibit "G".

42. The obligations of Muskoka Grown under the Zwingenberger Loan Agreement are guaranteed pursuant to guarantees provided by Grand Gable Holdings Inc. ("**GGH**"), 263 Ontario and David Grand (collectively, the "**Zwingenberger Guarantors**" and each a "**Zwingenberger Guarantor**").

43. On or about April 17, 2019, Muskoka Grown and Zwingenberger entered into an amended and restated loan agreement (the "**Amended Zwingenberger Loan Agreement**") which provided for an additional financing of \$3,269,000 by way of a non-revolving loan (the "**Second Tranche**"). The Amended Zwingenberger Loan Agreement increased Zwingenberger's total commitment to

\$10,000,000. Approximately \$900,000 of the Second Tranche was directed by Muskoka Grown to be paid in order to complete a settlement with Canaccord Genuity Corp. in respect of certain litigation. The remaining \$2,369,000 of the Second Tranche was advanced to Muskoka Grown on May 1, 2019 (in the amount of \$1,000,000) and May 13, 2019 (in the amount of \$1,369,000) for working capital purposes, including, but not limited to, payments to trade creditors. The Second Tranche carries an interest rate of 10.0% per annum calculated and compounded monthly. A copy of the Amended Zwingenberger Loan Agreement is attached hereto as Exhibit "H".

44. On or about January 9, 2020, Zwingenberger and Muskoka Grown entered into an amendment to the Amended Zwingenberger Loan Agreement (the "**Loan Amending Agreement**") which, among other things:

- (a) confirmed the accrued interest on the First Tranche and the Second Tranche (together, the "**Agreed Accrued Interest**");
- (b) converted \$5,000,000 of the Zwingenberger Loan plus the Agreed Accrued Interest into common shares in the capital of Muskoka Grown (each a "**Share**") at a price of \$2.17 per Share;
- (c) amended the maturity date of the Amended Zwingenberger Loan Agreement from August 15, 2019 to September 10, 2021 (the "**Amended Maturity Date**");
- (d) consolidated the First Tranche and the Second Tranche into a single principal balance of \$5,000,000 (the "**Consolidated Zwingenberger Loan**");

- (e) amended the interest rate of the Consolidated Zwingenberger Loan to the rate published by the Royal Bank of Canada as "Royal Bank Prime" plus 2.49% per annum calculated and compounded monthly;
- (f) amended prepayment and interest payment terms;
- (g) allowed for, at any time prior to the Amended Maturity Date, the exchange, on written notice to Muskoka Grown, of any amount of the principal of the Consolidated Zwingenberger Loan for Shares;
- (h) considered debts incurred by Muskoka Grown to RBC in an amount not to exceed \$2,000,000 as Permitted Debt (as that term is defined in the Amended Zwingenberger Loan Agreement); and
- (i) provided that Zwingenberger agreed to provide the RBC Guarantee (as defined below) and considered it to be a Borrower Obligation (as that term is defined in the Amended Zwingenberger Loan Agreement).

A copy of the Loan Amending Agreement is attached hereto as Exhibit "I".

45. As general and continued security for the obligations under the Zwingenberger Loan Agreement, various security was granted to Zwingenberger by Muskoka Grown and the Zwingenberger Guarantors. The security granted to Zwingenberger includes, among other things:

- (a) an unlimited joint and several guarantee and postponement of claim provided by the Zwingenberger Guarantors in favour of Zwingenberger in respect of the full amount of the obligations owed by Muskoka Grown to Zwingenberger, supported by the following:

- (i) a securities pledge agreement from the Zwingenberger Guarantors in favour of Zwingenberger dated March 20, 2019 (the "**Zwingenberger Security Pledge Agreement**") pledging all the Security and other Collateral (as those terms are defined in the Zwingenberger Security Pledge Agreement) of David Grand, GGH and 263 Ontario; and
  - (ii) a share pledge agreement from David Grand in favour of Zwingenberger dated March 12, 2019 (the "**Zwingenberger Share Pledge Agreement**") pledging all Current Shares and other Pledged Collateral (as those terms are defined in the Zwingenberger Security Pledge Agreement) of David Grand;
- (b) a charge in the amount of \$10,000,000, to be registered in first priority, over the Property (with the exception of a charge held by 1035065 Ontario Inc. registered against PIN 48053-0803) (the "**Zwingenberger Charges**" and together with the Zwingenberger Security Pledge Agreement, and the Zwingenberger Share Pledge Agreement, the "**Zwingenberger Security Documents**").

A copy of the Zwingenberger Security Documents is attached hereto as Exhibit "J".

46. As of the date of this Affidavit, \$5,201,843 (inclusive of accrued interest) is owing to Zwingenberger.

**(d) Other Secured Debt**

47. Attached as Exhibit "K" are search results from searches conducted against Muskoka Grown under the *Personal Property Security Act* (Ontario) (the "**PPSA**") effective April 28, 2020.

Three parties have registered financing statements against Muskoka Grown, as further detailed below.

**(i) Nitrofin Inc.**

48. On or around February 3, 2020, Muskoka Grown entered into an Equipment Lease Agreement with Nitrofin Inc. ("**Nitrofin**") (the "**Nitrofin Agreement**"). Pursuant to the Nitrofin Agreement, Nitrofin agreed to lease Muskoka Grown (i) a chart doser, (ii) high volume seamer, and (iii) a semi-automatic child resistant lid capper (collectively, the "**Equipment**") for the sole purpose of packaging cultivated cannabis product at the Production Facility. The Nitrofin Agreement expired on May 4, 2020.

49. Under the terms of the Nitrofin Agreement, Muskoka Grown is not obligated to pay Nitrofin any lease payments for the Equipment, however, it is obligated to comply with all manufacturer requirements and recommendations and any directions for use and maintenance provided by Nitrofin which includes using certain products which can only be purchased from Nitrofin.

50. Muskoka Grown does not believe that it currently owes any amounts to Nitrofin.

**(ii) Muskoka Community Future Development Corporation Agreement**

51. On or about September 9, 2017, Muskoka Grown (by its previous operating name Muskoka Medical Limited) entered into a loan agreement (the "**Muskoka Development Loan Agreement**") with Muskoka Community Futures Development Corporation ("**Muskoka Development**") pursuant to which it borrowed \$500,000 (the "**Muskoka Development Loan**") with a term of 12 months and an amortization period of 180 months. The Muskoka Development Loan was to be

used to complete leaseholds and purchase equipment. The Muskoka Development Loan carried an interest rate of 8.0% until the Cannabis Licence was confirmed at which point the interest rate was reduced to 6.0%. A copy of the Muskoka Development Loan Agreement is attached hereto as Exhibit "L".

52. The obligations of Muskoka Grown under the Muskoka Development Loan Agreement are guaranteed by David Grand and Marion Elizabeth Rondelet (the "**Muskoka Development Guarantees**"). Copies of the Muskoka Development Guarantees are attached hereto as Exhibit "M".

53. As general and continued security for the obligations under the Muskoka Development Loan Agreement, certain security was granted to Muskoka Development by Muskoka Grown and the Muskoka Development Guarantors. The security granted to Muskoka Development includes, among other things:

- (a) A collateral mortgage in the amount of \$500,000, registered on building and land described as RP 35R 6448 Parts 2&3 and part of Part 4 and R13223 Parts 2&3 on Grandview Island, Lake Muskoka, Township of Muskoka Lakes (the "**Muskoka Development Charge**").

54. It is my understanding that the Muskoka Development Charge has since been discharged.

55. As of the date of this Affidavit, \$466,206 is owing to Muskoka Development (the "**Muskoka Development Indebtedness**").



(iii) **Royal Bank of Canada**

56. On or about June 20, 2019, Muskoka Grown, with the consent of Zwingenberger as discussed above, entered into a credit agreement (the "**RBC Credit Agreement**") with RBC for a \$2,000,000 revolving demand facility and the Credit Cards. A copy of the RBC Credit Agreement is attached hereto as Exhibit "N".

57. As general and continued security for the obligations under the RBC Credit Agreement, the security granted to RBC includes (i) a general security agreement made as of May 29, 2019 (the "**RBC GSA**") granting RBC a security interest in all of the personal property of Muskoka Grown, and (ii) a guarantee and postponement of claim in the amount of \$2,000,000 signed by Zwingenberger in August 2019 (the "**Zwingenberger Guarantee and Postponement of Claim**") and supported by a cash collateral agreement signed by Zwingenberger in August 2019 (the "**Zwingenberger Cash Collateral Agreement**") assigning term deposits and/or guaranteed investment certificates in the amount of \$2,000,000. Copies of the RBC GSA, Zwingenberger Guarantee and Postponement of Claim, and Zwingenberger Cash Collateral Agreement are attached hereto as Exhibit "O", Exhibit "P", and Exhibit "Q", respectively.

58. I understand that Zwingenberger intends to take an assignment of the \$2,000,000 RBC debt in exchange for the \$2,000,000 Zwingenberger has already put up as cash collateral. The remaining amount owing to RBC (which is approximately \$86,000) will be repaid to RBC through the initial advance under the DIP Loan (if the DIP Loan is approved).

(iv) **Debentures**

59. Pursuant to an indenture (the "**Indenture**") issued effective as of March 1, 2020, Muskoka Grown is indebted to the debentureholders as set forth on Schedule A-1 to such Indenture (the

**"Indenture Indebtedness"**). The Indenture Indebtedness is due on March 1, 2023. An aggregate principal amount of \$3,040,100 second-lien convertible debentures bearing an interest rate of 8% per annum with a strike price of \$1.62 per common share are outstanding under the Indenture. The Indenture contemplates that a debenture (the **"Real Property Debenture"**) would be registered against the real property of Muskoka Grown to secure the obligations owing under the Indenture. Copies of the Indenture and the Real Property Debenture are attached hereto as Exhibit "R" and Exhibit "S", respectively.

(e) **Unsecured Indebtedness**

(i) **Employee Liabilities**

60. Gross payroll is approximately \$97,000 biweekly. Muskoka Grown is currently in arrears in the amount of approximately \$37,000 as certain salaried Employees opted to defer their pay in the last pay cycle (the **"Outstanding Payroll Amount"**). Given Muskoka Grown's current liquidity issues, the payroll due on May 7, 2020 and the Outstanding Payroll Amount cannot be satisfied unless the NOI Process Order is granted and the DIP Loan is advanced.

(ii) **Other Unsecured Creditors**

61. Along with the aforementioned obligations, the Applicants' additional unsecured creditors include:

- (a) ***Third Party Suppliers:*** Given the nature of its business, Muskoka Grown relies on a number of vendors and third party services and, as such, is party to a number of agreements for the provision of certain essential services including, among other things, insurance, phone and internet, utilities, professional costs, education fees,

contractor costs and other miscellaneous services and products provided in connection with operating a business in the cannabis industry.

- (b) **Landlords:** As previously noted, Muskoka Grown, in the ordinary course, remits rent on a monthly basis for the Corporate Office. As of the date of this Affidavit, Muskoka Grown's rent was in arrears in the aggregate amount of approximately \$5,085.

#### **E. SUMMARY OF THE PROPOSED DIP LOAN**

62. The Interim Financing Term Sheet (the "**DIP Term Sheet**") provides for a super-priority, debtor-in-possession interim, revolving credit facility (the "**DIP Loan**") up to a maximum principal amount of \$4,000,000 between, Muskoka Grown, as borrower (in such capacity, the "**Borrower**"), and Zwingenberger, in his capacity as lender (in such capacity, the "**DIP Lender**"). The interest rate applicable to advances under the DIP Loan is 10.00% per annum accruing daily and payable monthly in arrears and an upfront fee in the amount of \$80,000 (2% of the maximum commitment) is payable by the Borrower to the DIP Lender in connection with the establishment of the DIP Loan and shall be held back from the initial interim advance. A copy of the DIP Term Sheet is attached hereto as Exhibit "T".

63. The proceeds of the DIP Loan shall be used during the pendency of the Borrower's proceedings under the BIA for the following purposes: to fund professional fees (including fees of the Proposal Trustee and legal fees of counsel to the DIP Lender, the Borrower, and the Proposal Trustee); to fund the payment of interest and other amounts payable under the DIP Loan; and to finance operating expenses and restructuring costs in these proceedings, and for general corporate purposes of the Borrower. Proceeds of the DIP Loan may not be used to pay any pre-filing

obligations of the Borrower and will be used in accordance with the agreed budget with the DIP Lender (the "**Agreed Budget**") subject to permitted variance. The DIP Loan shall be secured by a super-priority lien over all present and future property and assets of the Borrower, subordinate only to certain permitted priority liens, including, among others, the Administration Charge and the Directors' Charge (each as defined below).

64. The DIP Loan is subject to customary conditions precedent, covenants and representations and warranties made by the Borrower to the DIP Lender. The DIP Loan shall be repayable in full on November 6, 2020 or, if earlier, upon the occurrence of the implementation of a proposal within these proceedings, the closing of a bankruptcy sale within these proceedings, the conversion of these proceedings into a bankruptcy proceeding, or on demand by the DIP Lender following the occurrence of an event of default (the "**Events of Default**") under the DIP Loan. Events of Default include, among others, customary credit facility events of default, failure to comply with an agreed upon cash flow test, whereby actual financial performance of the Borrower is tested against the Agreed Budget on a weekly basis. Subject to court orders made in these proceedings, upon the occurrence of an Event of Default, the DIP Lender may elect to terminate its commitment to make interim advances and declare the DIP Loan to be immediately due and payable, apply to a court for the appointment of a receiver, an interim receiver, or receiver and manager over the Borrower's collateral, enhance the powers of the Proposal Trustee, take all necessary steps in these proceedings, or exercise the powers and rights of a secured party under the *PPSA*.

## **F. RELIEF SOUGHT**

### **(a) Stay Extension**

65. Muskoka Grown is seeking an extension of the time required to file a proposal and the stay of proceedings to July 18, 2020.

66. The extension will stabilize and preserve the value of Muskoka Grown's business and provide it with the breathing space it needs to develop a viable proposal. This, in turn, will help to protect the interests of Muskoka Grown's stakeholders, including the Employees, suppliers, landlords, customers, lenders and Health Canada. Having regard to the circumstances, and in an effort to preserve the value of Muskoka Grown's business, the granting of the extension is in the best interests of Muskoka Grown and its stakeholders, and I do not believe any creditor would be materially prejudiced by the extension. Muskoka Grown has been, and continues to, act in good faith and with due diligence in developing a viable proposal for the benefit of its stakeholders.

67. Obtaining the extension at this time will also reduce professional and other costs associated with returning to Court for a further extension within thirty (30) days.

### **(b) Administration Charge**

68. It is proposed that the Proposal Trustee, along with its counsel and Muskoka Grown's counsel, be granted a Court-ordered charge as security for their respective fees and disbursements (incurred at their standard rates and charges) relating to services rendered in respect of Muskoka Grown up to a maximum of \$300,000 (the "**Administration Charge**"). The Administration Charge is proposed to have first ranking priority over all other charges and encumbrances.

69. It is important to the success of these proceedings to have the Administration Charge in place to ensure the continued involvement of critical professionals. The proposed beneficiaries are performing distinct functions and there is no duplication of roles. In addition, given its liquidity situation, Muskoka Grown has limited means to obtain professional assistance. To date, the proposed beneficiaries of the Administration Charge have expended considerable effort without the benefit of retainers.

70. Muskoka Grown has worked with the Proposal Trustee to estimate the proposed quantum of the Administration Charge. Zwingenberger, the first-lien lender and the DIP Lender, is supportive of the Administration Charge.

**(c) Directors' Charge**

71. I am advised by Sean Zweig of Bennett Jones LLP, counsel to Muskoka Grown, and believe that, in certain circumstances, directors can be held liable for certain obligations of a company owing to employees and government entities, which may include unpaid accrued wages and unpaid accrued vacation pay, together with unremitted excise, sales, goods and services, and harmonized sales taxes.

72. Muskoka Grown has traditionally maintained director's and officer's liability insurance (the "**D&O Insurance**"); however the D&O Insurance expires on May 10, 2020 and cannot be renewed. As a result, the directors and officers will not have any coverage after May 10, 2020 against the potential liability they could incur in connection with these proceedings.

73. Due to the aforementioned risks, the directors and officers have indicated that their continued service and involvement in these proceedings is conditional upon the granting of an Order under the BIA which grants a charge in favour of them in the amount of \$200,000 (the

**"Directors' Charge").** The Directors' Charge would be subordinate to the proposed Administration Charge but will rank in priority to the DIP Lender's Charge (as defined below) and all other encumbrances.

74. The Directors' Charge is necessary so that Muskoka Grown may continue to benefit from the expertise and knowledge of its directors and officers, which is particularly important in a highly regulated industry such as cannabis.

75. Muskoka Grown believes that the Directors' Charge is reasonable in the circumstances. I understand that the Proposed Trustee is supportive of the Directors' Charge and its quantum. Zwingenberger, the first-lien lender and DIP Lender, is also supportive.

**(d) The DIP Lender's Charge**

76. The DIP Loan is conditional on the issuance of a Court Order approving the DIP Loan and granting a priority charge up to a maximum of \$4,000,000 (the **"DIP Lender's Charge"**) as set out in the draft NOI Process Order. The NOI Process Order contemplates that the DIP Lender's Charge will rank subordinate to the Administration Charge and the Directors' Charge, but in priority to all other encumbrances.

77. The DIP Loan is required for the ongoing operations of Muskoka Grown while it works to develop a viable proposal. As discussed above, Muskoka Grown's biggest issue is its immediate liquidity crisis, and the DIP Loan is urgently needed to address that crisis.

78. I believe that the DIP Loan and corresponding DIP Lender's Charge are in the best interests of Muskoka Grown and its creditors. Each will enhance the ability of Muskoka Grown's management, in consultation with the Proposal Trustee, to put forward a viable proposal to its

creditors. Without the DIP Loan and the DIP Lender's Charge, Muskoka Grown will be forced to cease its business operations.

79. I do not believe that any creditor would be materially prejudiced as a result of the DIP Lender's Charge and understand that the Proposal Trustee is supportive of the DIP Loan and DIP Lender's Charge.

**(e) Cash Flow Statement**

80. I understand that a projected consolidated cash flow statement for Muskoka Grown for the 13-week period from the week ending May 8, 2020, to the week ending July 31, 2020 (the "**Cash Flow Statement**"), will be attached to the First Report of the Proposal Trustee. The cash flow projections demonstrate that debtor-in-possession financing is urgently required to provide Muskoka Grown with the required liquidity necessary for its continued business operations in the ordinary course, including to meet its upcoming payroll obligations. As such, Muskoka Grown is seeking approval of the DIP Loan.

81. The Cash Flow Statement has been prepared with the assistance of the Proposal Trustee and is accompanied by the prescribed representations in accordance with the BIA.

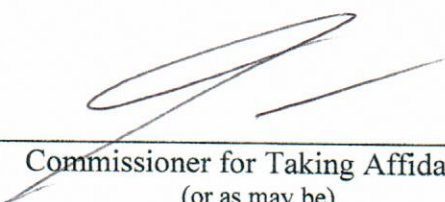
**G. CONCLUSION**

82. The NOI Process Order sought by Muskoka Grown is in the best interests of Muskoka Grown as well as its stakeholders. The DIP Loan is necessary in order to normalize operations, make payroll and enhance the prospect of a viable proposal. Without the DIP Loan, Muskoka Grown faces an immediate cessation of its going concern operations and its payroll obligations, the loss of its employees' jobs and the potential loss of the Cannabis Licence.



83. Muskoka Grown is actively engaging with, and has the support of, Zwingenberger, and is entering these proceedings on a consensual basis with the primary goal of formulating a viable proposal for its creditors, operating the business as a going concern and maintaining value for all stakeholders. I believe that these proceedings provide a process to restructure Muskoka Grown's business for the benefit of all stakeholders, and that the relief sought in the NOI Process Order is necessary at this time to ensure the continued operations of Muskoka Grown in the ordinary course of business.

**SWORN BEFORE ME** at the Town of  
the Blue Mountains, in the Province of  
Ontario on May 5, 2020

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

Aiden Ndms

  
\_\_\_\_\_  
**DAVID ASCOTT**

*This is Exhibit* “A” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

District of:  
 Division No.  
 Court No.  
 Estate No.

**- FORM 33 -**  
**NOTICE OF INTENTION TO MAKE A PROPOSAL**  
**(Subsection 50.4(1) of the Act)**

**IN THE MATTER OF THE PROPOSAL OF**  
**MUSKOKA GROWN LIMITED**  
**OF THE TOWN OF BRACEBRIDGE, IN THE PROVINCE OF ONTARIO**

**TAKE NOTICE THAT:**

1. The undersigned MUSKOKA GROWN LIMITED, an insolvent person, pursuant to Subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, intends to make a Proposal to its creditors.
2. A Farber & Partners Inc., of 150 York Street, Suite 1600, Toronto, Ontario, a Licensed Insolvency Trustee, has consented to act as Trustee under the Proposal and a copy of the Consent is attached hereto.
3. A list of the names of the known creditors with claims amounting to \$250 or more and the amounts of their claims is attached.
4. Pursuant to Section 69 of the *Bankruptcy and Insolvency Act*, all proceedings against the company are stayed as of the date of filing this Notice with the Official Receiver in my locality.

**DATED AT Bracebridge** this 29<sup>th</sup> day of April, 2020.

**MUSKOKA GROWN LIMITED**

Per:  David Grand

To be completed by Official Receiver:

\_\_\_\_\_  
 Filing Date

\_\_\_\_\_  
 Official Receiver

District of:  
Division No. -  
Court No.  
Estate No.

☒ Original ☐ Amended

40

-- Form 78 --  
Statement of Affairs (Business Proposal) made by an entity  
(Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)  
In the matter of the proposal of  
Muskoka Grown Limited  
of the Town of Bracebridge, in the Province of Ontario

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of April 2020. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

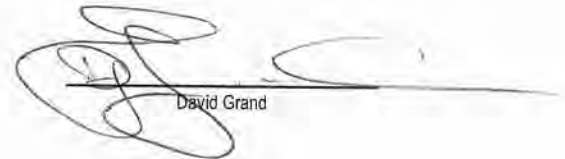
LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A" .....	7,001,148.74	1. Inventory .....	2,720,000.00
Balance of secured claims as per list "B" .....	0.00	2. Trade fixtures, etc. ....	0.00
Total unsecured creditors .....	7,001,148.74	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B" .....	8,363,555.00	Good .....	0.00
3. Preferred creditors as per list "C" .....	125,000.00	Doubtful .....	0.00
4. Contingent, trust claims or other liabilities as per list "D"		Bad .....	0.00
estimated to be reclaimable for .....	0.00	Estimated to produce .....	15,000.00
Total liabilities .....	15,489,703.74	4. Bills of exchange, promissory note, etc., as per list "F" ..	0.00
Surplus .....	3,357,296.26	5. Deposits in financial institutions .....	0.00
		6. Cash .....	0.00
		7. Livestock .....	0.00
		8. Machinery, equipment and plant .....	674,000.00
		9. Real property or immovable as per list "G" .....	15,382,000.00
		10. Furniture .....	56,000.00
		11. RRSPs, RRIFFs, life insurance, etc. ....	0.00
		12. Securities (shares, bonds, debentures, etc.) .....	0.00
		13. Interests under wills .....	0.00
		14. Vehicles .....	0.00
		15. Other property, as per list "H" .....	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital .....	0.00
		Amount paid on capital .....	0.00
		Balance subscribed and unpaid .....	0.00
		Estimated to produce .....	0.00
		Total assets .....	18,847,000.00
		Deficiency .....	NIL

I, David Grand, of the Town of Bracebridge in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 1st day of May 2020 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
before me at the Town of Bracebridge in the Province of Ontario, on this 1st day of May 2020.



Geanina Schmidt, Commissioner of Oaths  
For the Province of Ontario  
Expires April 6, 2021

  
David Grand

GEANINA SCHMIDT, A Commissioner, etc.,  
Province of Ontario, for A. Farber & Partners Inc.  
Expires: April 6, 2021.

District of;  
Division No. -  
Court No.  
Estate No.

FORM 78 -- Continued

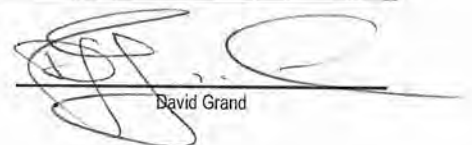
List "A"  
Unsecured Creditors

Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	3M	PO Box 15533 Station A Toronto ON M5W 1C1	4,094.82	0.00	4,094.82
2	Abacus Growth Agency	355 Adelaide Street West Toronto ON M5V 1S2	21,100.00	0.00	21,100.00
3	Accent Packaging Equipment Corp.	6791 178B Street Surrey BC V3S 9E1	72,319.82	0.00	72,319.82
4	Alarm Pro	PO Box 68 79 Manitoba Street Bracebridge ON P1L 1T5	259,069.18	0.00	259,069.18
5	Alarm Pro	PO Box 68 79 Manitoba Street Bracebridge ON P1L 1T5	100,000.00	0.00	100,000.00
6	Ample Organics	629 Eastern Avenue Building B Toronto ON M4M 1E3	18,642.15	0.00	18,642.15
7	Andrea Grand	7 Green Valley Road Toronto ON M2P 1A4	17,360.54	0.00	17,360.54
8	Atlantic Lifts Ltd.	1125 Burns Street East Whitby ON L1N 6A6	395.50	0.00	395.50
9	Bayroc Construction	134 Imperial Road North Bay ON P1A 4M5	68,369.94	0.00	68,369.94
10	Bennett Jones	1 First Canadian Place Suite 3400 PO Box 130 Toronto ON M5X 1A4	28,603.41	0.00	28,603.41
11	Berry Electric Motors, Pumps & Service	141 Welham Road Unit 3 Barrie ON L4N 8Y3	496.57	0.00	496.57
12	Bert Fielding	1115 Rusty Rock Road Gravenhurst ON P1P 1R1	41.95	0.00	41.95
13	Bill O'Dwyer	27 Oswald Crescent Toronto ON M4S 2H5	500,000.00	0.00	500,000.00
14	Bob Torella Plumbing	A Division of 1157228 Ontario Ltd PO Box 2201 Orillia ON L3V 6S1	143,736.27	0.00	143,736.27
15	Bracebridge RONA	10 Entrance Drive PO Box 718 Bracebridge ON P1L 1T9	22,939.12	0.00	22,939.12
16	Bradnick Construction Services Inc.	PO Box 397 Orillia ON L3V 6J8	208,963.93	0.00	208,963.93
17	Broidy Rondelet	109 Ossington Avenue, Apt #204 Toronto ON M6J 0G1	588.66	0.00	588.66
18	Call of the Wild	530 Greer Road Utterson ON P0B 1M0	1,356.00	0.00	1,356.00
19	Camfil Canada Inc.	100-2215 Boul. Degenais Ouest Laval QC H7L 5W9	8,446.08	0.00	8,446.08
20	Canada Revenue EHT	33 King St. West Oshawa ON L1H1A1	34,000.00	0.00	34,000.00

01-May-2020

Date



David Grand



District of:  
Division No. -  
Court No.  
Estate No.

## FORM 78 -- Continued

List "A"  
Unsecured Creditors  
Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
21	Canada Revenue HST	1050 Notre Dame Ave Sudbury ON P3A 5C1	0.00	0.00	0.00
22	Canada Revenue Payroll	1050 Notre Dame Ave Sudbury ON P3A 5C1	0.00	0.00	0.00
23	Canada Revenue Tax	1050 Notre Dame Ave Sudbury ON P3A 5C1	0.00	0.00	0.00
24	Canada Wide Scientific	2300 Walkley Road Ottawa ON K1G 6B1	338.83	0.00	338.83
25	Canadian Scientific Lab Systems	7777 Eastview Road Guelph ON N1H 6J1	74,804.49	0.00	74,804.49
26	CannaPro	A Division of Pro Horticulture Inc., 1775 Heather Hills Drive Burlington ON L7P 2Z1	18,096.54	0.00	18,096.54
27	Capes Engineering	355310 Blue Mountains-Euphrasia Townline Clarksburg ON N0H 1J0	262.74	0.00	262.74
28	Capital Transfer Agency	390 Bay Street Suite 920 Toronto ON M5H 2Y2	1,593.30	0.00	1,593.30
29	CAR-Wal - Orillia	655 Harvie Settlement Road Orillia ON L3V 0Y7	9,780.81	0.00	9,780.81
30	Cintas	Dept 400004 PO Box 4372 STN A TORONTO ON M5W 0J2	40,811.59	0.00	40,811.59
31	CN	PO Box 6089 Stn Centre-Ville Montreal QC H3C 3H1	21,474.72	0.00	21,474.72
32	CNW	A Cision Company 88 Queens Quay West Suite 3000 Toronto ON M5J 0B8	4,898.55	0.00	4,898.55
33	Cusimano Architect Inc	185 Bridgeland Avenue Suite 107 Toronto ON M6A 1Y7	19,068.75	0.00	19,068.75
34	Dale & Lessman	181 University Avenue Suite 2100 Toronto ON M5H 3M7	12,697.47	0.00	12,697.47
35	David Ascott, Expenses	32 Price Point Road Huntsville ON P1H 2J3	80.79	0.00	80.79
36	David Grand	PO Box 182 Bracebridge ON P1L 1T6	8,571.18	0.00	8,571.18
37	David Grand	PO Box 182 Bracebridge ON P1L 1T6	500,000.00	0.00	500,000.00
38	Dawson's Incorporated	1966 Muskoka Beach Road Gravenhurst ON P1P 1R1	205,902.02	0.00	205,902.02
39	De Koning Group Inc.,	36 Beach Road Utterson ON P0B 1M0	8,192.50	0.00	8,192.50
40	Detonate Group Inc.	800 Denison Street Unit 7 Markham ON L3R 5M9	4,340.33	0.00	4,340.33

01-May-2020

Date



David Grand

District of:  
Division No. -  
Court No.  
Estate No.

FORM 78 -- Continued

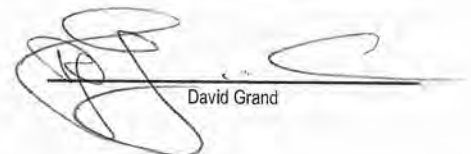
List "A"  
Unsecured Creditors

Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
41	District of Muskoka	Muskoka Water & Sewer 70 Pine Street Bracebridge ON P1L 1N3	18,945.24	0.00	18,945.24
42	Division 15 Plumbing & Mechanical Inc	5273 County Road 9 New Lowell ON L0M 1N0	487,911.16	0.00	487,911.16
43	Dr. Arthur Paul and Carol Monk	684 Muskoka Road North Gravenhurst ON P1P 1E7	4,500.00	0.00	4,500.00
44	Earth Alive Clean Technologies	9641 Rue Clément Québec Lasalle QC H8R 4B4	-38.75	0.00	-38.75
45	Eastview Construction	Operated by 2089871 Ontario Limited PO Box 1017 North Bay ON P1B 8K3	157,738.09	0.00	157,738.09
46	Embertech Industrial Inc.	27 Barron Drive Bracebridge ON P1L 0A1	4,312.08	0.00	4,312.08
47	Fastenal Canada LTD	900 Wabanaki Drive Kitchener ON N2C 0B7	1,367.21	0.00	1,367.21
48	FisherCat Inc.	12 Fitzpatrick Court Whitby ON L1M 2G9	26,517.32	0.00	26,517.32
49	Fowler Construction Company Limited	PO Box 630 Bracebridge ON P1L 1T9	12,261.51	0.00	12,261.51
50	Georgian Duct Cleaning	A Division of 100800 Ontario Inc., 315 Line 13 North Oro-Medonte ON L0L 1T0	15,413.40	0.00	15,413.40
51	Global Horticultural	4222 Sann Road Beamsville ON L0R 1B1	40,227.78	0.00	40,227.78
52	Greenshield	8677 Anchor Drive PO Box 1612 Windsor ON N9A 7A7	5,551.69	0.00	5,551.69
53	Grodan/Ruxul Inc.,	8024 Esquesing Line Milton ON L9T 6W3	10,451.81	0.00	10,451.81
54	Growhaus	1835 Green Meadow Drive Burlington ON L7P 2Y7	6,849.54	0.00	6,849.54
55	GS1 Canada	c/o TH1029 PO Box 4283 Postal Station A Toronto ON M5W 5W6	113.00	0.00	113.00
56	Higrocorp	661 Justus Drive Kingston ON K7M 4H5	1,414.76	0.00	1,414.76
57	Hillfinch Properties Ltd.	440 Ecclestone Drive Bracebridge ON P1L 1Z6	6,339.00	0.00	6,339.00
58	Home Depot	PO Box 675 Station D Scarborough ON M1R 5T4	41.06	0.00	41.06
59	Home Hardware	95 Highway 118 West Bracebridge ON P1L 1T2	995.44	0.00	995.44
60	Hugh Wood Canada Ltd	4120 Younge Street Toronto ON M2P 2B8	0.00	0.00	0.00

01-May-2020

Date



David Grand

District of:  
Division No.  
Court No.  
Estate No.

## FORM 78 -- Continued

List "A"  
Unsecured Creditors  
Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
61	Imaginex (Hallman)	39 Royalavon Cres Etobicoke ON M9A 2E7	47,295.35	0.00	47,295.35
62	Industry Air Sales Ltd	8A - 650 Woodlawn Road West Guelph ON N1K 1B8	38,238.32	0.00	38,238.32
63	Innovation Diagnostics	229 Robinson Sanit-Eustache QC J7R 5V7	4,885.62	0.00	4,885.62
64	Inplanta Biotechnology	4401 University Drive South Lethbridge AB T1K 3L4	10,920.00	0.00	10,920.00
65	Interweigh Systems	51 Bentley Street Markham ON L3R 3L1	12,882.00	0.00	12,882.00
66	Irrigation Direct Canada	5100 South Service Road Unit 17 Burlington ON L7L 6A5	1,316.95	0.00	1,316.95
67	JD Cold Rooms	195 Toryork Drive Toronto ON M9L 1X9	40,344.65	0.00	40,344.65
68	JD Michael Little Prof. Corp.	Box 237 Port Carling ON P0B 1J0	7,926.15	0.00	7,926.15
69	Jennifer Perlock	50 Little Ryan's Way Bracebridge ON P1L 0C3	332.50	0.00	332.50
70	Jennifer Tory	123 Buckingham Ave Toronto ON M4N 1R5	50,000.00	0.00	50,000.00
71	Jodi Wright Ritchie & Neil Ritchie	39 Buckingham Ave Toronto ON M4N 1R3	100,000.00	0.00	100,000.00
72	JSW Manufacturing Inc.	Box 586 1091 Manitoba Street Bracebridge ON P1L 1T8	2,414.54	0.00	2,414.54
73	Kevin Dann	16 Royal Troon Crescent Toronto ON L6C 2A8	400,000.00	0.00	400,000.00
74	Kyles Custom Cleaning	161 Toronto Street Bracebridge ON P1L 1J4	8,254.65	0.00	8,254.65
75	Lakeland Energy	200-395 Centre St North Huntsville ON P1H 2M2	742.21	0.00	742.21
76	Lakeland Energy (Ecclestone)	200-395 Centre Street North Huntsville ON P1H 2M2	699.21	0.00	699.21
77	Lakeland Network (77 Manitoba Street)	200-395 Centre St North Huntsville ON P1H 2M2	168.23	0.00	168.23
78	Lakeland Power	200 - 395 Centre Street North Huntsville ON P1H 2M2	254,164.76	0.00	254,164.76
79	Liberty Clothing Company	7370 Bramalea Road Unit 25 Mississauga ON L5S 1N6	4,711.62	0.00	4,711.62
80	Liz Rondelet Grand	PO Box 182 Bracebridge ON P1L 1T6	750,000.00	0.00	750,000.00
81	Marcia Gammon	2800 District Road 118 West Box 487 Port Carling ON P0B 1J0	10,000.00	0.00	10,000.00
82	Mark and Christine Olds	42 College Crescent Barrie ON L4M 2W3	10,000.00	0.00	10,000.00

01-May-2020

Date



David Grand



District of:  
Division No. -  
Court No.  
Estate No.

FORM 78 -- Continued

List "A"  
Unsecured Creditors

Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
83	Mark Rosenhek	17 Doncliffe Road Toronto ON M4N 2E5	170,000.00	0.00	170,000.00
84	Maxama Protection Inc.,	234 Romaine Street Peterborough ON K9J 2C5	38,886.90	0.00	38,886.90
85	MIT'S Air Conditioning	1608 Bonhill Road Mississauga ON L5T 1C7	239,308.00	0.00	239,308.00
86	Near North Customs Brokers	20 Elliott Avenue Barrie ON L4N 4V7	584.30	0.00	584.30
87	Nedco	Div of Rexel Canada Electrical Inc., PO Box 1127, Station B Mississauga ON L4Y 3W4	337.31	0.00	337.31
88	Nitrofin Inc.	485 Industrial Ave. Truro NS B2N 6V8	1.00	0.00	1.00
89	Noble Corporation	7171 Jane Street Concord ON L4K 1A7	530.44	0.00	530.44
90	Norton Rose Fulbright	1 Place Ville Marie Bureau 2500 Montreal QC H3B 1R1	20,580.04	0.00	20,580.04
91	Notable Life	25 Oxley Street, TH1 Toronto ON M5V 2J5	11,147.45	0.00	11,147.45
92	Orkin Canada Corporation	5840 Falbourne Street Mississauga ON L5R 4B5	1,244.02	0.00	1,244.02
93	Paul Cohen	584 Castlefield Ave Toronto ON M5N 1L8	150,000.00	0.00	150,000.00
94	PDS of Muskoka	7 Armstrong Street Unit 1 Bracebridge ON P1L 1C1	5,717.08	0.00	5,717.08
95	Peter Topp	687 Hillsdale Avenue Toronto ON M4S 1V4	5,000.00	0.00	5,000.00
96	PharmaSystem	151 Telson Road Markham ON L3R 1E7	33,972.48	0.00	33,972.48
97	Phil Garrat	ON	50,000.00	0.00	50,000.00
98	PID Controls	142 Ellins Avenue Toronto ON M6N 2B1	7,108.38	0.00	7,108.38
99	Plant Products	1520 Sandhill Drive Ancaster ON L9G 4V5	15,439.10	0.00	15,439.10
100	Popcann Corporation	116 Geary Ave - Suite 202A Toronto ON M6H 4H1	410,700.00	0.00	410,700.00
101	Praxair	P.O. Box 400 Stn D Scarborough ON M1R 5M1	11,829.86	0.00	11,829.86
102	Priva North America Inc.,	3468 South Service Road Vineland Station ON L0R 2E0	4,469.15	0.00	4,469.15
103	Purolator	PO Box 4800 Stn Main Concord ON L4K 0K1	391.70	0.00	391.70

01-May-2020

Date



David Grand

District of:  
Division No. -  
Court No.  
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## FORM 78 -- Continued

List "A"  
Unsecured Creditors

Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
104	Quality Cryogenics (Combined Air)	Div of Combined Air Mechanical Services 1670 Finfar Court, Unit #3 Mississauga ON L5J 4K1	6,073.75	0.00	6,073.75
105	Renton, Peter Engineer	55 Shoreline Drive Bracebridge ON P1L 1Z3	22,600.00	0.00	22,600.00
106	Rob & Sue Quigg	1130 Baldwin Road Bracebridge ON P1L 1N8	5,062.50	0.00	5,062.50
107	Rob Cross	2267 Lakeshore Blvd. West #323 Toronto ON M8V 3X2	5,000.00	0.00	5,000.00
108	Rochester Midland Company (RMC)	143 Mills Road Ajax ON L1S 2H2	1,751.52	0.00	1,751.52
109	Roger Rowan	29 Gormley Avenue Toronto ON M4V 1Y9	100,000.00	0.00	100,000.00
110	Roman Iwasjuk	22 Timothy Court Toronto ON M9P 3T8	50,000.00	0.00	50,000.00
111	Royal Bank of Canada Tim Comfort	37 Manitoba Street Bracebridge ON P1L 1T6	0.00	0.00	0.00
112	RPC Science & Engineering	Research & Productivity Council 921 College Hill Road NB Fredericton NB E3B 6Z9	54,628.60	0.00	54,628.60
113	RW Sheet Metal Ltd	580 First St. N. Gravenhurst ON P1P 1B9	13,013.34	0.00	13,013.34
114	SGS Canada Inc	PO Box 4580 Dept. 5, Station A Toronto ON M5W 4W2	13,843.94	0.00	13,843.94
115	Soil Engineers Ltd.	90 West Beaver Creek Road Suite 100 Richmond Hill ON L4B 1E7	4,369.71	0.00	4,369.71
116	Sunbelt Rentals	PO Box 99257 Station Terminal Vancouver BC V6B 0N5	32,266.62	0.00	32,266.62
117	Telus	PO Box 5300 Burlington ON L7R 4S8	1,741.32	0.00	1,741.32
118	Tews of Amercia Corp	2530 Meridian Parkway 3rd Floor, Suite 300 Durham NC 27713	41,255.02	0.00	41,255.02
119	The Mint Agency Inc.,	65 Bellwoods Avenue 2nd Floor Toronto ON M6J 3N4	26,837.06	0.00	26,837.06
120	Tim Griffioen	19-1723 Muskoka Road 118 West Bracebridge ON P1L 1W8	50,000.00	0.00	50,000.00
121	Tom Wright	39 Buckingham Ave Toronto ON M4N 1R3	15,000.00	0.00	15,000.00
122	Tonder n Holding (Donna Colson)	1467 Butter & Egg Road Milford Bay ON P0B 1E0	30,000.00	0.00	30,000.00
123	Town of Bracebridge	1000 Taylor Court Bracebridge ON P1L 1R6	65,058.71	0.00	65,058.71

01-May-2020

Date



David Grand

District of:  
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Estate No.

## FORM 78 -- Continued

List "A"  
Unsecured Creditors  
Muskoka Grown Limited

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
124	Uline	3333 James Snow Parkway North Milton ON L9T 8L1	11,115.98	0.00	11,115.98
125	Union Gas	PO Box 4001 STN A Toronto ON M5W 0G2	7,651.99	0.00	7,651.99
126	Univar Canada Ltd.	PO Box 4910 Station A Toronto ON M5W 0B8	1,334.51	0.00	1,334.51
127	VIPOND Fire Inspection	Division of Vipond Inc., 110 Saunders Road, Unit 1 Barrie ON L4N 9A8	21,198.12	0.00	21,198.12
128	Vivian McGuire	26 Fox Hunt Avenue Ottawa ON K1V 0E1	5,000.00	0.00	5,000.00
129	Wasserman Ramsay	3601 Hwy 7 East Suite 1008 Markham ON L3R 0M3	2,825.00	0.00	2,825.00
130	Waste Connections	PO BOX 1779, 580 Ecclestone Drive Bracebridge ON P1L 1V7	2,444.40	0.00	2,444.40
131	Water Depot	5005 Hwy 118 West Unit 117C Bracebridge ON P1L 1T4	15.80	0.00	15.80
132	WeightPack Systems Inc.,	5605 Cypihot Street Montreal QC H4S 1R3	132,287.08	0.00	132,287.08
133	Wes Finch & Sons Excavating Ltd.	PO Box 1419 Bracebridge ON P1L 1V5	78,851.93	0.00	78,851.93
134	WSIB	PO Box 4115 STN A Toronto ON M5W 2V3	20,360.71	0.00	20,360.71
135	Zim Coat Inc	27-160 Wilkinson Road Brampton ON L6T 4Z4	4,667.27	0.00	4,667.27
Total:			7,001,148.74	0.00	7,001,148.74

01-May-2020

Date

  
David Grand

District of:  
Division No. -  
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Estate No.

## FORM 78 -- Continued

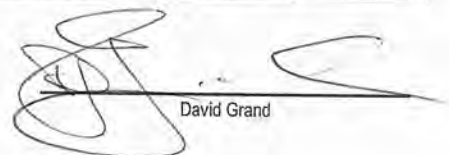
List "B"  
Secured Creditors

Muskoka Grown Limited

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	1035065 Ontario Ltd	50 Keith Road Bracebridge ON P1L 1X2	197,349.00	Real Property or Immovable - Building and Land		197,349.00		
2	Arthur Zwingenberger	1440 Don Mills Road, Suite 105 Toronto ON M3B 3M1	5,200,000.00	Real Property or Immovable - Land - Excess Land		1,382,000.00		
				Real Property or Immovable - Building and Land		3,818,000.00		
3	Leslie Ann Gallagher	1160 Woodeden Drive Mississauga ON L5H 2T6	450,000.00	Real Property or Immovable - Building and Land		450,000.00	9,534,651.00	
4	Nord-Aski Regional Economic	345 Ecclestone Drive Bracebridge ON P1L 1R1	466,206.00	Business Assets - Stock In Trade - Inventory - 1,530 kg		466,206.00	218,794.00	
				Business Assets - Machinery - Equipment		0.00	674,000.00	
				Furniture - Office Furniture		0.00	56,000.00	
				Debts Due - Business - A/R - Various customers		0.00		
				Cash on Hand - Cash on Hand		0.00		
				Debts Due - Business - Loan Receivable		0.00		
				Other - Biological Assets		0.00		
				Other - Licensing and Regulatory Costs		0.00		
				Other - Prepaids		0.00		
5	Royal Bank of Canada Secured Line of Credit	7101 Parc Avenue, 5th Floor Montreal QC H3N 1X9	2,050,000.00	Business Assets - Stock In Trade - Inventory - 1,530 kg		2,035,000.00		
				Debts Due - Business - A/R - Various customers		15,000.00		
				Debts Due - Business - Loan Receivable		0.00		
				Furniture - Office Furniture		0.00		
				Other - Biological Assets		0.00		
				Other - Licensing and Regulatory Costs		0.00		
				Other - Prepaids		0.00		
				Cash on Hand - Cash on Hand		0.00		
				Business Assets - Machinery - Equipment		0.00		
Total:			8,363,555.00			8,363,555.00	10,483,445.00	0.00

01-May-2020

Date



David Grand

District of:  
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## FORM 78 -- Continued

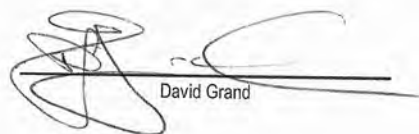
List "C"  
 Preferred Creditors for Wages, Rent, etc.

Muskoka Grown Limited

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
1	Various Employees			-	125,000.00	0.00	125,000.00
Total:					125,000.00	0.00	125,000.00

01-May-2020

Date



David Grand

District of:  
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## FORM 78 -- Continued

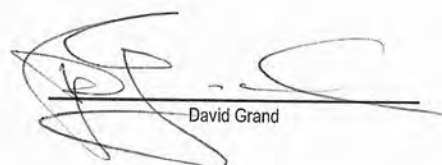
List "D"  
 Contingent or Other Liabilities

Muskoka Grown Limited

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

01-May-2020

Date



David Grand

District of:  
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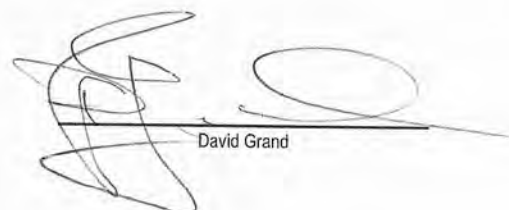
## FORM 78 -- Continued

List "E"  
Debts Due to the Debtor  
Muskoka Grown Limited

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	A/R - Various customers	A/R - Various customers	A/R - Various customers	0.00 0.00 0.00		20-Nov-2013	15,000.00	A/R - Various customers
2	Loan Receivable	Loan Receivable	Loan Receivable	0.00 0.00 0.00		01-Mar-2018	0.00	Loan Receivable
Total:				0.00 0.00 0.00			15,000.00	

01-May-2020

Date



David Grand

District of:  
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## FORM 78 -- Continued

List "F"

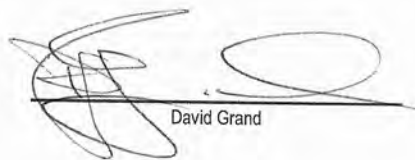
Bills of Exchange, Promissory Notes, Lien Notes, Chattel  
 Mortgages, etc., Available as Assets

Muskoka Grown Limited

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

01-May-2020

Date



David Grand



District of:  
 Division No. -  
 Court No.  
 Estate No.

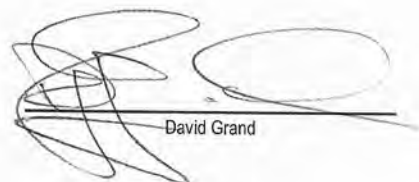
## FORM 78 -- Continued

List "G"  
 Real Property or Immovables Owned by Debtor  
 Muskoka Grown Limited

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Building and Land			14,000,000.00	1035065 Ontario Ltd 50 Keith Road Bracebridge ON P1L 1X2 197,349.00 Arthur Zwingenberger 1440 Don Mills Road, Suite 105 Toronto ON M3B 3M1 5,200,000.00 Leslie Ann Gallagher 1160 Woodeden Drive Mississauga ON L5H 2T6 450,000.00	9,534,651.00
Land - Excess Land			1,382,000.00	Arthur Zwingenberger 1440 Don Mills Road, Suite 105 Toronto ON M3B 3M1 5,200,000.00	0.00
<b>Total:</b>			<b>15,382,000.00</b>		<b>9,534,651.00</b>

01-May-2020

Date



David Grand

District of:  
 Division No. -  
 Court No.  
 Estate No.

FORM 78 -- Concluded

List "H"  
 Property

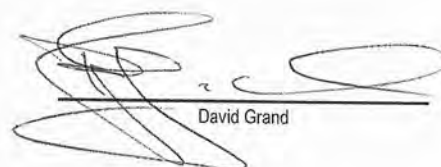
Muskoka Grown Limited

FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory - 1,530 kg	2,720,000.00	2,720,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand		Cash on hand	0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant		Equipment	2,248,000.00	674,000.00
(g) Furniture		Office Furniture	375,000.00	56,000.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Biological Assets	585,000.00	0.00
		Licensing and Regulatory Costs	168,000.00	0.00
		Prepays	0.00	0.00
Total:				3,450,000.00

01-May-2020

Date



David Grand

**IN THE MATTER OF THE PROPOSAL OF  
MUSKOKA GROWN LIMITED  
OF THE TOWN OF BRACEBRIDGE, IN THE PROVINCE OF ONTARIO**

**CONSENT TO ACT AS TRUSTEE**

A. Farber & Partners Inc. hereby consents to act as Trustee *in re* the Proposal of Muskoka Grown Limited.

**DATED AT TORONTO** this 29<sup>th</sup> day of April, 2020.

**A. FARBER & PARTNERS INC.**

Per:



---

Hylton Levy, CPA, CA, CFP, LIT



Industry Canada

Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant  
des faillites Canada

District of        Ontario  
Division No.    03 - Barrie  
Court No.       31-2643278  
Estate No.      31-2643278

In the Matter of the Notice of Intention to make a  
proposal of:

**Muskoka Grown Limited**  
Insolvent Person

**A. FARBER & PARTNERS INC.**  
Licensed Insolvency Trustee

Date of the Notice of Intention:                      May 05, 2020

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 05, 2020, 16:18

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902



*This is Exhibit*           “B”           *referred to in the*  
*affidavit of*           David Ascott            
*sworn before me, this*           5th            
*day of*           May, 2020          

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

For Ministry Use Only  
À l'usage exclusif du ministère

Ontario Corporation Number  
Numéro de la société en Ontario

**1906849**



Ministry of  
Government Services

Ministère des  
Services gouvernementaux

**Ontario  
CERTIFICATE**  
This is to certify that these articles  
are effective on

**CERTIFICAT**  
Ceci certifie que les présents statuts  
entrent en vigueur le

**NOVEMBER 20 NOVEMBRE, 2013**

*K. [Signature]*  
Director / Directeur

Business Corporations Act / Loi sur les sociétés par actions

Form 1  
Business  
Corporations  
Act

Formule 1  
Loi sur les  
sociétés par  
actions

### Articles of Incorporation

#### Status Constitutifs

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)

Dénomination sociale de la société : (Écrire en LETTRES MAJUSCULES SEULEMENT)

M	U	S	K	O	K	A		M	E	D	I	C	A	L		M	A	R	I	J	U	A	N	A		C	O	M	P
A	N	Y		L	I	M	I	T	E	D																			

2. The address of the registered office is:

Adresse du siège social :

**41 ESGORE DRIVE**

(Street & Number or R.R. Number & if Multi-Office Building give Room No.)

(Rue et numéro ou numéro de la R.R. et, s'il s'agit d'un édifice à bureaux, numéro du bureau)

**TORONTO**

**ONTARIO**

**M 5 M 3 R 5**

(Name of Municipality or Post Office)

(Nom de la municipalité ou du bureau de poste)

(Postal Code)

(Code postal)

3. Number of directors is/are:

Nombre d'administrateurs :

Fixed number

Nombre fixe

OR minimum and maximum

OU minimum et maximum

**one(1) fifteen(15)**

4. The first director(s) is/are:

Premier(s) administrateur(s) :

First name, middle names and surname

Prénom, autres Prénoms et nom de famille

Address for service, giving Street & No. or R.R. No.,  
Municipality, Province, Country and Postal Code

Domicile élu, y compris la rue et le numéro, le numéro de la  
R.R. ou le nom de la municipalité, la province, le pays et le  
code postal

Resident Canadian?  
Yes or No

Résident canadien?  
Oui/Non

**Richard K. Watson**

**104 Balsam Avenue  
Toronto, Ontario M4E 3B7**

**YES**

5. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.

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There are no restrictions on the business the Corporation may carry on or on the powers the Corporation may exercise.

6. The classes and any maximum number of shares that the corporation is authorized to issue:  
Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre :

An unlimited number of common shares.

7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série :

Not applicable.



8. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:  
L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes :

No shares in the capital of the Corporation shall be transferred without the sanction of either (i) a majority of the directors of the Corporation expressed by a resolution passed at a meeting of the directors or by an instrument or instruments in writing signed by a majority of the directors; or (ii) the holders of at least 51% of the outstanding common shares of the Corporation expressed by an instrument or instruments in writing. No shares shall be transferred without the consent of the board of directors evidenced by a resolution or by their consent in writing.

9. Other provisions if any:  
Autres dispositions, s'il y a lieu :

(a) The number of shareholders of the Corporation, exclusive of persons who are in the employment of the Corporation is limited to fourteen (14). Two (2) or more persons holding one (1) or more shares jointly shall be counted as a single shareholder.

(b) Any invitation to the public to subscribe for shares or securities of the Corporation is prohibited.

10. The names and addresses of the incorporators are:  
Noms et adresses des fondateurs :

63

First name, middle names and surname or corporate name  
Prénom, autres prénoms et nom de famille ou  
dénomination sociale

Full address for service or if a corporation, the address of  
the registered or head office giving street & No. or R.R.  
No., municipality, province, country and postal code  
Domicile élu au complet ou, dans le cas d'une société,  
adresse du siège social ou adresse de l'établissement  
principal, y compris la rue et le numéro ou le numéro de la  
R.R., la municipalité, la province, le pays et le code postal

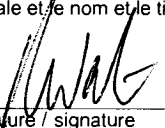
**Richard K. Watson**

**104 Balsam Avenue  
Toronto, Ontario M4E 3B7**

These articles are signed in duplicate.  
Les présents statuts sont signés en double exemplaire.

Full name(s) and signature(s) of incorporator(s). In the case of a corporation set out the name of the corporation and the  
name and office of the person signing on behalf of the corporation

Nom(s) au complet et signature(s) du ou des fondateurs. Si le fondateur est une société, indiquer la dénomination  
sociale et le nom et le titre de la personne signant au nom de la société

  
Signature / signature

**Richard K. Watson**

Name of incorporator (or corporation name & signatories name and office)  
Nom du fondateur (ou dénomination sociale et nom et titre du signataire)

\_\_\_\_\_  
Signature / signature

\_\_\_\_\_  
Name of incorporator (or corporation name & signatories name and office)  
Nom du fondateur (ou dénomination sociale et nom et titre du signataire)

\_\_\_\_\_  
Signature / signature

\_\_\_\_\_  
Name of incorporator (or corporation name & signatories name and office)  
Nom du fondateur (ou dénomination sociale et nom et titre du signataire)

\_\_\_\_\_  
Signature / signature

\_\_\_\_\_  
Name of incorporator (or corporation name & signatories name and office)  
Nom du fondateur (ou dénomination sociale et nom et titre du signataire)



Ministry of  
Government Services

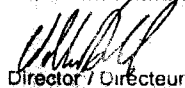
Ministère des  
Services gouvernementaux

**CERTIFICATE**  
This is to certify that these  
articles are effective on

**CERTIFICAT**  
Ceci certifie que les présents  
statuts entrent en vigueur le

1906849

**NOVEMBER 09 NOVEMBRE, 2017**

  
Director / Directeur

17

Business Corporations Act / Loi sur les sociétés par actions

**ARTICLES OF AMENDMENT  
STATUTS DE MODIFICATION**

Form 3  
Business  
Corporations  
Act

Formule 3  
Loi sur les  
sociétés par  
actions

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)  
Dénomination sociale actuelle de la société (écrire en LETTRES MAJUSCULES SEULEMENT) :

M	U	S	K	O	K	A		M	E	D	I	C	A	L		M	A	R	I	J	U	A	N	A		C	O	M	P
A	N	Y						L	I	M	I	T	E	D															

2. The name of the corporation is changed to (if applicable) : (Set out in BLOCK CAPITAL LETTERS)  
Nouvelle dénomination sociale de la société (s'il y a lieu) (écrire en LETTRES MAJUSCULES SEULEMENT) :

M	U	S	K	O	K	A		G	R	O	W	N		L	I	M	I	T	E	D								

3. Date of incorporation/amalgamation:  
Date de la constitution ou de la fusion :

2013/11/20

(Year, Month, Day)  
(année, mois, jour)

4. Complete only if there is a change in the number of directors or the minimum / maximum number of directors.  
Il faut remplir cette partie seulement si le nombre d'administrateurs ou si le nombre minimal ou maximal d'administrateurs a changé.

Number of directors is/are: minimum and maximum number of directors is/are:  
Nombre d'administrateurs : nombres minimum et maximum d'administrateurs :

Number minimum and maximum  
Nombre minimum et maximum

or  
ou

5. The articles of the corporation are amended as follows:  
Les statuts de la société sont modifiés de la façon suivante :  
Name Change

6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.  
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on  
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2017/09/12

(Year, Month, Day)  
(année, mois, jour)

These articles are signed in duplicate.  
Les présents statuts sont signés en double exemplaire.

Muskoka Medical Marijuana Company Limited

(Print name of corporation from Article 1 on page 1)  
(Veuillez écrire le nom de la société de l'article un à la page une).

By/  
Par :

(Signature)  
(Signature)

Director

(Description of Office)  
(Fonction)

*This is Exhibit* “C” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

LAND  
REGISTRY  
OFFICE #35

48053-0801 (LT)

PAGE 1 OF 2  
PREPARED FOR JPetrovic  
ON 2020/04/30 AT 10:00:29

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

PROPERTY DESCRIPTION:

PART LOTS 1 & 2 CONCESSION 13 DRAPER BEING PARTS 2 & 3 ON 35R-25226, TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA; SUBJECT TO AN EASEMENT OVER PART 3 ON 35R-25226 IN FAVOUR OF PART LOT 2 CONCESSION 12 DRAPER AS IN DM38412, AS IN MT179269; TOGETHER WITH AN EASEMENT OVER PART 4 ON 35R-25226 AS IN MT179270; SUBJECT TO AN EASEMENT OVER PART 3, 35R-25226 IN FAVOUR OF PART LOT 1 CON 12 DRAPER DESIGNATED AS PARTS 1, 2, 3, 35R-25379 AS IN MT192298

PROPERTY REMARKS:

PLANNING ACT CONSENT IN DOCUMENT MT179269. PLANNING ACT CONSENT IN DOCUMENT MT179344. PLANNING ACT CONSENT IN DOCUMENT MT192298.

ESTATE/QUALIFIER:

FEE SIMPLE  
LT CONVERSION QUALIFIED

RECENTLY:

DIVISION FROM 48053-0196

PIN CREATION DATE:

2017/02/14

OWNERS' NAMES

MUSKOKA GROWN LIMITED

CAPACITY

SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2017/02/14 **						
**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:						
** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES *						
** AND ESCHEATS OR FORFEITURE TO THE CROWN.						
** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF						
** IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY						
** CONVENTION.						
** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.						
**DATE OF CONVERSION TO LAND TITLES: 2005/03/21 **						
DM288542	1996/02/09	AGREEMENT			THE CORPORATION OF THE TOWN OF BRACEBRIDGE	C
REMARKS: SKETCH ATTACHED. SITE PLAN						
MT111052	2012/04/18	NOTICE		THE CORPORATION OF THE TOWN OF BRACEBRIDGE		C
35R25226	2016/10/25	PLAN REFERENCE				C
MT178370	2017/01/06	NOTICE	\$1	THE DISTRICT MUNICIPALITY OF MUSKOKA		C
REMARKS: SEVERANCE CONSENT AGREEMENT. THIS NOTICE IS FOR AN INDETERMINATE PERIOD						
MT179202	2017/01/27	NOTICE	\$2	THE CORPORATION OF THE TOWN OF BRACEBRIDGE		C
REMARKS: RE: PTS. 2 & 3 ON 35R-25226						
MT179269	2017/01/31	TRANSFER EASEMENT		COTTAGES MUSKOKA INC.	RICARD, RICHARD	C
MT179344	2017/02/01	TRANSFER		*** DELETED AGAINST THIS PROPERTY ***		

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

LAND  
REGISTRY  
OFFICE #35

48053-0801 (LT)

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

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
MT181476	2017/04/11	TRANSFER		<del>COTTAGES MUSKOKA INC.</del>  <del>*** COMPLETELY DELETED ***</del> <del>2556875 ONTARIO INC.</del>	<del>2556875 ONTARIO INC.</del>  <del>2568536 ONTARIO INC.</del>	
MT192298	2017/11/16	TRANSFER EASEMENT	\$2	2568536 ONTARIO INC.	MUSKOKA GROWN LIMITED	C
MT195048	2018/01/31	LR'S ORDER		LAND REGISTRAR, MUSKOKA LAND REGISTRY OFFICE		C
MT198442	2018/05/15	TRANSFER		<del>*** COMPLETELY DELETED ***</del> <del>2568536 ONTARIO INC.</del>	<del>2634436 ONTARIO INC.</del>	
<del>REMARKS: PLANNING ACT STATEMENTS.</del>						
MT202901	2018/08/24	CHARGE		<del>*** COMPLETELY DELETED ***</del> <del>2634436 ONTARIO INC.</del>	<del>GOF-BC HOLDINGS LTD.</del>	
MT207915	2018/12/17	TRANSFER	\$275,000	2634436 ONTARIO INC.	MUSKOKA GROWN LIMITED	C
MT210929	2019/03/21	DISCH OF CHARGE		<del>*** COMPLETELY DELETED ***</del> <del>GOF-BC HOLDINGS LTD.</del>		
<del>REMARKS: MT202901.</del>						
MT212342	2019/05/01	CHARGE	\$10,000,000	MUSKOKA GROWN LIMITED	ZWINGENBERGER, ARTHUR	C
MT221847	2019/11/28	CONSTRUCTION LIEN	\$168,849	2089871 ONTARIO LIMITED		C
MT225097	2020/02/18	CERTIFICATE		2089871 ONTARIO LIMITED		C
<del>REMARKS: MT221847</del>						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.

NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



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

PROPERTY DESCRIPTION:PART LOTS 1 & 2 CONCESSION 13 DRAPER, BEING PART 1 ON 35R-25226; TOWN OF BRACEBRIDGE; THE DISTRICT MUNICIPALITY OF MUSKOKA

PROPERTY REMARKS:PLANNING ACT CONSENT IN DOCUMENT MT179269.

ESTATE/QUALIFIER:RECENTLY:PIN CREATION DATE:  
FEE SIMPLEDIVISION FROM 48053-01962017/02/14  
LT CONVERSION QUALIFIED

OWNERS' NAMESCAPACITY SHARE  
MUSKOKA GROWN LIMITED

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2017/02/14 **						
**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:						
** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES *						
** AND ESCHEATS OR FORFEITURE TO THE CROWN.						
** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF						
** IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY						
** CONVENTION.						
** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.						
**DATE OF CONVERSION TO LAND TITLES: 2005/03/21 **						
DM288542	1996/02/09	AGREEMENT			THE CORPORATION OF THE TOWN OF BRACEBRIDGE	C
REMARKS: SKETCH ATTACHED. SITE PLAN						
35R18142	2000/01/25	PLAN REFERENCE				C
MT58001	2008/10/27	LR'S ORDER		*** DELETED AGAINST THIS PROPERTY *** TOWNS, WILLIAM J.	TOWNS, WILLIAM J.	
REMARKS: AMEND OWNERS FIELD TO DURA AUTOMOTIVE SYSTEMS (CANADA), LTD.						
MT64057	2009/03/26	TRANSFER		*** DELETED AGAINST THIS PROPERTY *** DURA AUTOMOTIVE SYSTEMS (CANADA), LTD.	TDCI BRACEBRIDGE INC.	
REMARKS: PLANNING ACT STATEMENTS						
MT111052	2012/04/18	NOTICE		THE CORPORATION OF THE TOWN OF BRACEBRIDGE		C
MT156962	2015/08/26	APL VESTING ORDER		*** DELETED AGAINST THIS PROPERTY *** ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST)	COTTAGES MUSKOKA INC.	
35R25226	2016/10/25	PLAN REFERENCE				C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
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REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
MT178370	2017/01/06	NOTICE	\$1	THE DISTRICT MUNICIPALITY OF MUSKOKA		C
		REMARKS: SEVERANCE CONSENT AGREEMENT. THIS NOTICE IS FOR AN INDETERMINATE PERIOD				
<del>MT181477</del>	<del>2017/04/11</del>	TRANSFER		<del>*** COMPLETELY DELETED ***</del> <del>COTTAGES MUSKOKA INC.</del>	<del>2556875 ONTARIO INC.</del>	
MT194943	2018/01/26	LR'S ORDER		<del>*** COMPLETELY DELETED ***</del> <del>LAND REGISTRAR, MUSKOKA</del>		
		<del>REMARKS: AMENDED FROM DISTRICT MUNICIPALITY OF MUSKOKA, TO TOWN OF BRACEBRIDGE TO THE TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA, AND ALSO THAT THE DOCUMENTS MT58001, MT64057 AND MT156962 BE DELETED FROM THE DOCUMENT ABSTRACT PURSUANT TO TRANSFER MT181477</del>				
MT198443	2018/05/15	TRANSFER	\$550,000	2556875 ONTARIO INC.	MUSKOKA GROWN LIMITED	C
		REMARKS: PLANNING ACT STATEMENTS.				
<del>MT202900</del>	<del>2018/08/24</del>	CHARGE		<del>*** COMPLETELY DELETED ***</del> <del>MUSKOKA GROWN LIMITED</del>	<del>GOF-BC HOLDINGS LTD.</del>	
MT210928	2019/03/21	DISCH OF CHARGE		<del>*** COMPLETELY DELETED ***</del> <del>GOF-BC HOLDINGS LTD.</del>		
		<del>REMARKS: MT202900.</del>				
MT212342	2019/05/01	CHARGE	\$10,000,000	MUSKOKA GROWN LIMITED	ZWINGENBERGER, ARTHUR	C
MT221847	2019/11/28	CONSTRUCTION LIEN	\$168,849	2089871 ONTARIO LIMITED		C

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.

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LAND  
REGISTRY  
OFFICE #35

48053-0803 (LT)

PAGE 1 OF 2  
PREPARED FOR JPetrovic  
ON 2020/04/30 AT 10:07:39

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

PROPERTY DESCRIPTION: PART LOT 1 CONCESSION 12 DRAPER PARTS 1, 2 & 3 35R25379; SUBJECT TO AN EASEMENT OVER PART 3 35R25379 IN FAVOUR OF PART LOT 1 CONCESSION 12 AS IN DM226261 EXCEPT PART 2 35R17003, PARTS 1 TO 5, 8 TO 11 35R21146, PARTS 1 TO 10 35R24393, PARTS 1, 2 & 3 35R25379 AS IN MT185935; TOGETHER WITH AN EASEMENT OVER PART 3, 35R-25226 AS IN MT192298; TOWN OF BRACEBRIDGE

PROPERTY REMARKS: PLANNING ACT CONSENT IN DOCUMENT MT185935.

ESTATE/QUALIFIER:  
FEE SIMPLE  
LT CONVERSION QUALIFIED

RECENTLY:  
DIVISION FROM 48053-0795

PIN CREATION DATE:  
2017/08/10

OWNERS' NAMES  
MUSKOKA GROWN LIMITED

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
<div><div>** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2017/08/10 **</div><div>**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:</div><div>** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES * AND ESCHEATS OR FORFEITURE TO THE CROWN.</div><div>** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY CONVENTION.</div><div>** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.</div><div>**DATE OF CONVERSION TO LAND TITLES: 2005/03/21 **</div><div>MT279972007/01/09CHARGE*** DELETED AGAINST THIS PROPERTY ***1035065 ONTARIO INC.</div><div>MT279982007/01/09NO ASSGN RENT GEN*** DELETED AGAINST THIS PROPERTY ***1035065 ONTARIO INC.</div><div>REMARKS: RE: MT27997</div><div>MT1798922017/02/17NOTICE\$2THE CORPORATION OF THE TOWN OF BRACEBRIDGE</div><div>35R253792017/05/08PLAN REFERENCE</div><div>MT1859352017/07/14TRANSFER\$650,0001035065 ONTARIO INC.</div><div>MT1859362017/07/14CHARGE\$350,000MUSKOKA MEDICAL MARIJUANA COMPANY LIMITED</div><div>MT1859372017/07/14DISCH OF CHARGE*** DELETED AGAINST THIS PROPERTY ***BUSINESS DEVELOPMENT BANK OF CANADA</div></div>						

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
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LAND  
REGISTRY  
OFFICE #35

48053-0803 (LT)

PAGE 2 OF 2  
PREPARED FOR JPetrovic  
ON 2020/04/30 AT 10:07:39

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

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
<del>REMARKS: MT27997-</del>						
MT189113	2017/09/15	NOTICE	\$2	THE CORPORATION OF THE TOWN OF BRACEBRIDGE		C
<del>REMARKS: AMENDING SITE PLAN AGREEMENT MT179892</del>						
MT192297	2017/11/16	APL CH NAME OWNER		MUSKOKA MEDICAL MARIJUANA COMPANY LIMITED	MUSKOKA GROWN LIMITED	C
MT193185	2017/12/06	NOTICE	\$2	THE DISTRICT MUNICIPALITY OF MUSKOKA		C
MT193202	2017/12/06	POSTPONEMENT		1035065 ONTARIO INC.	THE DISTRICT MUNICIPALITY OF MUSKOKA	C
<del>REMARKS: MT185936 TO MT193185</del>						
MT202900	2018/08/24	CHARGE		<del>*** COMPLETELY DELETED ***</del> <del>MUSKOKA GROWN LIMITED</del>	<del>GOF-BC HOLDINGS LTD.</del>	
<del>MT210928</del>	<del>2019/03/21</del>	<del>DISCH OF CHARGE</del>		<del>*** COMPLETELY DELETED ***</del> <del>GOF-BC HOLDINGS LTD.</del>		
<del>REMARKS: MT202900-</del>						
MT212342	2019/05/01	CHARGE	\$10,000,000	MUSKOKA GROWN LIMITED	ZWINGENBERGER, ARTHUR	C
<del>MT220427</del>	<del>2019/10/30</del>	<del>CONSTRUCTION LIEN</del>		<del>*** COMPLETELY DELETED ***</del> <del>VIPOND INC</del>		
MT221847	2019/11/28	CONSTRUCTION LIEN	\$168,849	2089871 ONTARIO LIMITED		C
<del>MT222524</del>	<del>2019/12/12</del>	<del>APL DEL CONST LIEN</del>		<del>*** COMPLETELY DELETED ***</del> <del>VIPOND INC</del>		
<del>REMARKS: MT220427-</del>						

*This is Exhibit* “D” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

**MUSKOKA GROWN LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2020**

	<b>Mar 31 2020</b>	<b>Sep 30 2019</b>
<b>Current:</b>		
Cash and cash equivalents	(8,859)	11,287
Accounts receivable	183,866	2,000
Prepaid expenses	182,526	24,230
HST receivable	134,311	397,326
Biological assets	585,385	1,385,590
Inventory	3,849,496	1,207,905
	<b>4,926,725</b>	<b>3,028,338</b>
<b>Property, plant and equipment:</b>		
Building facility	21,719,898	20,931,999
Equipment	2,327,326	2,155,167
Office equipment and furniture	384,009	384,009
Land	1,510,113	1,510,113
Accumulated Depreciation	(882,954)	(588,954)
	<b>25,058,392</b>	<b>24,392,334</b>
Loan receivable	1,659,360	1,659,360
Licensing and regulatory costs	168,758	168,758
	<b>31,813,235</b>	<b>29,248,790</b>
<b>Current:</b>		
Bank Indebtedness	1,985,000	1,770,000
Accounts payable and accrued liabilities	6,261,802	3,073,420
Due to related party	26,862	91,432
Short term note payable	725,584	-
Mortgage payable - current portion	-	-
	<b>8,999,248</b>	<b>4,934,852</b>
<b>Non-current:</b>		
Mortgage payable	197,349	224,755
Loan payable - Muskoka Futures	466,206	478,510
Loan payable - RC Morris	-	-
Loan payable - Other	5,000,000	5,000,000
Convertible debenture financing	442,840	411,715
	<b>6,106,395</b>	<b>6,114,980</b>
Common shares	23,874,334	23,874,334
Equity component of convertible debenture	180,626	180,626
Share-based payments reserves	2,298,545	1,998,545
Deficit	(9,645,913)	(7,854,547)
	<b>16,707,592</b>	<b>18,198,958</b>
	<b>31,813,235</b>	<b>29,248,790</b>
	-	-

*This is Exhibit* \_\_\_\_\_ *“E”* \_\_\_\_\_ *referred to in the*  
*affidavit of* \_\_\_\_\_ David Ascott \_\_\_\_\_  
*sworn before me, this* \_\_\_\_\_ 5th \_\_\_\_\_  
*day of* \_\_\_\_\_ May, 2020 \_\_\_\_\_

\_\_\_\_\_  
**A COMMISSIONER FOR TAKING AFFIDAVITS**

Aiden Neims

The applicant(s) hereby applies to the Land Registrar.

Properties

PIN 48053 - 0795 LT Interest/Estate Fee Simple ☒ Redescription  
Description PT LT 1 CON 12 DRAPER PT 1, 2, 3, 35R25379; TOWN OF BRACEBRIDGE  
Address 50 KEITH ROAD  
BRACEBRIDGE

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name MUSKOKA MEDICAL MARIJUANA COMPANY LIMITED  
Address for Service P.O. Box 182  
Bracebridge, Ontario  
P1L 1T6

I, David Grand, have the authority to bind the corporation.  
This document is not authorized under Power of Attorney by this party.

Chargee(s) Capacity Share

Name 1035065 ONTARIO INC.  
Address for Service P.O. Box 690, 50 Keith Road  
Bracebridge, Ontario  
P1L 1T9

Provisions

Principal \$350,000.00 Currency CDN  
Calculation Period semi-annually, not in advance  
Balance Due Date 2023/04/29  
Interest Rate 4.0%  
Payments \$5,614.29  
Interest Adjustment Date 2017 06 29  
Payment Date 29th day of each and every month  
First Payment Date 2017 07 29  
Last Payment Date 2023 04 29  
Standard Charge Terms 200033  
Insurance Amount full insurable value  
Guarantor

Additional Provisions

This Mortgage is repayable in blended monthly instalments of principal and interest until the Balance Due Date.

The Chargor, when not in default, has the privilege of prepaying all or part of the principal sum on any payment date or dates without notice or bonus, provided that any partial prepayment shall equal the sum of the principal amounts of the payment(s) next falling due under the Charge/Mortgage.

The Buyer shall deliver to the Chargee/Mortgagee on the closing of this transaction, and on each anniversary of the closing, a series of post-dated cheques to cover all Charge/Mortgage payments due during the next twelve months.

Signed By

Allan Murray Huycke 20 Ida Street acting for Signed 2017 07 14  
Bracebridge  
P1L 2B7  
Chargor(s)

Tel 705-645-7213  
Fax 705-645-9421

I have the authority to sign and register the document on behalf of the Chargor(s).



**Submitted By**

ALLAN HUYCKE LAW OFFICE	20 Ida Street Bracebridge P1L 2B7	2017 07 14
Tel        705-645-7213		
Fax        705-645-9421		

**Fees/Taxes/Payment**

Statutory Registration Fee	\$63.35
Total Paid	\$63.35

**File Number**

Chargor Client File Number :	16406
Chargee Client File Number :	16441

*This is Exhibit* “F” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5<sup>th</sup>  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

**Properties**

PIN

48053 - 0801    LT

Description

PART LOTS 1 & 2 CONCESSION 13 DRAPER BEING PARTS 2 & 3 ON 35R-25226, TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA; SUBJECT TO AN EASEMENT OVER PART 3 ON 35R-25226 IN FAVOUR OF PART LOT 2 CONCESSION 12 DRAPER AS IN DM38412, AS IN MT179269; TOGETHER WITH AN EASEMENT OVER PART 4 ON 35R-25226 AS IN MT179270; SUBJECT TO AN EASEMENT OVER PART 3, 35R-25226 IN FAVOUR OF PART LOT 1 CON 12 DRAPER DESIGNATED AS PARTS 1, 2, 3, 35R-25379 AS IN MT192298

Address

BRACEBRIDGE

PIN

48053 - 0802    LT

Description

PART LOTS 1 & 2 CONCESSION 13 DRAPER, BEING PART 1 ON 35R-25226; TOWN OF BRACEBRIDGE; THE DISTRICT MUNICIPALITY OF MUSKOKA

Address

BRACEBRIDGE

PIN

48053 - 0803    LT

Description

PART LOT 1 CONCESSION 12 DRAPER PARTS 1, 2 & 3 35R25379; SUBJECT TO AN EASEMENT OVER PART 3 35R25379 IN FAVOUR OF PART LOT 1 CONCESSION 12 AS IN DM226261 EXCEPT PART 2 35R17003, PARTS 1 TO 5, 8 TO 11 35R21146, PARTS 1 TO 10 35R24393, PARTS 1, 2 & 3 35R25379 AS IN MT185935; TOGETHER WITH AN EASEMENT OVER PART 3, 35R-25226 AS IN MT192298; TOWN OF BRACEBRIDGE

Address

50 KEITH ROAD  
BRACEBRIDGE

**Consideration**

Consideration        \$168,849.25

**Claimant(s)**

Name

2089871 ONTARIO LIMITED

Address for Service

300 Wyld Street P.O. Box 1017, North  
Bay, Ontario, P1B 8K3

I, JOHN LECHLITNER, A.S.O., am the agent of the lien claimant and have informed myself of the facts stated in the claim for lien and believe them to be true.

I, JOHN LECHLITNER, A.S.O., have the authority to bind the corporation.

This document is not authorized    under Power of Attorney by this party.

**Statements**

Name and Address    of Owner MUSKOKA GROWN LIMITED 50A KEITH RD BOX 182 BRACEBRIDGE ON P1L 1T6 Name and address of    person to whom lien claimant supplied services or materials MUSKOKA GROWN LIMITED 50A KEITH RD BOX 182 BRACEBRIDGE ON P1L 1T6 Time within which services or materials were supplied from 2019/07/19 to 2019/09/30 Short description of services or materials that have been supplied CRUSHING OF BLASTED ROCK    Contract price or subcontract price \$182,738.09 Amount claimed as owing in respect of services or materials that have been supplied \$168,849.25

The lien claimant claims a lien against the interest of every person identified as an owner of the premises described in said PIN to this lien

Schedule: 2089871 Ontario Limited carries on business under the firm name and style of EASTVIEW CONSTRUCTION

**Signed By**

Bruce Lincoln Desmond	188 Avenue Road Toronto M5R 2J1	acting for Applicant(s)	First Signed	2019 11 28
Tel        416-368-2100				
Fax        416-368-8206				
Bruce Lincoln Desmond	188 Avenue Road Toronto M5R 2J1	acting for Applicant(s)	Last Signed	2019 12 17
Tel        416-368-2100				
Fax        416-368-8206				

I have the authority to sign and register the document on behalf of the Applicant(s).

**Submitted By**

KAGAN SHASTRI	188 Avenue Road Toronto M5R 2J1	2019 12 17
---------------	---------------------------------------	------------

**Submitted By**

Tel        416-368-2100  
Fax        416-368-8206

**Fees/Taxes/Payment**

<i>Statutory Registration Fee</i>	\$65.05
<i>Total Paid</i>	\$65.05

*This is Exhibit* \_\_\_\_\_ **"G"** \_\_\_\_\_ *referred to in the*  
*affidavit of* \_\_\_\_\_ David Ascott \_\_\_\_\_  
*sworn before me, this* \_\_\_\_\_ 5<sup>th</sup> \_\_\_\_\_  
*day of* \_\_\_\_\_ May, 2020 \_\_\_\_\_

**A COMMISSIONER FOR TAKING AFFIDAVITS**

Aiden Nelms

## LOAN AGREEMENT

**THIS AGREEMENT** is made effective the 20<sup>th</sup> day of March 2019,

**BETWEEN:**

**MUSKOKA GROWN LIMITED**, a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called the "**Borrower**")

OF THE FIRST PART;

- and -

**ARTHUR ZWINGENBERGER** an individual with an office located at 1440 Don Mills Road, Suite 105, Toronto, Ontario, M3B 3M1

(hereinafter called the "**Lender**")

OF THE SECOND PART;

- and -

**GRAND GABLE HOLDINGS INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called "**GGH**")

**2634436 ONTARIO INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called "**2634436 Ontario**")

- and -

**DAVID JAMES GRAND**, an individual born on April 17, 1959 and residing at 14 M72 Grandview Island in the Town of Bracebridge

(the "**Individual Guarantor**", and jointly and severally with GGH and 2634463 hereinafter called the "**Guarantors**")

## OF THE THIRD PART;

**WHEREAS:**

- A. The Lender has agreed to make available to the Borrower a non-revolving loan in the principal amount of \$6,731,000.
- B. The parties have agreed to record the terms and conditions of the Loan (as defined below) which will be made pursuant to the terms herein.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that pursuant to the premises and in consideration of the mutual covenants hereinafter contained and the agreement of the Lender to advance funds to the Borrower, the parties hereto covenant and agree as follows:

**ARTICLE I - INTERPRETATION****1.1 Definitions.**

In this Agreement, the following words and phrases shall have the meanings set forth below:

- (a) **“Accelerated Maturity Event”** has the meaning given to it in Section 2.4(a)(ii);
- (b) **“Acceleration Date”** means the earlier of: (a) the delivery by the Lender to the Borrower of written notice of an Event of Default which has occurred and is continuing as at the date of such notice; and (b) the occurrence of an Event of Default of the nature described in paragraph 7.1(h);
- (c) **“Advance”** when used as a verb means any act by the Lender which results in the Borrower incurring a direct or contingent liability to the Lender; and **“Advance”** when used as a noun means the Borrower’s Obligations resulting from any of the foregoing;
- (d) **“Affiliate”** means with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with, such Person;
- (e) **“Agreement”**, **“this Agreement”**, **“hereto”**, **“herein”**, **“hereof”**, **“hereby”**, **“hereunder”** and similar expressions used herein shall refer to the whole of this Agreement and any schedule hereto, as amended from time to time;
- (f) **“Applicable Law”** shall mean, with respect to any Person, property, transaction, event or other matter, any law, rule, statute, regulation, order, judgement, decree, treaty, directive or other requirement having the force of law relating or applicable to such person, property, transaction, event or other matter, and shall

also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation;

- (g) **“Borrower”** has the meaning ascribed to that term in the recitals and includes its successors and permitted assigns;
- (h) **“Borrower’s Counsel”** means CC Corporate Counsel Professional Corporation;
- (i) **“Borrower’s Obligations”** means all present and future indebtedness, liabilities and other obligations (contingent or otherwise) of the Borrower to the Lender arising under or in connection with this Agreement together with all interest, acceptance fees, standby fees, application fees, costs and other amounts payable by the Borrower to the Lender pursuant to this Agreement (including interest on amounts in default as set out herein);
- (j) **“Business Day”** or **“Banking Day”** means each day other than a Saturday, Sunday or any day on which the chartered banks are not open for business in the Province of Ontario;
- (k) **“Canadian Dollars”, “CAD\$”** or **“Cdn.”** or **“\$”** means lawful money of Canada;
- (l) **“Closing Date”** means March 20, 2019 or such other date as mutually agreed by the Borrower and the Lender;
- (m) **“Constating Documents”** means (i) with respect to a corporation or other body corporate, its articles of incorporation, amalgamation or continuance, memorandum of association or other similar documents and its by-laws or articles of association and, if applicable, any shareholder agreement with respect to such corporation and (ii) with respect to any Person which is a non-corporate entity, the organization and governance documents of such Person, in each case as amended and supplemented from time to time;
- (n) **“Contractual Obligation”** means, with respect to any Person, any provision or any agreement, instrument, undertaking or other obligation to which such person is a party or by which it or any of its property is bound;
- (o) **“Conversion Price”** refers to the price per common share in the capital of the Borrower used for the purposes of Section 2.6 herein and that is determined by dividing \$63,000,000 by the total number of common shares in the capital of the Borrower as may be outstanding at the relevant time, assuming the conversion of all securities issued by the Borrower that are convertible into common shares in the capital of the Borrower;
- (p) **“Debt”** of any Person means



- i. all indebtedness of such Person for borrowed money, including such Person's reimbursement and other obligations with respect to borrowing of commodities, bankers' acceptances, letters of credit or letters of guarantee;
  - ii. all indebtedness of such Person for the deferred purchase price of property or services represented by a note, bond, debenture or other evidence of Debt;
  - iii. all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);
  - iv. all current liabilities of such Person represented by a note, bond, debenture or other evidence of Debt;
  - v. all obligations under capital leases in respect of which such Person is liable as lessee;
  - vi. the aggregate amount at which any shares in the capital of such Person which are redeemable or retractable at the option of the holder thereof may be retracted or redeemed; and
  - vii. all Debt of the kinds referred to in subparagraphs (i) through (vi) above of any other Person which is guaranteed by such Person.
- (q) **"Default"** means any event, act or condition which with the giving of notice or lapse of time, or both, would constitute an Event of Default;
- (r) **"Distribution"** means any amount paid to or on behalf of the shareholders of the Borrower or to any Related Person thereto, by way of salary, bonus, commission, directors' fees, dividends, payment of principal, interest or fees on Subordinated Debt or otherwise, and whether payments are made to such persons in their capacity as shareholders, directors, officers, employees or creditors of the Borrower or otherwise, or any other direct or indirect payment in respect of earnings or capital of the Borrower;
- (s) **"Encumbrance"** means any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, title retention, consignment, lease, hypothecation, security interest or trust, right of set-off, other arrangement having the effect of security for the payment of any debt, liability or obligation, or any other encumbrance and **"Encumbrances"**, **"Encumbrancer"**, **"Encumber"** and **"Encumbered"** shall have corresponding meanings;
- (t) **"Environmental Health and Safety Liabilities"** means any liability or damages, including, without limitation, any bodily injury, personal injury, property damage,

damage to or of any Person, or on-site or off-site contamination of any real property and any consequence thereof, arising out of or relating to Environmental Laws or the presence, management, use, storage, disposal, release, discharge, distribution or processing of Hazardous Materials or Hazardous Substances;

- (u) **“Environmental Laws”** means all Applicable Law in respect of the natural environment, public or occupational health or safety, and the manufacture, importation, handling, transportation, storage, disposal and treatment of Hazardous Materials or Hazardous Substances;
- (v) **“Event of Default”** has the meaning ascribed in section 8.1;
- (w) **“Governmental Body”** means any authority, department, branch or agency of the government of Canada or any province thereof or of any municipality or any commission or board or other regulation or rulemaking entity having jurisdiction in the relevant circumstances, or any Person acting under the authority of any of the foregoing (including, without limitation, any arbitrator);
- (x) **“Guarantee”** means any agreement by which any Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any creditor of such Person against loss, and shall include, without limitation, any contingent liability under any letter of credit or similar document or instrument;
- (y) **“Guarantors”** has the meaning ascribed to that term in the recitals and includes successors and permitted assigns as well as any corporations controlled by the Individual Guarantor or a Related Person to the Guarantor after the date hereof, and **“Guarantor”** means as applicable one of them, as the context requires;
- (z) **“Hazardous Materials”** means any wastes, soil, excavated or reclaimed soil or debris and includes materials, substances or pollutants, whether or not hazardous or toxic (including petroleum products, polychlorinated biphenyls (**“PCBs”**), asbestos or asbestos-containing materials and radioactive materials), the presence, management, use, storage, disposal, release, discharge, distribution or processing of which is regulated by or could give rise to liability under Environmental Laws;
- (aa) **“Hazardous Substance”** means any solid, liquid, gas, odour, heat, sound, vibration or radiation, or combination thereof, that may impair the natural environment, injure or damage property or plant or animal life or harm or impair the health of any individual;
- (bb) **“Indebtedness”** means all present and future obligations, indebtedness and liabilities, direct and indirect, of the Obligors or any one or more of them to the Lender, arising under and pursuant to this Agreement, any other agreement

delivered by an Obligor to the Lender hereunder, including, without limitation, the Security Documents;

- (cc) **“Lands and Buildings”** or **“Real Property”** means the real and immovable property described in Schedule “A” hereto together with all buildings and fixtures presently situated thereon or which may at any time hereafter be constructed or placed thereon or used in connection therewith;
- (dd) **“Lender”** has the meaning ascribed to that term in the recitals and includes its successors and permitted assigns;
- (ee) **“Lender’s Counsel”** means Conroy Shifman Professional Corporation;
- (ff) **“Lien”** means any mortgage, lien, pledge, assignment, charge, security interest, lease intended as security, title retention agreement, rights reserved in any Governmental Body, registered lease of real property, hypothec, levy, execution, seizure, attachment, garnishment or other similar encumbrance and includes any contractual restriction which, if contravened, might give rise to an encumbrance.
- (gg) **“Loan”** means the term loan in the principal amount of \$6,731,000 in Canadian dollars advanced by the Lender to the Borrower pursuant to this Agreement;
- (hh) **“Loan Compliance Certificate”** means a compliance certificate delivered to the Lender by the Borrower pursuant to Section 5.1(k), in the form attached as Schedule “B”;
- (ii) **“Material Adverse Effect”** means any change, condition, event or occurrence, as determined by the Lender, in its sole and absolute discretion, acting reasonably, in respect of the Obligors or any one or more of them or collateral granted under the Security Documents or any of them that, individually or in the aggregate, has been, or could reasonably constitute or be expected to constitute a material adverse change which involves a reasonable possibility of any change, condition, event or occurrence which, when considered either individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to materially and adversely affect the financial condition, results of operations, business, assets, capital or prospects of the corporate Obligors or any one or more of them or a material adverse effect on the ability of the Obligors or any one or more of them to perform their/its obligations under any of the Security Documents, or impede materially the value of the collateral as determined by the Lender in its sole and absolute discretion;
- (jj) **“Material Contract & Permit”** means any Security Document or any contract, Permit or other arrangement to which an Obligor is a party for which breach, cancellation, termination, non-performance, revocation, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect and includes the contracts set out in Schedule “C”;



- (kk) **“Maturity Date”** has such meaning given to it under Section 2.4(a);
- (ll) **“Minor Title Defects”** in respect of any parcel of land means defects or irregularities in the title to such land which in the opinion of the Lender are of a minor nature and in the aggregate will not materially affect the Security or materially impair the use of such land for the purposes held by the owner thereof;
- (mm) **“OBCA”** means the *Business Corporations Act* (Ontario) as it may be amended from time to time;
- (nn) **“Obligors”** means the Borrower and the Guarantors, and **“Obligor”** means any one of them;
- (oo) **“Permit”** has the meaning given to it in Section 4.1(h);
- (pp) **“Permitted Debt”** means collectively,
  - i. The Debt set out in Schedule “G”;
  - ii. Indebtedness of the Borrower to the Lender hereunder;
  - iii. Subordinated Debt; and
  - iv. Debt by way of trade payables or the endorsement of negotiable instruments incurred or created in the ordinary course of business for the purpose of carrying on same.
- (qq) **“Permitted Encumbrances”** means, with respect to any Person, the following:
  - i. Encumbrances for taxes, duties, fees, assessments or other governmental charges or levies not yet due (or if overdue are being contested by such Person diligently and in good faith by appropriate proceedings and which are subject to reserves established by the Obligor that are satisfactory to the Lender);
  - ii. inchoate Encumbrances imposed or permitted by laws such as garagemen’s liens, carriers’ liens, builders’ liens, materialmen’s liens and other liens, privileges or other charges of a similar nature which relate to obligations not due or delinquent or if due or delinquent are being contested by such Person diligently and in good faith by appropriate proceedings;
  - iii. Encumbrances to secure its assessments or current obligations which are not at the time overdue or otherwise dischargeable by the payment of money, and which are incurred in the ordinary course of its business under workers’ compensation laws, unemployment insurance or other social security

legislation or similar legislation, provided that such Encumbrances are in amounts commensurate with such current obligations;

- iv. Encumbrances given to a public utility or any governmental authority where required by such utility or governmental authority in connection with the operation of the business or the ownership of the assets of the Obligor or any one or more of them, provided that such Encumbrances do not materially detract from the value of any real property subject thereto and do not materially impair any Obligor's ability to carry on its business;
- v. liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such liens or rights as a permitted encumbrance shall not prejudice the priority of the Security over such liens or rights as determined in accordance with Applicable Law);
- vi. deposits in the ordinary course of business to secure the performance of bids, tenders, contracts (other than for the borrowing of money), leases,
- vii. statutory obligations or surety and performance bonds and deposit securing or in lieu of such bonds;
- viii. Minor Title Defects;
- ix. Purchase Money Security Interests;
- x. encumbrances securing Subordinated Debt;
- xi. the Specific Permitted Encumbrances; and
- xii. other Encumbrances agreed to in writing by the Lender,

provided that the use of the term "**Permitted Encumbrances**" to describe such interests and encumbrances shall mean that they are permitted to exist but shall not be interpreted as meaning that such interests and encumbrances are entitled to priority over the Security;

- (rr) "**Person**" is to be broadly interpreted and shall include an individual, a corporation, a partnership, a trust, an unincorporated organization, a joint venture, 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;
- (ss) "**Prime Rate**" means the floating annual rate of interest established from time to time by Bank of Montreal as the base rate it will use to determine rates of interest

on Canadian dollar loans to its customers in Canada and designated as its prime rate;

- (tt) **“Purchase-Money Security Interest”** means an Encumbrance intended as security or other form of Encumbrance on any property or asset created, issued or assumed to secure the unpaid purchase price in respect of such property or asset; provided that such Encumbrance is restricted to such property or asset acquired and secures an amount not in excess of the purchase price thereof;
- (uu) **“RC Morris”** means GOF-BC Holdings Ltd., a corporation incorporated pursuant to the laws of British Columbia;
- (vv) **“RC Morris Loan Agreement”** means the loan agreement dated August 22, 2018 between RC Morris, the Borrower, 2634436 Ontario Ltd., Grand Gable Holdings Inc., the Guarantor and Marion Rondelet;
- (ww) **“Related Person”** in relation to any Person means any subsidiary, affiliate or associate (as such terms are defined in the OBCA) of such Person;
- (xx) **“Release”** is to be broadly interpreted and shall include an actual, impending or potential discharge, deposit, spill, leak, pumping, pouring, emission, emptying, injection, escape, leaching, seepage or disposal of a Hazardous Substance which is or may become or might constitute a breach of any Environmental Laws;
- (yy) **“Required Consents”** means any consent that would be required pursuant to any license or user agreement between any of the Obligors and another person in order to grant a security interest in the subject matter thereof to the Lender in the ranking and priority required by the Lender;
- (zz) **“Requirements of Environmental Law”** means: (a) obligations under common law, (b) requirements imposed by or pursuant to statutes, regulations and by-laws, (c) requirements announced by a government as having immediate effect, provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively, (d) all directives, policies and guidelines issued by any governmental agency or authority charged with the administration thereof which purport to have the force of law, and (e) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, relating to environmental, health or safety matters including, but not limited to, all such obligations and requirements which relate to: (f) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (g) exposure to Hazardous Materials;
- (aaa) **“Restricted Payment”** means, with respect to any Person, any payment to such Person;

- i. that is a Distribution;
  - ii. on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any share of its capital or any warrants, options or rights to acquire any such shares, or the making by such persons of any other distribution in respect of any shares of its capital;
  - iii. of any principal of or interest or premium on or of any amount in respect of a sinking or analogous fund or defeasance fund for any debt or liability of such person ranking in right of payment subordinate to any liability of such Person under the Security Documents;
  - iv. in respect of any loan or advance to, or arrangement for the purpose of providing funds or credit to (excluding extensions of trade credit in the ordinary course of business in accordance with customary commercial terms), or capital contribution to (whether by means of a transfer of cash or other property or any payment for property or service for the account or use of) any other Person, or any purchase or other acquisition of all or substantially all of the assets of any other Person;
  - v. in respect of salary or bonus other than at the lesser of (A) currently established practices of the Borrower or (B) fair market levels; or
  - vi. of any management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Affiliate of such person or to any shareholder, director or officer thereof;
- (bbb) “**Sale of Business**” means, with respect to the corporate Obligors, unless deemed not to be in Lender’s sole discretion:
- i. any direct or indirect acquisition, take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in any person or group of persons beneficially owning greater than 50% any class of shares of the corporate Obligors then outstanding;
  - ii. any plan of arrangement, amalgamation, merger, share exchange, consolidation, reorganization, recapitalization, liquidation, dissolution, winding up, exclusive license, business combination or other similar transaction in respect of the Borrower or any corporate Obligor; or
  - iii. any direct or indirect acquisition by any person or group of persons of any assets of a corporate Obligor, or of voting or equity interests in one or more of the corporate Obligors (including shares or other equity interest of subsidiaries), that individually or in the aggregate constitute or hold 50% or



more of the fair market value of the assets of the corporate Obligor and its subsidiaries (taken as a whole);

(or any direct or indirect sale, disposition, lease, license, royalty, alliance or joint venture, long-term supply agreement or other arrangement having a similar economic effect), whether in a single transaction or a series of related transaction;

- (ccc) **“Secured Assets”** means the assets of the Borrower which are intended to be subject to the Security;
- (ddd) **“Security”** means the security required to be provided by the Borrower pursuant to Article VI;
- (eee) **“Security Documents”** means those documents referred to in Section 6.1 (including, without limitation, to the extent such Section describes an amendment, the agreement, instrument or document amended thereby) and any and all other agreements, instruments or documents now or hereafter executed and delivered by any Obligor or any other Person as security for the payment or performance of the obligations of the Obligors hereunder, including, without limitation, the Indebtedness, as any of the foregoing may have been, or may hereafter be, amended, modified or supplemented;
- (fff) **“Specific Permitted Encumbrances”** means those encumbrances set out in Schedule “D”;
- (ggg) **“Subordinated Debt”** means any Debt of the Borrower to any Person for borrowed money that that the Lender has given its prior written approval to, and in respect of which the holder thereof has entered into a subordination agreement in form and substance satisfactory to the Lender, registered in all places where necessary or desirable to protect the priority of the Security, which shall provide (among other things) that: (a) the holder of the Subordinated Debt may not receive any payments on account of principal or interest thereon except regularly scheduled interest payments prior to an Event of Default; (b) any security held in respect of such indebtedness is postponed to the Security; and (c) the holder of such indebtedness may not take any enforcement action in respect of such indebtedness or security without the prior written consent of the Lender;
- (hhh) **“Subsidiary”** means any corporation which is or hereafter becomes directly or indirectly controlled by the Borrower, and for the purposes of this definition, the Borrower shall be deemed to control a corporation if the Borrower beneficially owns, directly, or indirectly, shares to which are attached more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of such corporation and **“Subsidiaries”** means each Subsidiary collectively;
- (iii) **“Term”** means the period commencing on the Closing Date and ending on the Maturity Date;



- (jjj) **“Warrant Certificate”** means the Warrants evidenced in the form and substance attached hereto as Schedule “E”;
- (kkk) **“Warrants”** means rights entitling the Lender to purchase, at the Lender’s option, up to 1,594,635 common shares in the capital of the Borrower at a price of \$2.05 per common share at any time up until 5:00 p.m. (Toronto time) on June 20, 2019, all as further set out in the Warrant Certificate;
- (lll) **“Working Capital”** means for any particular reporting date the sum of cash, accounts receivable aged less than 90 days and work in progress, less accounts payable.

## 1.2 Interest and Fee Calculations; Maximum Interest Rate.

- (a) Unless otherwise stated, in this Agreement if reference is made to a rate of interest, fee or other amount “per annum” or a similar expression is used, such interest, fee or other amount shall be calculated on the basis of a year of 365 or 366 days, as the case may be. If the amount of any interest, fee or other amount is determined or expressed on the basis of a period of less than one year of 365 or 366 days, as the case may be, the equivalent yearly rate is equal to the rate so determined or expressed, divided by the number of days in the said period, and multiplied by the actual number of days in that calendar year.
- (b) Notwithstanding any other provisions of this Agreement, if the amount of any interest, premium, fees or other monies or any rate of interest stipulated for, taken, reserved or extracted under this Agreement or the Security would otherwise contravene the provisions of section 8 of the *Interest Act* (Canada) or any successor or similar legislation, or would exceed the amounts which the Lender is legally entitled to charge and receive under any law to which such compensation is subject, then such amount or rate of interest shall be reduced to such maximum amount as would not contravene such provision; and to the extent that any excess has been charged or received the Lender shall apply such excess against the principal amount of the said obligations then outstanding and refund any further excess amount to the Borrower.

**1.3 Accounting Principles.** Any reference in this Agreement to generally accepted accounting principles shall be deemed to refer to accounting principles approved from time to time by the Canadian Institute of Chartered Accountants as at the date on which such calculation is required. Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with generally accepted accounting principles applied on a consistent basis, unless otherwise indicated.

**1.4 Currency References.** All amounts referred to in this Agreement are in Canadian Dollars.

**1.5 References to Statutes.** Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

**1.6 Extended Meanings.** Words importing the singular number include the plural and vice-versa.

**1.7 Schedules.** The following schedules are attached to this Agreement and incorporated herein by reference:

Schedule "A"	-	Lands and Buildings / Real Property
Schedule "B"	-	Loan Compliance Certificate
Schedule "C"	-	Material Contracts & Permits
Schedule "D"	-	Specific Permitted Encumbrances
Schedule "E"	-	Warrant Certificate
Schedule "F"	-	Authorized and Issued Capital of the Borrower
Schedule "G"	-	Outstanding Debt of Obligors

## ARTICLE II - LOAN

**2.1 Establishment of Loan.** Subject to the terms and conditions in this Agreement, the Lender has hereby delivered the Loan to the Borrower. The Borrower acknowledges receipt of the Loan in full and acknowledges that it directed the Lender (through the Lender's Solicitor) to pay \$4,252,537.94 to Dickinson Wright LLP, In Trust, for the benefit of RC Morris and the discharge of the Borrower's obligations pursuant to the RC Morris Loan Agreement and that the Borrower received the remaining \$2,478,462.06 of the Loan directly from the Lender's Solicitor.

**2.2 Purpose of Loan.** The Loan shall be used by the Borrower:

- (a) to repay all Debts and satisfy all obligations incurred towards pursuant to the RC Morris Loan Agreement; and
- (b) for working capital purposes, including payments to trade creditors.

**2.3 Interest.** Subject to Section, the Borrower agrees to pay to the Lender interest on the outstanding balance of the Loan from time to time, computed on the basis of a 365-day year for the actual number of days elapsed, accruing from the Closing Date at the rate of 12.0% per annum calculated and compounded monthly.

## 2.4 Repayment.

- (a) **Maturity Date.** The outstanding balance of the Loan, all accrued interest thereon and all fees thereon shall become immediately due and payable on the “**Maturity Date**”, being the earlier of:
  - i. June 20, 2019; and
  - ii. the issuance of a notice of an Event of Default by the Lender to the Borrower (the “**Accelerated Maturity Event**”).
- (b) **Principal Repayment.** Subject to an Accelerated Maturity Event or a permitted prepayment, the Loan shall not be amortized, and the full balance thereof shall be due and payable on the Maturity Date.
- (c) **Accelerated Maturity Event Repayment.** In the event of an occurrence of an Accelerated Maturity Event, the Borrower must repay all, but not less than all, of the then outstanding Indebtedness, including the outstanding principal amount of the Loan plus all accrued interest to the date of the repayment, and fees payable hereunder.
- (d) **Payment of Interest.** Without limiting this Section 2.4 but subject to the Lender’s right to require interest to be paid in common shares of the Borrower as set out in Section 2.6, the Borrower shall pay interest to the Lender on the Maturity Date. In the event of an Event of Default, the Borrower shall pay interest to the Lender on the 20<sup>th</sup> day of each month, or where such day is not a Business Day, on the first business day thereafter.

## 2.5 Prepayment.

The Borrower may, at its sole discretion, at any time and from time to time prepay the Indebtedness prior to the Maturity Date, in whole or in part, together with interest accrued thereon, on three (3) Business Day’s written notice to the Lender without penalty or prepayment fee. In the event of any such prepayment, the Borrower agrees to be responsible for the Lender’s reasonable legal fees, disbursements and taxes incurred in connection with the preparation of any payout statement and releases of Security.

## 2.6 Conversion.

- (a) **Conversion at Lender’s Option.** At any time prior to or on the Maturity Date, the Lender may, by written notice given to the Borrower, exchange any amount of the Loan, together with any part of the interest accrued thereon, for common shares in the capital of the Borrower. Such amounts to be converted into common shares of the Borrower shall be converted at the Conversion Price.

- (b) **Mandatory Conversion.** In the event that the Lender approves the terms of any other proposed Encumbrance on the assets of the Borrower and the incurrence of the Borrower of Debt in the aggregate amount of \$6,000,000 or more or a credit facility with a draw-down amount of at least \$6,000,000, then the Loan shall be converted automatically into common shares of the Borrower at the Conversion Price concurrently with the funding of the foregoing Debt to the Borrower on those terms approved by the Lender. For greater certainty, the automatic conversion of the Loan as set out in this Section 2.6(b) shall not result in the automatic conversion of accrued interest thereon or any amounts that are otherwise payable or reimbursable to the Lender into common shares of the Borrower and such conversion of interest shall only take place at the option of the Lender.
- (c) **Failure to Elect to Convert.** Where no mandatory conversion has taken place pursuant to Section 2.6(b), and should the Lender not convert the full amount of the Loan by the Maturity Date, the Borrower shall have the option to extend the Maturity Date on written notice to the Lender by up to an aggregate of ninety (90) days after the Maturity Date. During such period of time, interest shall continue to accrue and no Event of Default shall be deemed to have occurred solely on account of the Borrower's failure to repay the Loan on the original Maturity Date

## 2.7 Manner of Payments.

All payments to be made by the Borrower to the Lender under this Agreement shall be made to the Lender in lawful currency of Canada and by wire transfer, certified cheque, direct deposit or bank draft in immediately available funds to such account or accounts of the Lender as the Lender may direct from time to time.

## 2.8 Application of Payments.

Each payment made by the Borrower hereunder shall be applied by the Lender firstly in payment of any fees and expenses due hereunder, secondly to the satisfaction of interest accrued to the date of payment, and the balance, if any, in reduction of the principal amount of the Loan.

## 2.9 No Set-off.

Repayment of the Loan shall be made without set-off, counter-claim or reduction of any kind.

## 2.10 Evidence of Debt.

The Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to the Lender resulting from the Advances made by the Lender, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder. The entries made in the accounts maintained pursuant to this subsection shall be, in the absence of manifest error, *prima facie* evidence



of the existence and amounts of the obligations recorded therein; provided that the failure of the Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loan in accordance with the terms of this Agreement.

### **2.11 Non-Revolving.**

The Loan is a non-revolving term facility and any payment or repayment of principal on account of the Loan may not be re-borrowed.

### **2.12 Warrants.**

The Borrower covenants and agrees to deliver an executed Warrant Certificate to the Lender by not later than twenty (20) days after the Closing Date. The Borrower's obligation to comply with its obligations pursuant to the Warrant Certificate shall survive termination of this Agreement and the Borrower's obligations in respect of the Warrants shall be exclusively determined pursuant to the terms of the Warrant Certificate.

### **2.13 Board Representation for Lender.**

For so long as any of the Borrower's Obligations remain outstanding or the Lender holds any common shares in the capital of the Borrower, the Lender shall be entitled to nominate up to two (2) individuals to serve as directors of the Borrower. The Lender may replace its nominees from time to time as determined by the Lender in its sole discretion. Unless specifically released by the Lender, the provisions of this Section 2.13 shall survive termination of this Agreement and shall remain binding upon the Borrower until such time as the Borrower's Obligations are fully satisfied and the Lender no longer holds at least 10% of the common shares in the capital of the Borrower. Upon request of the Lender, the Borrower shall deliver support agreements signed by such number of holders of common shares as may be necessary to ensure that the foregoing board nominees will be elected. The Lender agrees that its initial nominees shall be Arthur Zwingenberger (non-resident) and Aaron Holtzman (resident). The Lender acknowledges that the Borrower has appointed Aaron Holtzman to the board already, in June of 2019 at the next annual meeting of the Borrower, the Borrower shall appoint the remaining nominee to the board of directors.

## **ARTICLE III - GENERAL PROVISIONS**

**3.1 Payments without Deduction.** All interest payments shall be paid without allowance or deduction for deemed re-investment or otherwise, both before and after maturity and before and after default and/or judgement (if any) until payment, and interest shall accrue and be payable on overdue interest. All payments of principal, interest and other amounts hereunder will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Canada or any province or political subdivision thereof or any governmental authority having the power to tax. If any such withholding or deduction is required by law, the Borrower shall pay

such additional amounts as may be necessary in order that the net amounts received by the Lender after such withholding or deduction shall equal the respective amounts of principal, interest or other such amounts which would have been receivable in the absence of such withholding or deduction.

**3.2 Additional Payments.** If in respect of any change in or introduction of any law, regulation, order, rule, request or directive (whether or not having the force of law but of a kind which is intended to be generally complied with by banks) or in the interpretation thereof by any authority charged with the administration thereof or by any court of competent jurisdiction:

- (a) the Lender incurs a cost (which it would not otherwise have incurred) or becomes liable to make a payment (calculated with reference to the amount outstanding under the Loan) with respect to continuing to provide or maintain the Loan (other than a tax such as a capital or franchise tax or a tax imposed on the income of the Lender);
- (b) any reserve, special deposit or similar requirement is imposed or increased with respect to the Loan increasing the cost thereof to the Lender; or
- (c) the Lender suffers or will suffer a reduction in the rate of return on its overall capital (other than a reduction by reason of any increase in the taxes referred to in (a) above) as a result of the amount of the capital that the Lender is required to maintain being increased or of any change in the manner in which the Lender is required to allocate its resources;

then the Borrower shall, upon receipt of written notice from the Lender, pay to the Lender such amount as will compensate the Lender for and will indemnify the Lender against such increases in cost or reductions of rate of return with respect to the Loan, accruing from and after the date of receipt of such notice. The notice issued by the Lender setting out the amount and basis for the amount of such additional payment required shall be conclusive and binding absent manifest error. The Lender, acting reasonably, shall be entitled to use averages and estimates in preparing any such notice.

**3.3 Place of Payments.** All payments of principal, interest, fees and other amounts to be made by the Borrower to the Lender pursuant to this Agreement shall be made at the address of the Lender as noted herein. All payments received by the Lender on a Business Day before 2:00 p.m. shall be treated as having been received on that day; payments made after 2:00 p.m. on a Business Day shall be treated as having been received on the next Banking Day.

**3.4 Evidence of Obligations.** The Lender may, but shall not be obliged to, request the Borrower to execute and deliver from time to time such promissory notes and grid promissory notes as may be required in order to evidence all or any portion of the Borrower's Obligations. The Lender shall open and maintain, in accordance with its usual practice, an account or accounts evidencing the Borrower's Obligations, and the information entered in such accounts shall constitute prime facie evidence of the Borrower's Obligations. The Lender agrees to advise the Borrower of the entries made in its books of account in this regard, upon request.

## ARTICLE IV - REPRESENTATIONS AND WARRANTIES

**4.1 General Representations and Warranties relating to the Obligors.** Each of the Obligors represents and warrants to the Lender as follows, with respect to each of the Obligors, as applicable:

- (a) ***Incorporation and Status*** – Each Obligor that is a corporation has been duly incorporated and is a subsisting corporation in good standing under the laws of its jurisdiction of incorporation, and has full corporate power, authority and capacity to own its property and carry on its business.
- (b) ***Power*** - Each Obligor that is a corporation has the corporate power and authority required as of the date hereof to enter into and perform its obligations under this Agreement, to own or lease its property and assets and to conduct the business in which they are currently engaged.
- (c) ***No Contravention*** - Neither the consummation of the transactions contemplated by this Agreement, execution and delivery to the Lender of the Security or Security Documents, nor compliance with the terms, provisions and conditions of this Agreement, the Security or the Security Documents will conflict with, result in a breach of, or constitute a default under its charter documents or by-laws, or result in a breach of, default under or the creation of any lien on its properties under any agreement or instrument to which it is a party or by which its property and assets may be bound or affected, and does not require the consent or approval of any Person.
- (d) ***Authorization of Documents*** - It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered this Agreement and each of the Security Documents; and there are no provisions in any unanimous shareholder agreement which restrict or limit its powers to borrow money or grant security in respect of its property and assets.
- (e) ***Binding Agreements*** - This Agreement and the Security Documents constitute legal, valid and binding obligations enforceable against it in accordance with their terms, subject only to the availability of equitable remedies and the effect of bankruptcy, insolvency and similar laws affecting the rights of creditors generally.
- (f) ***Capitalization*** - Schedule “F” is a true and complete summary of its authorized and issued capital and the names of the registered and beneficial owners of all of its issued and outstanding shares of all classes. Other than as disclosed herein there are no agreements, options, warrants, rights of conversion or other rights pursuant to which it is or may become obligated to issue any shares or any securities convertible into shares.



- (g) **Material Contracts** - Each of the Material Contracts is in good standing in all material respects and in full force and effect; and neither it nor, to its knowledge, any of the other parties to such agreements is in breach in any material respect of any of the terms thereof.
- (h) **Approvals** - Each Obligor holds in good standing all permits, licences, approvals (including regulatory approvals), franchises, rights- of-way, easements and entitlements, including but not limited to the permits required in connection with the business carried on by it, (collectively, "**Permits**") which it requires, or is required by Applicable Law, to hold, own, lease, license or use the property included in the business carried on by such Obligor and to carry on such business, except for such Permits the absence of which do not affect any Obligor, or its rights to carry on business in such jurisdiction and, has not had, and which does not have a reasonable possibility of having, a Material Adverse Effect.
- (i) **Compliance** - It has not received any notice, nor does it have any knowledge after due enquiry, that its operations are not in compliance in all material respects with all applicable laws and regulations, the non-compliance with which would be likely to have a material adverse effect on its financial condition, assets or operations or its ability to perform and discharge its obligations and liabilities under this Agreement and the Security.
- (j) **Environmental Laws** - It has complied in all material respects with all Requirements of Environmental Law. There are no Hazardous Materials situated in, on or under any of its property or upon which it carries on business. There are no legal or administrative proceedings, investigations or claims now threatened or pending against it with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any land, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any matters under discussion with any Governmental Body relating thereto; and there is no factual basis for any such proceedings, investigations or claims.
- (k) **Financial Statements** - Its financial statements in connection with its most recently completed fiscal year and its interim financial statements in connection with its most recently completed fiscal quarter delivered to the Lender have been prepared in accordance with generally accepted accounting principles on a basis which is consistent with previous fiscal years and present fairly:
  - (i) its assets, liabilities (whether accrued, absolute, contingent or otherwise) and its financial condition as at the dates therein specified; and
  - (ii) its earnings and results of its operations during the periods covered thereby.



- (l) **Financial Information** - All other financial information relating to it which has been delivered to the Lender is complete and accurate in all material respects in light of the circumstances prevailing at the time of delivery and there has been no material adverse change in its financial position or operations since the date of its most recent financial statements provided to the Lender.
- (m) **No Undisclosed Liabilities** - It has no liabilities of any kind whatsoever, whether or not accrued and whether or not determined or determinable, other than:
  - (i) liabilities disclosed on, reflected in or provided for in its most recent audited financial statements;
  - (ii) liabilities incurred in the ordinary course of business since the date of its said financial statements; and
  - (iii) liabilities disclosed or referred to in this Agreement.
- (n) **Tax Returns** - Except as disclosed in its most recent financial statements, it has duly and timely filed all tax returns required to be filed by it and has paid all taxes which are due and payable and has paid all assessments and re-assessments and all other taxes, charges, penalties and interest due and payable by it on or before the date hereof, and there are no actions, suits, proceedings, investigations or claims now threatened or pending against it in respect of taxes, governmental charges or assessments or any matters under discussion with any Governmental Body relating to taxes, governmental charges or assessments asserted by any such Governmental Body.
- (o) **Deemed Trusts and Statutory Liens** - It has remitted to all appropriate Governmental Bodies all payments which if not paid when due could result in the creation of a lien or charge against any of its property or which could result in any of its property becoming subject to a deemed trust established by any applicable legislation.
- (p) **No Litigation** - Except as disclosed in its most recent audited financial statements, there are no legal or administrative proceedings, investigations or claims pending, or to its knowledge threatened against it, before any court or Governmental Body which if determined adversely to its interest would not be fully covered by insurance or which would affect materially and adversely its financial condition, assets or operations or its ability to perform and discharge its obligations and liabilities under this Agreement and the Security.
- (q) **Ownership of Assets** - It owns, possesses and has a good and marketable title to all of its undertaking, property and assets free and clear of any and all Liens, except for the Security and Permitted Encumbrances. None of the Obligors has any Subsidiaries.

- (r) **No Encumbrances** - It has no bonds, purchase-money security obligations, mortgages, debentures, security agreements, or other secured indebtedness outstanding or any agreement or obligation to execute and deliver any such instruments, except for the Security and Permitted Encumbrances. All of the Permitted Encumbrances is in good standing, has been fully complied with and there is no continuing or pending defaults or events which with the passage of time would become a default or event of default by any Obligor thereunder.
- (s) **Insurance** - Its undertaking, property and assets are insured against loss or damage with reputable insurers, in amounts not less than the replacement cost thereof and against such losses as are normally insured against by Persons engaged in comparable businesses, including public liability and business interruption insurance, and, to its knowledge, it is not in default with respect to any of the provisions contained in any such insurance nor has it failed to give any notice or present any claim under any such insurance in a due and timely fashion. The Lender acknowledges that business interruption insurance will be purchased as part of the May 2019 insurance binder renewal.
- (t) **Pension Plans** - There are no unfunded liabilities under any of its pension plans.
- (u) **Location of Assets** - It owns no real property and no machinery, equipment, plant, goods or chattels located outside the province of Ontario having an aggregate value in excess of \$50,000.
- (v) **No Default** - No Event of Default (or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default) has occurred and is continuing.
- (w) **No Material Adverse Effect** - Since the date of its most recent financial statements, it has operated its business diligently and only in the ordinary course and there has not been any material adverse effect in its financial condition, assets or operations or any substantial loss of or damage to its assets.
- (x) **Non-Arm's Length Transactions** - It is not a party to any contract, commitment or transaction (including by way of loan) with any of its officers, directors or shareholders, or any Related Person, other than as disclosed in its most recent financial statements and other than employment contracts in the ordinary course of business.
- (y) **No Adverse Information** - It is not aware of any information or any other matter which, if known to the Lender, might reasonably deter the Lender from entering into this Agreement or establishing the Loan on the terms and conditions contained herein.
- (z) **Construction Liens** - It has not received any notice of any construction or builder's liens currently outstanding in respect of the Lands and Buildings and all

applicable time periods during which notice of any such lien may be filed in respect of any construction on or in respect of the Lands and Buildings have expired and there is no such construction which is ongoing at the date of this Agreement.

- (aa) **Taxes and Rates** - All taxes due and owing on the Lands and Buildings, including realty and business taxes and local improvement rates, have been paid in full.

#### 4.2 **Specific Representations and Warranties.**

- (a) Except as set out in Schedule "G" hereto, none of the Obligors has any Debt and none of the Obligors is obligated to create or issue any bonds, debentures, mortgages, notes or similar indebtedness.

**4.3 Survival of Representations and Warranties.** The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and the Security, notwithstanding any investigations which may be made by the Lender.

### ARTICLE V - COVENANTS

**5.1 Positive Covenants relating to the Obligors.** Each Obligor hereby covenants and agrees with the Lender that it will:

- (a) **Perform Obligations**- fully observe, carry out and perform its obligations under this Agreement, the Security Documents and all other agreements and documentation delivered hereunder, including, without limitation, duly and punctually paying all amounts payable by such Obligor and (ii) executing and delivering all documents and taking such actions as are required to provide all Security Documents in a timely manner.
- (b) **Preservation of Corporate Existence** - maintain its corporate existence, preserve its rights, powers, licences, privileges, franchises and goodwill, and exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are necessary or material to the conduct of its business and carry on and conduct its business in a proper and efficient manner so as to protect its property and the earnings, income, rents and profits of its business;
- (c) **Payment of Taxes, etc.** - pay and discharge promptly, when due (i) all taxes, assessments and governmental charges or levies lawfully imposed upon it or upon its property; and (ii) all claims which, if unpaid, might by law become a Lien upon or deemed trust affecting its property;
- (d) **Maintenance of Insurance** - maintain insurance with reputable insurers of its undertaking, property and assets, in amounts not less than the replacement cost

thereof and against such risks as are normally insured against by Persons engaged in comparable businesses or which the Lender may reasonably require, including public liability and business interruption insurance; such insurance shall include loss payable endorsements in favour of the Lender, with any loss under such policies (other than policies in respect of third party liability and business interruption insurance) in excess of \$50,000 to be payable to the Lender; provided that if no Event of Default has occurred and is continuing, then the Borrower shall be entitled to receive any such loss payment directly if the entire amount thereof is used to repair or replace the applicable lost or damaged property, and the Borrower provides satisfactory evidence thereof to the Lender;

- (e) ***Compliance with Laws*** - comply in all material respects with all applicable laws, rules, governmental restrictions and regulations (specifically including all Requirements of Environmental Law) and obtain and maintain in good standing all material leases, licences, permits and approvals from all Governmental Bodies required in respect of its operations;
- (f) ***Maintenance of Properties*** - maintain and preserve all of its material properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted;
- (g) ***Keeping of Books*** - keep books of record and account in accordance with generally accepted accounting principles in effect from time to time, applied in a consistent manner from period to period;
- (h) ***Inspection*** - permit the Lender and its employees and agents to enter upon and inspect its property, assets, books and records from time to time, at reasonable times and upon reasonable notice;
- (i) ***Compliance with Agreements*** - perform and satisfy all covenants and obligations to be performed by it under (i) this Agreement, the Security and any other agreement or undertaking now or hereafter made between it and the Lender and (ii) the Material Agreements;
- (j) ***Notice*** - provide prompt notice to the Lender of the occurrence of any Event of Default or any event which, with notice or lapse of time would constitute an Event of Default, and any other event or development which could materially adversely affect its financial position or its property; and
- (k) ***Reporting Requirements*** - For so long as there is any Indebtedness of the Borrower owing to the Lender, the Borrower shall deliver or cause to be delivered to the Lender
  - (i) copies of its unaudited management prepared financial statements for each fiscal quarter, as soon as available and in any event within 45 days after the end of such fiscal quarter;



- (ii) every month by the 10th day of each month, a completed Loan Compliance Certificate in such form attached hereto as Schedule "B" together with the Borrower's month end aged accounts payable and accounts receivable listing and a completed month end balance sheet showing, *inter alia*, the Borrower's working capital as at the last day of the prior month together with such other internally generated financial reporting as the Lender may reasonably require; and
- (iii) such other information regarding its operations, properties and financial condition as the Lender may from time to time reasonably request.

**5.2 Negative Covenants relating to the Obligors.** Each of the Obligors hereby covenants and agrees with the Lender that, without the prior written consent of the Lender, it will not:

- (a) ***Disposition of Assets*** - directly or indirectly sell or otherwise dispose of, by conveyance, transfer, lease, declaration of trust or by any other manner whatsoever any property or assets, other than sales of inventory in the ordinary course of its business; provided that so long as no Event of Default has occurred or is continuing, it may in any fiscal year sell or otherwise dispose of property and assets (other than the Lands and Buildings or any interest therein) having an aggregate fair market value of not more than \$250,000;
- (b) ***Corporate Changes*** - liquidate or dissolve or enter into any consolidation, amalgamation, merger, partnership, joint venture or other combination; or enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation or Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise;
- (c) ***Related Party Transactions*** - enter into any contract with any Related Person for the purchase, lease or other dealing in any property or services, except: (i) in connection with a transaction involving an expenditure, at an amount equal to or less than the fair market value of such property or services; and (ii) in connection with a transaction involving a receipt, at an amount equal to or greater than the fair market value of such property or services;
- (d) ***Additional Debt*** - create, incur or assume any Debt other than Permitted Debt;
- (e) ***Encumbrances*** - grant, assume or suffer to exist any Lien upon any of its property or assets other than the Security and the Permitted Encumbrances;
- (f) ***Guarantees*** - be obligated under Guarantees at any time in excess of the aggregate maximum principal amount of \$50,000 dollars other than those guarantees given as part of the Security hereunder;

- (g) ***Loans and Investments*** - make any loans to, or acquire or invest in any securities issued by, any Person other than any Material Subsidiary which has granted Liens to the Lender over its property and assets as part of the Security hereunder;
- (h) ***Distributions*** - make any Distributions in any fiscal year in excess of 10% of its net income for such fiscal year, except for Distributions to employees of the Borrower in connection with such employment at levels of compensation not in excess of those in effect as at the date of this Agreement, which have been disclosed to the Lender;
- (i) ***Subsidiaries*** - create or acquire any Subsidiaries;
- (j) ***Change in Business*** - acquire or establish any business unrelated to its current business or make any material change in or terminate or suspend its current business; or
- (k) ***Material Contracts*** - amend any term or provision of any of the Material Contracts or waive or consent to any waiver of any term or provision of any of the Material Contracts if such amendment or waiver would materially adversely affect the rights of the Lender under this Agreement or the Security, or terminate any of the Material Contracts.

Notwithstanding Sections (a) or (b) above, the Borrower may affect a transaction, including a merger, sale, going public event or otherwise without the express written consent of the Lender as long as such transaction is approved by the board of directors of the Borrower and is based on a valuation of the Borrower's common shares, on a fully diluted basis, of at least \$3.00.

## ARTICLE VI - SECURITY

**6.1 Security to be Provided.** As security for the timely repayment of the Loan and the due and punctual payment and performance of this Agreement and all other Indebtedness, liabilities and obligations of the Obligors to the Lender under, arising out of or from this Agreement or any other agreement, both present and future direct or indirect, absolute or contingent, matured or otherwise, or howsoever arising, the Obligors agree to provide in favour of the Lender the security and documents listed below (collectively, the "**Security**"), in form an substance satisfactory to the Lender:

- (a) an unlimited joint and several guarantee and postponement of claim signed by the Guarantors in favour of the Lender in respect of the full amount of the obligations owed by the Borrower to the Lender, supported by the following:
  - i. a share pledge from the Guarantors in favour of the Lender pledging all shares and other equity interest of the Guarantors in the Borrower, GGH and 2634436 Ontario, together with any and all equity interest of any of the

foregoing corporations in their respective subsidiaries together with stock powers of attorneys and the original share certificates;

- (b) such other Security as may be determined by the Lender from time to time, based on the state of the Borrower's business affairs and financial condition;
- (c) such other documents, agreements, legal opinions, instruments, undertakings and assurances as the Lender or the Lender's Counsel, acting reasonably, may deem necessary or advisable in connection with, relating to or arising from or to give effect to or better assure the foregoing Security Documents.

**6.2 Opinions.** The Borrower shall also cause to be delivered to the Lender the opinion of its solicitors with respect to the corporate status of the Borrower, the due authorization, execution and the delivery of the Security, the enforceability of the Security and such other matters as the Lender and its counsel may reasonably request; such opinion to be in form and substance satisfactory to the Lender and its counsel, acting reasonably.

## ARTICLE VII - DEFAULT AND REMEDIES

**7.1 Events of Default.** Without affecting or limiting the right of the Lender to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, the Loan, and without in any way derogating from the rights of the Lender hereunder, each of the following events shall constitute an event of default (an "**Event of Default**") under this Agreement:

- (a) if the Borrower fails to pay any amount of principal, interest or other amount when due and payable under this Agreement, any of the Security Documents, or any other agreement between a Lender and the Borrower;
- (b) if any of the representations or warranties given by any Obligor in this Agreement or the Security Documents is or shall become untrue in a material way;
- (c) if any of the Obligors defaults in the material observance or performance of any covenant or condition in this Agreement or in the Security Documents or any other agreement between the Obligor (as a borrower) and a lender to such Obligor;
- (d) the death or disability of the David Grand, only if key man insurance of at least \$1,000,000 has not been obtained prior to the Maturity Date;
- (e) a default by an Obligor under any of the Permitted Encumbrances;
- (f) if an order is made or a resolution is passed for the winding-up, dissolution or the liquidation of any of the corporate Obligor, or if any process is filed or other processes taken for the winding-up, dissolution, bankruptcy, compromise or consolidation of debt or liquidation of any of the corporate Obligors;

- (g) if any of the Obligors ceases to carry on its business, makes a bulk sale of its assets or goes into liquidation;
- (h) if any of the Obligors becomes insolvent, commits an act of bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or institutes proceedings for its winding up, liquidation or dissolution, or take action to become a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, or files a petition or other proceeding seeking reorganization, readjustment, arrangement, composition or similar relief under any law or consents to the filing of any such petition or other proceeding, or consents to the appointment of a monitor, receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the whole or any material part of its property, or makes a compromise or general assignment for the benefit of creditors, or publicly announces or admits in writing its inability to pay its debts generally as they become due, or suspends or threatens to suspend transaction of all or any substantial part of its usual business, or any action is taken by any of the Obligors in furtherance of any of the foregoing;
- (i) if proceedings are instituted in any court of competent jurisdiction by any Person other than any of the Obligors, parent or a shareholder or affiliates of any of the Obligors or for the winding up, liquidation or dissolution of any of the Obligors, or for any reorganization, readjustment, arrangement, composition or similar relief with respect to any of the Obligors under any bankruptcy law or any other applicable insolvency law, or for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the whole or any material part of the property of any of the Obligors, and at any time thereafter such proceeding is not contested by any of the Obligors, or if any order sought in any such proceeding is granted and at any time thereafter such order is not either dismissed or effectively contested by the Obligors, parents, Affiliates or any Subsidiary and the effect thereof stayed;
- (j) if any execution, sequestration, extent or other process of any court becomes enforceable against any of the Obligors, except for the litigation in respect of Canaccord Genuity Corp., or if any distress or analogous process is levied upon all of its properties or assets charged by the Security Documents, or any material part thereof, as determined by the Lender, or if any encumbrancer takes possession of all of its properties or assets or any material part thereof, as determined by the Lender;
- (k) if any government, government agency, statutory claimant, creditor or any other party exercises any remedy against any properties or assets of any of the Obligors charged by the Security Documents;
- (l) if any of the Obligors fails to keep current all rents payable, make all periodic payments owing to prior ranking secured creditors (if any), except for interest or principal due to the holders of debentures issued by the Borrower when due,



statutory priority claims (including, without limitation, goods and service tax, provincial retail sales tax, workers' compensation remittances and employee source deductions (i.e., income tax, pension plan contributions, and employment insurance premiums, etc.) or, upon request, fails to provide evidence thereof satisfactory to the Lender within two (2) Business Days of such request;

- (m) if any of the Obligors shall permit any sum which has been admitted as due by any of the Obligors is not disputed to be due by it and which forms or is capable of being made a charge upon any of its properties or assets subject to the Security Documents to remain unpaid for ten (10) Business Days after proceedings have been taken to enforce same;
- (n) if there shall occur any event which has a Material Adverse Effect;
- (o) if there is a Sale of Business of any Obligor without the prior written consent of the Lender or that does not meet the requirements of Section 5.2 above;
- (p) other than with respect to the Borrower's control of its subsidiaries, if any Person or group of Persons or any company controlled by them acting in concert shall at any time possess, directly or indirectly, the power to direct or cause the direction of the management and policies of any of the corporate Obligors, whether through the ownership of voting securities, by contract, or otherwise;
- (q) if any of the Obligors defaults in the observance or performance of any Material Agreement; and
- (r) if control of the Borrower (as the term "control" is defined in the OBCA) is at any time not held directly or indirectly by the Individual Guarantor except if the control rests with the Lender or any of its affiliates and in such case no Event of Default shall have occurred.

**7.2 Remedies.** Upon the occurrence of an Event of Default, and at any time thereafter, provided that the Borrower has not remedied the Events of Default, the Lender may, in its discretion:

- (a) appoint an individual or individuals to monitor the day-to-day operations of the Borrower and any Guarantors that are corporations (and any Subsidiaries), with full access to the premises of such Obligors (including, without limitation, any majority owned Subsidiaries) and with approval rights on all cash disbursements and all material contracts of such Obligors (including without limitation, any majority-owned Subsidiaries), and any fees and expenses incurred by the Lender in connection therewith shall be borne by the Borrower and payable on demand;

- (b) forthwith declare due and payable the outstanding balance of the Loan, any accrued interest thereon, and any fees payable hereunder without presentment of any notes evidencing the same, and without demand, protest or other notices of any kind, all of which are hereby expressly waived;
- (c) at any time and from time to time and directly pay such amount to any third party required to cure in whole or in part any Event of Default, including without limitation discharge of any Encumbrance which is not a Permitted Encumbrance, it being expressly agreed that (i) the Lender is under no obligation to make any such advance and (ii) any such payment will constitute an Advance; and
- (d) exercise any and all rights, powers, remedies and recourses available to the Lender under the Security Documents, at law, in equity or otherwise.

**7.3 Remedies Cumulative.** The rights and remedies of the Lender under this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement herein contained shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies, to which the Lender may be lawfully entitled for the same default or breach and any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained, and any indulgence granted by the Lender shall be of no effect unless given in writing and then shall only be effective for the specific instance given and shall not be deemed to be a waiver of any subsequent default. The Lender may exercise all rights and remedies constituted by, or provided for in this Agreement, the Security Documents or any document granted to the Lender pursuant to or incidental to this Agreement. The Lender may, to the extent permitted by Applicable Law, bring suit at law, in equity or otherwise, for any available relief or purpose including but not limited to:

- (a) the specific performance of or declaratory relief with respect to any covenant or agreement contained in this Agreement, the Security Documents or in any document given pursuant to or incidental to any of them;
- (b) an injunction against a violation of any of the terms thereof;
- (c) any action in aid of the exercise of any power granted hereby or by law; or
- (d) the recovery of judgment for any and all amounts due hereunder or under the Security Documents.

**7.4 Acceleration.** On the Acceleration Date, the Borrower's Obligations shall immediately become due and payable; interest thereon shall be due and payable from such date at the rate or rates determined as provided in this Agreement to the actual date of payment; and the Security shall immediately become enforceable.

**7.5 Performance of Covenants by Lender.** If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement, the Lender may in its discretion perform any of the said obligations but shall be under no obligation to do so; and any reasonable amounts expended or advanced by the Lender for such purpose shall be considered an Advance.

## ARTICLE VIII - GENERAL

**8.1 No Waiver.** The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower, and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any waiver by the Lender shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

**8.2 Governing Law.** This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of a party to commence any proceedings with respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the jurisdiction of the courts of the Province of Ontario.

**8.3 Lender's Expenses.** The Borrower agrees to pay on demand by the Lender all reasonable legal and out-of-pocket expenses incurred by the Lender in connection with this Agreement, the initial letter of intent, the Security and all documents contemplated hereby, including: the preparation, administration or interpretation of such documents, the protection and enforcement of the rights of the Lender provided for thereby, the enforcement of the Security, any costs incurred in any proceeding in which any party asserts that the Security is invalid, unenforceable or does not have the priority contemplated by the Lender, and the preparation of any waivers, partial discharges and similar matters which may be required; and in the event such amounts are not paid, they shall be treated as an Advance and added to the Indebtedness upon which interest is determined. The Borrower agrees that the terms of Section 2.6(b) shall not apply to the foregoing amounts.

**8.4 Indemnity.** In addition to any other liability of the Borrower hereunder, the Borrower agrees to indemnify and save harmless the Lender from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Lender which relate or arise out of or result from:

- (a) any failure by the Borrower to satisfy the Borrower's Obligations to the Lender when due or fulfill any of its other obligations to the Lender hereunder including, without limitation, any costs or expenses incurred by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by the Lender to fund or maintain the Loan or as a result of the Borrower's failure to take any action on the date required hereunder or specified by it in any notice given hereunder; and



- (b) the Borrower's failure to give any notice required or to be given by it to the Lender hereunder.

**8.5 Environmental Indemnity.** In addition to any other liability of the Borrower hereunder, the Borrower agrees to indemnify and save harmless the Lender and its successors or assigns, any agent of the Lender or its successors or assigns (specifically including a receiver or receiver-manager) and the respective officers, directors and employees of the foregoing (collectively, the "Indemnitees") from and against:

- (a) any losses suffered by them for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (b) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower or upon which it carries on business, specifically including without limiting the generality of the foregoing, any diminution in value of the business, property and assets of such Person; and
- (c) any and all liabilities, losses, damages, penalties, expenses (including legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by Borrower or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by any of them of any Hazardous Material into or upon any land, the atmosphere, or any watercourse or body of water; including, without limitation the costs of defending and/or counterclaiming or claiming over against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter.

**8.6 Interest on Unpaid Costs and Expenses.** Unless the payment of interest is otherwise provided for herein, if the Borrower fails to pay any amount required to be paid by it hereunder when due (including interest on amounts in default), the Borrower shall pay interest on such unpaid amount from the time such amount is due until paid at the rate equal to the rate of interest applicable to an Advance.

**8.7 Notice.** Without prejudice to any other method of giving notice, any notice required or permitted to be given hereunder to any party shall be conclusively deemed to have been received by such party on the date following the sending thereof by prepaid private courier to such party at its address noted below:

- (a) to the Borrower or the Guarantors:

P.O. Box 182

Bracebridge, Ontario, P1L-1T6

Attention: David Grand  
Facsimile No.:  
E-mail: davidgrand@muskokagrown.com

with a copy to:

CC Corporate Counsel Professional Corporation  
100 Bass Pro Mills Drive, Suite 49  
Vaughan, Ontario, L4K 5X1

Attention: Michael Bluestein  
Facsimile No.: 647-499-4292  
E-mail: mbluestein@corpcounsel.ca

(b) to the Lender:

1440 Don Mills Road, Suite 105  
North York, ON M3B 3M1

Attention: Arthur Zwingenberger

with a copy to:

Conroy Shifman Professional Corporation  
56 Finch Avenue West  
North York, Ontario, M2N 2H2

Attention: Behn Conroy  
Facsimile No.: 416-225-1124  
E-mail: behn@conroylaw.ca

Any party may change its address for service by notice given in the foregoing manner.

**8.8 Provision of Information to Assignees and Participants.** The Lender may provide all information it may have from time to time concerning the Borrower and the Investee Companies (whether or not such information is confidential) to any prospective assignee or participant pursuant to section 9.13, with the prior written consent of the Borrower not to be unreasonably withheld.

**8.9 Severability.** Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**8.10 No Merger.** The taking of any judgment or judgments on any of the covenants herein contained or contained in any Security Documents or the collection or realization of any security shall not operate as a merger or affect the Lender's rights thereunder including without limitation, the right to receive interest at the rate and in the same manner as herein provided.

**8.11 Further Assurances.** The Borrower shall at its own expense promptly execute and deliver to the Lender upon request from time to time all such other and further documents, agreements, opinions, certificates and instruments in compliance with this Agreement, or if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

**8.12 Interest Act.** For the purposes of the *Interest Act* (Canada) and disclosure thereunder, whenever any interest or any fee to be paid hereunder or in connection herewith is to be calculated on the basis of any period of time that is less than a calendar year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 365. The rates of interest under this Agreement are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement. The Borrower confirms that it fully understands and is able to calculate the rate of interest applicable to the Indebtedness, including the Commitment Fee, based on the methodology for calculating per annum rates provided for in this Agreement. The Lender agree that if requested in writing by the Borrower it will calculate the nominal and effective per annum rate of interest on any Indebtedness outstanding at the time of such request and provide such information to the Borrower promptly following such request; provided that any error in any such calculation, or any failure to provide such information on request, shall not relieve the Borrower of any of its obligations under this Agreement or any other document, nor result in any liability to the Lender. The Borrower hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Agreement or any of the Security Documents, that the interest payable under this Agreement and the calculation thereof has not been adequately disclosed to the Borrower, whether pursuant to section 4 of the *Interest Act* (Canada) or any other applicable law or legal principle.

**8.13 Time of the Essence.** Time shall be of the essence of this Agreement.

**8.14 Entire Agreement; Paramountcy of Loan Agreement.** This Agreement, the Security and any other documents or instruments contemplated hereby shall constitute the entire agreement and understanding between the parties, and shall supersede all prior agreements and undertakings, whether oral or written, relative to the subject matter hereof. To the extent that there is any inconsistency between a provision of this Agreement and a provision of the Security, the said provision in this Agreement shall be paramount. No provision of this Agreement, or any other document or instrument in existence among the parties may be modified, waived or terminated except by an instrument in writing executed by the party against whom such modification, waiver or termination is sought to be enforced.

**8.15 Assignment and Participation.** Except as provided below, neither the benefits nor the obligations of this Agreement may be assigned by either party without the prior written consent of the other party. Notwithstanding the foregoing, the Lender may assign all or any portion of its rights under this Agreement at any time and from time to time, to any Affiliate without the consent of the Borrower. The parties agree to execute and deliver between themselves and in favour of any such assignees or new parties such documents and assurances as may be reasonably required to effect the foregoing.

**8.16 Binding Effect.** This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

**8.17 Criminal Code Compliance.** In this paragraph, the terms "interest", "criminal rate" and "credit advanced" have the meanings ascribed to them in Section 347 of the *Criminal Code* (Canada) as amended from time to time. The Borrower and the Lender agree that, notwithstanding any agreement to the contrary, no interest associated with the Loan advanced by the Lender under this Agreement will be payable in excess of that permitted under the laws of Canada. If the effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

- (a) the elements of return which fall within the term "interest" shall be reduced to the extent necessary to eliminate such excess; and
- (b) any overpayment that may remain after such crediting will be returned forthwith to the Borrower upon demand;

and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lender shall perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same will be conclusive and binding on the parties. This Agreement and its ancillary documents shall automatically be modified to reflect such modifications without the necessity of any further act or deed of the Lender and the Borrower to give effect to them.

**8.18 Execution.** This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto. This Agreement may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail), and delivery of an executed counterpart of a signature page to this Agreement or any other document contemplated thereby, by facsimile, portable document format (.pdf) or other electronic delivery (including e-mail) shall be as effective and binding as delivery of a manually executed counterpart thereof.

*[remainder of page left blank, signature page follows]*



**SCHEDULE "A"****LANDS & BUILDINGS / REAL PROPERTY**

**PIN: 48053-0802 (LT)**

PART LOTS 1 & 2 CONCESSION 13 DRAPER, BEING PART 1 ON 35R-25226; TOWN OF BRACEBRIDGE; THE DISTRICT MUNICIPALITY OF MUSKOKA

**PIN: 48053-0803 (LT)**

PART LOT 1 CONCESSION 12 DRAPER PARTS 1, 2 & 3 35R25379; SUBJECT TO AN EASEMENT OVER PART 3 35R25379 IN FAVOUR OF PART LOT 1 CONCESSION 12 AS IN DM226261 EXCEPT PART 2 35R17003, PARTS 1 TO 5, 8 TO 11 35R21146, PARTS 1 TO 10 35R24393, PARTS 1, 2 & 3 35R25379 AS IN MT185935; TOGETHER WITH AN EASEMENT OVER PART 3, 35R-25226 AS IN MT192298; TOWN OF BRACEBRIDGE

**PIN: 48053-0801 (LT)**

PART LOTS 1 & 2 CONCESSION 13 DRAPER BEING PARTS 2 & 3 ON 35R-25226, TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA; SUBJECT TO AN EASEMENT OVER PART 3 ON 35R-25226 IN FAVOUR OF PART LOT 2 CONCESSION 12 DRAPER AS IN DM38412, AS IN MT179269; TOGETHER WITH AN EASEMENT OVER PART 4 ON 35R-25226 AS IN MT179270; SUBJECT TO AN EASEMENT OVER PART 3, 35R-25226 IN FAVOUR OF PART LOT 1 CON 12 DRAPER DESIGNATED AS PARTS 1, 2, 3, 35R-25379 AS IN MT192298

**SCHEDULE "B"**  
**FORM OF LOAN COMPLIANCE**  
**CERTIFICATE**

**TO:**        **Arthur Zwingenberger**

1. Reference is made to the loan agreement made as of March 20, 2019, by and between, Muskoka Grown Limited (the "**Borrower**"), as borrower, the guarantors party thereto, and Arthur Zwingenberger (the "**Lender**"), as lender, relating to the provision of a loan in favour of the Borrower (as amended, modified, supplemented or restated, the "**Loan Agreement**"). Capitalized terms used herein, and not otherwise defined herein, shall have the meanings attributed to such terms in the Loan Agreement.
2. This Compliance Certificate is delivered to the Lender pursuant to Section 5.3(a) of the Loan Agreement.
3. The undersigned, President of the Borrower, hereby certifies that, as of the date of this Compliance Certificate, I have made or caused to be made such investigations as are necessary or appropriate for the purposes of this Compliance Certificate and:
  - (a) Since March 20, 2019, the Borrower has not incurred any Debt other than Permitted Debt;
  - (b) Since March 20, 2019, the Borrower has not given security over, nor otherwise permitted any of its property or assets to become subject to any Encumbrances;
  - (c) the representations and warranties in Section 4.1 of the Loan Agreement are true and accurate in all material respects on and as of the date hereof, except as has heretofore been notified to the Lender by the Borrower in writing and except to the extent that such representations and warranties refer specifically to an earlier date, in which case such representations and warranties shall be true and accurate in all material respects as of such earlier date; provided that any such representation and warranty in Section 4.1 of the Loan Agreement that is already qualified as to "materiality," "Material Adverse Effect" or similar language shall not be further qualified by the reference to "material respects" in this Compliance Certificate;
  - (d) the Obligors are in compliance with the covenants set forth in Article 5 of the Loan Agreement, except as has heretofore been notified to the Lender by the Borrower in writing;
  - (e) no event has occurred or is continuing which would constitute a Default or Event of Default, except as has heretofore been notified to the Lender by the Borrower in writing;

## **SCHEDULE “C”**

### **MATERIAL CONTRACTS & PERMITS**

1. **AgMedica Purchase Order No 856 delivered herewith**
2. **Producer license 10-MM0214/2018 issued by Health Canada to the Company on July 11, 2018 pursuant to section 35 of the Access to Cannabis for Medical Purposes Regulations**
3. **Health Canada Producer License above permits the sale of Cannabis from business to business.**

## **SCHEDULE "D"**

### **SPECIFIED PERMITTED ENCUMBRANCES**

1. Charge held by 1035065 Ontario Inc. registered against PIN 48053-0803 in Land Registry Office #35;
2. PPSA File No. 730087569 registered against the Individual Guarantor by TD Auto Finance (Canada) Ltd.
3. PPSA File No. 715077702 registered against the Individual Guarantor by TD Auto Finance (Canada) Ltd.
4. PPSA File No. 719090757 registered against the Individual Guarantor by Nissan Canada Financial Services Inc.
5. PPSA File No. 749296629 registered against the Borrower by CANACCORD GENUITY CORP. on March 23, 2019.

**SCHEDULE "E"**  
**WARRANT CERTIFICATE**

Attached.

I give this Compliance Certificate on behalf of the Borrower, and in my capacity as the CEO of the Borrower.

Dated this 12-day of April 2019.

**MUSKOKA GROWN LIMITED**

Per:

Title:

  
CEO

**SCHEDULE "F"**  
**AUTHORIZED AND ISSUED CAPITAL OF THE BORROWER**

<b>Class</b>	<b>Number Outstanding</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
Common Shares	29,804,000		
Warrants	60,000	Sept, 2021	.60
Options	300,000	Varies	1.03
Options	293,500	Varies	1.61
Options	2,760,000	Varies	2.30
Conv. Deb	510,000	Sept 2021	1.02
David Grand/Muskoka Futures			
Fully-Diluted	33,718,000		

## SCHEDULE "G"

### OUTSTANDING DEBT OF OBLIGORS

Lender Name	Principal Owning	Non-Default Interest Rate	Payment Frequency	Principal Payable per Payment	Maturity Date	Security Given	Other Information (i.e. Conversion, Warrants, etc.)
Canaccord Genuity	\$1,000,000	10%	NA	NA	NA	None	
1035065 Ontario Inc.	\$254,652	4%	monthly	\$5,614 Blended	April 2023	Parts 1, 2 and 3 35R25379	VTB Mortgage
Muskoka Community Futures Development Corporation	\$500,000	6%	None	None	Oct 2019 (At which time it may be extended for another year)	Parts 2, 3 and 4 35R6448 except Part 1 35R13223	Mortgage on David Grand's family home, registered in spouse's name
	\$725,000	12.5%	None	None	Expected to be fully converted this quarter	None	Convertible unsecured debentures
<b>Total</b>	<b>\$2,479,652</b>						

Canaccord Genuity: this is a short term loan, however, Canaccord did not complete the financing deal. The settlement is currently being negotiated and, at this time, there are currently no payment or maturity terms.



AS EVIDENCE OF THEIR AGREEMENT the parties hereto have caused this Agreement to be executed and delivered as of the date first noted above.

**1809065 ONTARIO INC.**

**MUSKOKA GROWN LIMITED**

Per: \_\_\_\_\_  
Arthur Zwingenberger  
President

Per: \_\_\_\_\_  
David Grand  
CEO

*I/We have authority to bind the corporation.*

*I/We have authority to bind the corporation.*

ACKNOWLEDGED AND AGREED TO BY THE GUARANTORS, in their capacity as guarantors, and to the extent that the provisions of this Agreement apply to any of the Guarantors as a party to this Agreement:

**GRAND GABLE HOLDINGS INC.**

**2634436 ONTARIO INC.**

Per: \_\_\_\_\_  
David Grand  
President

Per: \_\_\_\_\_  
David Grand  
President

*I/We have authority to bind the corporation.*

*I/We have authority to bind the corporation.*

**DAVID JAMES GRAND**

**WITNESS:**

\_\_\_\_\_

\_\_\_\_\_  
Name: DAVID ASCON

*This is Exhibit* “H” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Helms*

## AMENDED AND RESTATED LOAN AGREEMENT

**THIS AGREEMENT** is made effective as of the 17th day of April, 2019,

**BETWEEN:**

**MUSKOKA GROWN LIMITED**, a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called the "**Borrower**")

OF THE FIRST PART;

- and -

**ARTHUR ZWINGENBERGER** an individual with an office located at 1440 Don Mills Road, Suite 105, Toronto, Ontario, M3B 3M1

(hereinafter called the "**Lender**")

OF THE SECOND PART;

- and -

**GRAND GABLE HOLDINGS INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called "**GGH**")

**2634436 ONTARIO INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called "**2634436 Ontario**")

- and -

**DAVID JAMES GRAND**, an individual born on April 17, 1959 and residing at 14 M72 Grandview Island in the Town of Bracebridge

(the "**Individual Guarantor**", and jointly and severally with GGH and 2634463 hereinafter called the "**Guarantors**")

OF THE THIRD PART;

**WHEREAS:**

- A. Effective as of March 20, 2019, the Lender advanced a loan of \$6,731,000 to the Borrower pursuant to a loan agreement dated as of March 20, 2019;
- B. The Lender has agreed to make available to the Borrower an additional non-revolving loan in the principal amount of \$3,269,000 to increase the total loan amount to \$10,000,000.
- C. The parties have agreed to record the terms and conditions of the Loan (as defined below) which will be made pursuant to the terms herein.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that pursuant to the premises and in consideration of the mutual covenants hereinafter contained and the agreement of the Lender to advance funds to the Borrower, the parties hereto covenant and agree as follows:

**ARTICLE I - INTERPRETATION**

**1.1 Definitions.**

In this Agreement, the following words and phrases shall have the meanings set forth below:

- (a) **“Accelerated Maturity Event”** has the meaning given to it in Section 2.4(a)(ii);
- (b) **“Acceleration Date”** means the earlier of: (a) the delivery by the Lender to the Borrower of written notice of an Event of Default which has occurred and is continuing as at the date of such notice; and (b) the occurrence of an Event of Default of the nature described in paragraph 7.1(i);
- (c) **“Advance”** when used as a verb means any act by the Lender which results in the Borrower incurring a direct or contingent liability to the Lender; and **“Advance”** when used as a noun means the Borrower’s Obligations resulting from any of the foregoing;
- (d) **“Affiliate”** means with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with, such Person;
- (e) **“Agreement”, “this Agreement”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder”** and similar expressions used herein shall refer to the whole of this Agreement and any schedule hereto, as amended from time to time;

- (f) **"Applicable Law"** shall mean, with respect to any Person, property, transaction, event or other matter, any law, rule, statute, regulation, order, judgement, decree, treaty, directive or other requirement having the force of law relating or applicable to such person, property, transaction, event or other matter, and shall also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation;
- (g) **"Borrower"** has the meaning ascribed to that term in the recitals and includes its successors and permitted assigns;
- (h) **"Borrower's Counsel"** means CC Corporate Counsel Professional Corporation;
- (i) **"Borrower's Obligations"** means all present and future indebtedness, liabilities and other obligations (contingent or otherwise) of the Borrower to the Lender or to any third party that have been guaranteed by the Lender arising under or in connection with this Agreement together with all interest, acceptance fees, standby fees, application fees, costs and other amounts payable by the Borrower to the Lender pursuant to this Agreement (including interest on amounts in default as set out herein);
- (j) **"Business Day"** or **"Banking Day"** means each day other than a Saturday, Sunday or any day on which the chartered banks are not open for business in the Province of Ontario;
- (k) **"Canaccord Litigation"** refers to all litigation between the Borrower and Canaccord Genuity Corp. and as more fully set out in Court File No. CV-18-00610379-0000;
- (l) **"Canadian Dollars"**, **"CAD\$"** or **"Cdn."** or **"\$"** means lawful money of Canada;
- (m) **"Charge"** refers to the mortgage / charge that is further described in Section 6.1(b) to be given by the Borrower, as mortgagor in favour of the Lender, as mortgagee over all of the Borrower's interest in the Property;
- (n) **"Closing Date"** means March 20, 2019 (when used in respect of the First Tranche) and shall otherwise mean April 17, 2019 or such other date as mutually agreed by the Borrower and the Lender;
- (o) **"Constating Documents"** means (i) with respect to a corporation or other body corporate, its articles of incorporation, amalgamation or continuance, memorandum of association or other similar documents and its by-laws or articles of association and, if applicable, any shareholder agreement with respect to such corporation and (ii) with respect to any Person which is a non-corporate entity, the organization and governance documents of such Person, in each case as amended and supplemented from time to time;

- (p) **“Contractual Obligation”** means, with respect to any Person, any provision or any agreement, instrument, undertaking or other obligation to which such person is a party or by which it or any of its property is bound;
- (q) **“Conversion Price”** refers to the price per common share in the capital of the Borrower used for the purposes of Section 2.6 herein and that is determined by dividing \$63,000,000 by the total number of common shares in the capital of the Borrower as may be outstanding at the relevant time, assuming the conversion of all securities issued by the Borrower that are convertible into common shares in the capital of the Borrower;
- (r) **“Debt”** of any Person means
  - i. all indebtedness of such Person for borrowed money, including such Person’s reimbursement and other obligations with respect to borrowing of commodities, bankers’ acceptances, letters of credit or letters of guarantee;
  - ii. all indebtedness of such Person for the deferred purchase price of property or services represented by a note, bond, debenture or other evidence of Debt;
  - iii. all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);
  - iv. all current liabilities of such Person represented by a note, bond, debenture or other evidence of Debt;
  - v. all obligations under capital leases in respect of which such Person is liable as lessee;
  - vi. the aggregate amount at which any shares in the capital of such Person which are redeemable or retractable at the option of the holder thereof may be retracted or redeemed; and
  - vii. all Debt of the kinds referred to in subparagraphs (i) through (vi) above of any other Person which is guaranteed by such Person.
- (s) **“Default”** means any event, act or condition which with the giving of notice or lapse of time, or both, would constitute an Event of Default;
- (t) **“Distribution”** means any amount paid to or on behalf of the shareholders of the Borrower or to any Related Person thereto, by way of salary, bonus, commission, directors’ fees, dividends, payment of principal, interest or fees on Subordinated Debt or otherwise, and whether payments are made to such persons in their capacity as shareholders, directors, officers, employees or creditors of the Borrower or



otherwise, or any other direct or indirect payment in respect of earnings or capital of the Borrower;

- (u) **"Encumbrance"** means any mortgage, debenture, pledge, hypothec, lien, charge, assignment by way of security, title retention, consignment, lease, hypothecation, security interest or trust, right of set-off, other arrangement having the effect of security for the payment of any debt, liability or obligation, or any other encumbrance and **"Encumbrances"**, **"Encumbrancer"**, **"Encumber"** and **"Encumbered"** shall have corresponding meanings;
- (v) **"Environmental Health and Safety Liabilities"** means any liability or damages, including, without limitation, any bodily injury, personal injury, property damage, damage to or of any Person, or on-site or off-site contamination of any real property and any consequence thereof, arising out of or relating to Environmental Laws or the presence, management, use, storage, disposal, release, discharge, distribution or processing of Hazardous Materials or Hazardous Substances;
- (w) **"Environmental Laws"** means all Applicable Law in respect of the natural environment, public or occupational health or safety, and the manufacture, importation, handling, transportation, storage, disposal and treatment of Hazardous Materials or Hazardous Substances;
- (x) **"Event of Default"** has the meaning ascribed in section 8.1;
- (y) **"First Tranche"** means the loan of \$6,731,000 advanced by the Lender to the Borrower on March 20, 2019 pursuant to the loan agreement dated March 20, 2019;
- (z) **"Governmental Body"** means any authority, department, branch or agency of the government of Canada or any province thereof or of any municipality or any commission or board or other regulation or rulemaking entity having jurisdiction in the relevant circumstances, or any Person acting under the authority of any of the foregoing (including, without limitation, any arbitrator);
- (aa) **"Guarantee"** means any agreement by which any Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any creditor of such Person against loss, and shall include, without limitation, any contingent liability under any letter of credit or similar document or instrument;
- (bb) **"Guarantors"** has the meaning ascribed to that term in the recitals and includes successors and permitted assigns as well as any corporations controlled by the Individual Guarantor or a Related Person to the Guarantor after the date hereof, and **"Guarantor"** means as applicable one of them, as the context requires;

- (cc) **"Hazardous Materials"** means any wastes, soil, excavated or reclaimed soil or debris and includes materials, substances or pollutants, whether or not hazardous or toxic (including petroleum products, polychlorinated biphenyls ("**PCBs**"), asbestos or asbestos-containing materials and radioactive materials), the presence, management, use, storage, disposal, release, discharge, distribution or processing of which is regulated by or could give rise to liability under Environmental Laws;
- (dd) **"Hazardous Substance"** means any solid, liquid, gas, odour, heat, sound, vibration or radiation, or combination thereof, that may impair the natural environment, injure or damage property or plant or animal life or harm or impair the health of any individual;
- (ee) **"Indebtedness"** means all present and future obligations, indebtedness and liabilities, direct and indirect, of the Obligor or any one or more of them to the Lender, arising under and pursuant to this Agreement, any other agreement delivered by an Obligor to the Lender hereunder, including, without limitation, the Security Documents;
- (ff) **"Lands and Buildings"** or **"Real Property"** means the real and immovable property described in Schedule "A" hereto together with all buildings and fixtures presently situated thereon or which may at any time hereafter be constructed or placed thereon or used in connection therewith;
- (gg) **"Lender"** has the meaning ascribed to that term in the recitals and includes its successors and permitted assigns;
- (hh) **"Lender's Counsel"** means Conroy Shifman Professional Corporation;
- (ii) **"Lien"** means any mortgage, lien, pledge, assignment, charge, security interest, lease intended as security, title retention agreement, rights reserved in any Governmental Body, registered lease of real property, hypothec, levy, execution, seizure, attachment, garnishment or other similar encumbrance and includes any contractual restriction which, if contravened, might give rise to an encumbrance.
- (jj) **"Loan"** means the term loan now outstanding in the principal amount of \$10,000,000 in Canadian dollars advanced by the Lender to the Borrower as part of the First Tranche and the Second Tranche;
- (kk) **"Loan Compliance Certificate"** means a compliance certificate delivered to the Lender by the Borrower pursuant to Section 5.1(k), in the form attached as Schedule "B";
- (ll) **"Material Adverse Effect"** means any change, condition, event or occurrence, as determined by the Lender, in its sole and absolute discretion, acting reasonably, in respect of the Obligor or any one or more of them or collateral granted under the Security Documents or any of them that, individually or in the aggregate, has



been, or could reasonably constitute or be expected to constitute a material adverse change which involves a reasonable possibility of any change, condition, event or occurrence which, when considered either individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to materially and adversely affect the financial condition, results of operations, business, assets, capital or prospects of the corporate Obligor or any one or more of them or a material adverse effect on the ability of the Obligor or any one or more of them to perform their/its obligations under any of the Security Documents, or impede materially the value of the collateral as determined by the Lender in its sole and absolute discretion;

- (mm) **“Material Contract & Permit”** means any Security Document or any contract, Permit or other arrangement to which an Obligor is a party for which breach, cancellation, termination, non-performance, revocation, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect and includes the contracts set out in Schedule “C”;
- (nn) **“Maturity Date”** has such meaning given to it under Section 2.4(a);
- (oo) **“Minor Title Defects”** in respect of any parcel of land means defects or irregularities in the title to such land which in the opinion of the Lender are of a minor nature and in the aggregate will not materially affect the Security or materially impair the use of such land for the purposes held by the owner thereof;
- (pp) **“OBICA”** means the *Business Corporations Act* (Ontario) as it may be amended from time to time;
- (qq) **“Obligors”** means the Borrower and the Guarantors, and **“Obligor”** means any one of them;
- (rr) **“Permit”** has the meaning given to it in Section 4.1(h);
- (ss) **“Permitted Debt”** means collectively,
  - i. The Debt set out in Schedule “F”;
  - ii. Indebtedness of the Borrower to the Lender hereunder;
  - iii. Subordinated Debt; and
  - iv. Debt by way of trade payables or the endorsement of negotiable instruments incurred or created in the ordinary course of business for the purpose of carrying on same.
- (tt) **“Permitted Encumbrances”** means, with respect to any Person, the following:

- i. Encumbrances for taxes, duties, fees, assessments or other governmental charges or levies not yet due (or if overdue are being contested by such Person diligently and in good faith by appropriate proceedings and which are subject to reserves established by the Obligor that are satisfactory to the Lender);
- ii. inchoate Encumbrances imposed or permitted by laws such as garagemen's liens, carriers' liens, builders' liens, materialmen's liens and other liens, privileges or other charges of a similar nature which relate to obligations not due or delinquent or if due or delinquent are being contested by such Person diligently and in good faith by appropriate proceedings;
- iii. Encumbrances to secure its assessments or current obligations which are not at the time overdue or otherwise dischargeable by the payment of money, and which are incurred in the ordinary course of its business under workers' compensation laws, unemployment insurance or other social security legislation or similar legislation, provided that such Encumbrances are in amounts commensurate with such current obligations;
- iv. Encumbrances given to a public utility or any governmental authority where required by such utility or governmental authority in connection with the operation of the business or the ownership of the assets of the Obligors or any one or more of them, provided that such Encumbrances do not materially detract from the value of any real property subject thereto and do not materially impair any Obligor's ability to carry on its business;
- v. liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such liens or rights as a permitted encumbrance shall not prejudice the priority of the Security over such liens or rights as determined in accordance with Applicable Law);
- vi. deposits in the ordinary course of business to secure the performance of bids, tenders, contracts (other than for the borrowing of money), leases,
- vii. statutory obligations or surety and performance bonds and deposit securing or in lieu of such bonds;
- viii. Minor Title Defects;
- ix. Purchase Money Security Interests;
- x. encumbrances securing Subordinated Debt;
- xi. the Specific Permitted Encumbrances; and
- xii. other Encumbrances agreed to in writing by the Lender,

provided that the use of the term “**Permitted Encumbrances**” to describe such interests and encumbrances shall mean that they are permitted to exist but shall not be interpreted as meaning that such interests and encumbrances are entitled to priority over the Security;

- (uu) “**Person**” is to be broadly interpreted and shall include an individual, a corporation, a partnership, a trust, an unincorporated organization, a joint venture, 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;
- (vv) “**Prime Rate**” means the floating annual rate of interest established from time to time by Bank of Montreal as the base rate it will use to determine rates of interest on Canadian dollar loans to its customers in Canada and designated as its prime rate;
- (ww) “**Property**” means all of the real property of the Borrower and shall include Part lots 1 and 2, Concession 13, Draper being parts 2 and 3 on 35R-25226 (PIN 48053-0801), Part lot 1, Concession 12 Draper, being parts 1, 2 and 3 on 35R-25379 and parts 1 to 5 and 8 to 11 on 35R-1146, parts 1 to 10 on 35R-24393, parts 1, 2 and 3 on 35R-25379 as in MT185935 (PIN 48053-0803) and Part lots 1 and 2, Concession 13 being part 1 on 35R-25226 (PIN 48053-0802), all being situate within the Town of Bracebridge;
- (xx) “**Purchase-Money Security Interest**” means an Encumbrance intended as security or other form of Encumbrance on any property or asset created, issued or assumed to secure the unpaid purchase price in respect of such property or asset; provided that such Encumbrance is restricted to such property or asset acquired and secures an amount not in excess of the purchase price thereof;
- (yy) “**RC Morris**” means GOF-BC Holdings Ltd., a corporation incorporated pursuant to the laws of British Columbia;
- (zz) “**RC Morris Loan Agreement**” means the loan agreement dated August 22, 2018 between RC Morris, the Borrower, 2634436 Ontario Ltd., Grand Gable Holdings Inc., the Guarantor and Marion Rondelet;
- (aaa) “**Related Person**” in relation to any Person means any subsidiary, affiliate or associate (as such terms are defined in the OBCA) of such Person;
- (bbb) “**Release**” is to be broadly interpreted and shall include an actual, impending or potential discharge, deposit, spill, leak, pumping, pouring, emission, emptying, injection, escape, leaching, seepage or disposal of a Hazardous Substance which is or may become or might constitute a breach of any Environmental Laws;

- (ccc) **“Required Consents”** means any consent that would be required pursuant to any license or user agreement between any of the Obligors and another person in order to grant a security interest in the subject matter thereof to the Lender in the ranking and priority required by the Lender;
- (ddd) **“Requirements of Environmental Law”** means: (a) obligations under common law, (b) requirements imposed by or pursuant to statutes, regulations and by-laws, (c) requirements announced by a government as having immediate effect, provided that at the time of making such announcement the government also states its intention of enacting legislation to confirm such requirements retroactively, (d) all directives, policies and guidelines issued by any governmental agency or authority charged with the administration thereof which purport to have the force of law, and (e) all requirements imposed under any clean-up, compliance or other order made pursuant to any of the foregoing, relating to environmental, health or safety matters including, but not limited to, all such obligations and requirements which relate to: (f) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation and (g) exposure to Hazardous Materials;
- (eee) **“Restricted Payment”** means, with respect to any Person, any payment to such Person:
- i. that is a Distribution;
  - ii. on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any share of its capital or any warrants, options or rights to acquire any such shares, or the making by such persons of any other distribution in respect of any shares of its capital;
  - iii. of any principal of or interest or premium on or of any amount in respect of a sinking or analogous fund or defeasance fund for any debt or liability of such person ranking in right of payment subordinate to any liability of such Person under the Security Documents;
  - iv. in respect of any loan or advance to, or arrangement for the purpose of providing funds or credit to (excluding extensions of trade credit in the ordinary course of business in accordance with customary commercial terms), or capital contribution to (whether by means of a transfer of cash or other property or any payment for property or service for the account or use of) any other Person, or any purchase or other acquisition of all or substantially all of the assets of any other Person;
  - v. in respect of salary or bonus other than at the lesser of (A) currently established practices of the Borrower or (B) fair market levels; or



- vi. of any management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Affiliate of such person or to any shareholder, director or officer thereof;
- (fff) **"Sale of Business"** means, with respect to the corporate Obligors, unless deemed not to be in Lender's sole discretion:
  - i. any direct or indirect acquisition, take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in any person or group of persons beneficially owning greater than 50% any class of shares of the corporate Obligors then outstanding;
  - ii. any plan of arrangement, amalgamation, merger, share exchange, consolidation, reorganization, recapitalization, liquidation, dissolution, winding up, exclusive license, business combination or other similar transaction in respect of the Borrower or any corporate Obligor; or
  - iii. any direct or indirect acquisition by any person or group of persons of any assets of a corporate Obligor, or of voting or equity interests in one or more of the corporate Obligors (including shares or other equity interest of subsidiaries), that individually or in the aggregate constitute or hold 50% or more of the fair market value of the assets of the corporate Obligor and its subsidiaries (taken as a whole);(or any direct or indirect sale, disposition, lease, license, royalty, alliance or joint venture, long-term supply agreement or other arrangement having a similar economic effect), whether in a single transaction or a series of related transaction;
- (ggg) **"Second Tranche"** means the sum of \$3,269,000 advanced as of the date hereof;
- (hhh) **"Secured Assets"** means the assets of the Borrower which are intended to be subject to the Security;
- (iii) **"Security"** means the security required to be provided by the Borrower pursuant to Article VI;
- (jjj) **"Security Documents"** means those documents referred to in Section 6.1 (including, without limitation, to the extent such Section describes an amendment, the agreement, instrument or document amended thereby) and any and all other agreements, instruments or documents now or hereafter executed and delivered by any Obligor or any other Person as security for the payment or performance of the obligations of the Obligors hereunder, including, without limitation, the Indebtedness, as any of the foregoing may have been, or may hereafter be, amended, modified or supplemented;

- (kkk) **"Specific Permitted Encumbrances"** means those encumbrances set out in Schedule "D";
- (lll) **"Subordinated Debt"** means any Debt of the Borrower to any Person for borrowed money that that the Lender has given its prior written approval to, and in respect of which the holder thereof has entered into a subordination agreement in form and substance satisfactory to the Lender, registered in all places where necessary or desirable to protect the priority of the Security, which shall provide (among other things) that: (a) the holder of the Subordinated Debt may not receive any payments on account of principal or interest thereon except regularly scheduled interest payments prior to an Event of Default; (b) any security held in respect of such indebtedness is postponed to the Security; and (c) the holder of such indebtedness may not take any enforcement action in respect of such indebtedness or security without the prior written consent of the Lender;
- (mmm) **"Subsidiary"** means any corporation which is or hereafter becomes directly or indirectly controlled by the Borrower, and for the purposes of this definition, the Borrower shall be deemed to control a corporation if the Borrower beneficially owns, directly, or indirectly, shares to which are attached more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of such corporation and **"Subsidiaries"** means each Subsidiary collectively;
- (nnn) **"Term"** means the period commencing on the Closing Date and ending on the Maturity Date;
- (ooo) **"Working Capital"** means for any particular reporting date the sum of cash, accounts receivable aged less than 90 days and work in progress, less accounts payable.

## 1.2 Interest and Fee Calculations; Maximum Interest Rate.

- (a) Unless otherwise stated, in this Agreement if reference is made to a rate of interest, fee or other amount "per annum" or a similar expression is used, such interest, fee or other amount shall be calculated on the basis of a year of 365 or 366 days, as the case may be. If the amount of any interest, fee or other amount is determined or expressed on the basis of a period of less than one year of 365 or 366 days, as the case may be, the equivalent yearly rate is equal to the rate so determined or expressed, divided by the number of days in the said period, and multiplied by the actual number of days in that calendar year.
- (b) Notwithstanding any other provisions of this Agreement, if the amount of any interest, premium, fees or other monies or any rate of interest stipulated for, taken, reserved or extracted under this Agreement or the Security would otherwise contravene the provisions of section 8 of the *Interest Act* (Canada) or any successor or similar legislation, or would exceed the amounts which the Lender is legally entitled to charge and receive under any law to which such compensation is subject,

then such amount or rate of interest shall be reduced to such maximum amount as would not contravene such provision; and to the extent that any excess has been charged or received the Lender shall apply such excess against the principal amount of the said obligations then outstanding and refund any further excess amount to the Borrower.

**1.3 Accounting Principles.** Any reference in this Agreement to generally accepted accounting principles shall be deemed to refer to accounting principles approved from time to time by the Canadian Institute of Chartered Accountants as at the date on which such calculation is required. Unless otherwise provided herein, all financial terms used in this Agreement shall be determined in accordance with generally accepted accounting principles. Where the character or amount of any asset or liability or item of revenue or expense is required to be determined, or any consolidation or other computation is required to be made for the purpose of this Agreement, such determination or calculation shall be made in accordance with generally accepted accounting principles applied on a consistent basis, unless otherwise indicated.

**1.4 Currency References.** All amounts referred to in this Agreement are in Canadian Dollars.

**1.5 References to Statutes.** Whenever in this Agreement reference is made to a statute or regulations made pursuant to a statute, such reference shall be deemed to include all amendments to such statute or regulations from time to time and all statutes or regulations which may come into effect from time to time substantially in replacement for the said statutes or regulations.

**1.6 Extended Meanings.** Words importing the singular number include the plural and vice-versa.

**1.7 Schedules.** The following schedules are attached to this Agreement and incorporated herein by reference:

Schedule "A"	-	Lands and Buildings / Real Property
Schedule "B"	-	Loan Compliance Certificate
Schedule "C"	-	Material Contracts & Permits
Schedule "D"	-	Specific Permitted Encumbrances
Schedule "E"	-	Authorized and Issued Capital of the Borrower
Schedule "F"	-	Outstanding Debt of Obligors

## ARTICLE II - LOAN

**2.1 Establishment of Loan.** Subject to the terms and conditions in this Agreement, the Lender has hereby delivered the Loan to the Borrower. The Borrower acknowledges receipt of the Loan in full and acknowledges that it directed the Lender (through the Lender's Solicitor) to pay and that the Lender has paid, through the Lender's Solicitor:

- (a) \$4,252,537.94 to Dickinson Wright LLP, In Trust, on March 30, 2019 for the benefit of RC Morris and the discharge of the Borrower's Obligations pursuant to the RC Morris Loan Agreement;
- (b) \$2,478,462.06 directly to the Borrower on March 21, 2019;
- (c) \$900,000.00 to Teplitsky Colson LLP, In Trust on May 1, 2019 in order to complete the settlement of the Canaccord Litigation;
- (d) \$1,000,000.00 directly to the Borrower on May 1, 2019; and
- (e) \$1,369,000.00 directly to the Borrower on May 13, 2019.

Notwithstanding the foregoing release schedule, it is understood and agreed that the First Tranche was advanced by the Lender on March 20, 2019 and the Second Tranche was advanced by the Lender on April 17, 2019.

**2.2 Purpose of Loan.** The Loan shall be used by the Borrower:

- (a) to repay all Debts and satisfy all obligations incurred towards pursuant to the RC Morris Loan Agreement;
- (b) to settle the Canaccord Litigation; and
- (c) for working capital purposes, including payments to trade creditors.

**2.3 Interest.** Subject to Section **Error! Reference source not found.**, the Borrower agrees to pay to the Lender interest on the outstanding balance of the Loan from time to time, computed on the basis of a 365-day year for the actual number of days elapsed as follows:

- (a) accruing from March 20, 2019 at the rate of 12.0% per annum calculated and compounded monthly on the First Tranche; and
- (b) accruing from April 17, 2019 at the rate of 10.0% per annum calculated and compounded monthly on the Second Tranche.

**2.4 Repayment.**

- (a) **Maturity Date.** The outstanding balance of the Loan, all accrued interest thereon and all fees thereon shall become immediately due and payable on the "**Maturity Date**", being the earlier of:
  - i. August 15, 2019; and
  - ii. the issuance of a notice of an Event of Default by the Lender to the Borrower (the "**Accelerated Maturity Event**").
- (b) **Principal Repayment.** Subject to an Accelerated Maturity Event or a permitted prepayment, the Loan shall not be amortized, and the full balance thereof shall be due and payable on the Maturity Date.



- (c) **Accelerated Maturity Event Repayment.** In the event of an occurrence of an Accelerated Maturity Event, the Borrower must repay all, but not less than all, of the then outstanding Indebtedness, including the outstanding principal amount of the Loan plus all accrued interest to the date of the repayment, and fees payable hereunder.
- (d) **Payment of Interest.** Without limiting this Section 2.4 but subject to the Lender's right to require interest to be paid in common shares of the Borrower as set out in Section 2.6, the Borrower shall pay interest to the Lender on the Maturity Date. In the event of an Event of Default, the Borrower shall pay interest to the Lender on the 20<sup>th</sup> day of each month, or where such day is not a Business Day, on the first business day thereafter.

## 2.5 Prepayment.

The Borrower may, at its sole discretion, at any time and from time to time prepay the Indebtedness prior to the Maturity Date, in whole or in part, together with interest accrued thereon, on three (3) Business Day's written notice to the Lender without penalty or prepayment fee. In the event of any such prepayment, the Borrower agrees to be responsible for the Lender's reasonable legal fees, disbursements and taxes incurred in connection with the preparation of any payout statement and releases of Security.

## 2.6 Conversion.

- (a) **Conversion at Lender's Option.** At any time prior to or on the Maturity Date, the Lender may, by written notice given to the Borrower, exchange any amount of the Loan, together with any part of the interest accrued thereon, for common shares in the capital of the Borrower. Such amounts to be converted into common shares of the Borrower shall be converted at the Conversion Price.
- (b) **Mandatory Conversion.** In the event that the Lender approves the terms of any other proposed Encumbrance on the assets of the Borrower and the incurrence of the Borrower of Debt (not including Permitted Debt) in the aggregate amount of \$6,000,000 or more or a credit facility with a draw-down amount of at least \$6,000,000, then the Loan shall be converted automatically into common shares of the Borrower at the Conversion Price concurrently with the funding of the foregoing Debt to the Borrower on those terms approved by the Lender. For greater certainty, the automatic conversion of the Loan as set out in this Section 2.6(b) shall not result in the automatic conversion of accrued interest thereon or any amounts that are otherwise payable or reimbursable to the Lender into common shares of the Borrower and such conversion of interest shall only take place at the option of the Lender.
- (c) **Failure to Elect to Convert.** Where no mandatory conversion has taken place pursuant to Section 2.6(b), and should the Lender not convert the full amount of the

Loan by the Maturity Date, the Borrower shall have the option to extend the Maturity Date on written notice to the Lender by up to an aggregate of ninety (90) days after the Maturity Date. During such period of time, interest shall continue to accrue and no Event of Default shall be deemed to have occurred solely on account of the Borrower's failure to repay the Loan on the original Maturity Date

**2.7 Manner of Payments.**

All payments to be made by the Borrower to the Lender under this Agreement shall be made to the Lender in lawful currency of Canada and by wire transfer, certified cheque, direct deposit or bank draft in immediately available funds to such account or accounts of the Lender as the Lender may direct from time to time.

**2.8 Application of Payments.**

Each payment made by the Borrower hereunder shall be applied by the Lender firstly in payment of any fees and expenses due hereunder, secondly to the satisfaction of interest accrued to the date of payment, and the balance, if any, in reduction of the principal amount of the Loan.

**2.9 No Set-off.**

Repayment of the Loan shall be made without set-off, counter-claim or reduction of any kind.

**2.10 Evidence of Debt.**

The Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to the Lender resulting from the Advances made by the Lender, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder. The entries made in the accounts maintained pursuant to this subsection shall be, in the absence of manifest error, *prima facie* evidence of the existence and amounts of the obligations recorded therein; provided that the failure of the Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loan in accordance with the terms of this Agreement.

**2.11 Non-Revolving.**

The Loan is a non-revolving term facility and any payment or repayment of principal on account of the Loan may not be re-borrowed.

**2.12 Warrants.**

It is agreed that all warrants issued pursuant to the completion of the First Tranche are hereby cancelled.

### **2.13 Board Representation for Lender.**

For so long as any of the Borrower's Obligations remain outstanding or the Lender holds any common shares in the capital of the Borrower, the Lender shall be entitled to nominate up to two (2) individuals to serve as directors of the Borrower. The Lender may replace its nominees from time to time as determined by the Lender in its sole discretion. Unless specifically released by the Lender, the provisions of this Section 2.13 shall survive termination of this Agreement and shall remain binding upon the Borrower until such time as the Borrower's Obligations are fully satisfied and the Lender no longer holds at least 10% of the common shares in the capital of the Borrower. Upon request of the Lender, the Borrower shall deliver support agreements signed by such number of holders of common shares as may be necessary to ensure that the foregoing board nominees will be elected. The Lender agrees that its initial nominees shall be Arthur Zwingenberger (non-resident) and Aaron Holtzman (resident). The Lender acknowledges that the Borrower has appointed Aaron Holtzman to the board already, in June of 2019 at the next annual meeting of the Borrower, the Borrower shall appoint the remaining nominee to the board of directors.

## **ARTICLE III - GENERAL PROVISIONS**

**3.1 Payments without Deduction.** All interest payments shall be paid without allowance or deduction for deemed re-investment or otherwise, both before and after maturity and before and after default and/or judgement (if any) until payment, and interest shall accrue and be payable on overdue interest. All payments of principal, interest and other amounts hereunder will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Canada or any province or political subdivision thereof or any governmental authority having the power to tax. If any such withholding or deduction is required by law, the Borrower shall pay such additional amounts as may be necessary in order that the net amounts received by the Lender after such withholding or deduction shall equal the respective amounts of principal, interest or other such amounts which would have been receivable in the absence of such withholding or deduction.

**3.2 Additional Payments.** If in respect of any change in or introduction of any law, regulation, order, rule, request or directive (whether or not having the force of law but of a kind which is intended to be generally complied with by banks) or in the interpretation thereof by any authority charged with the administration thereof or by any court of competent jurisdiction:

- (a) the Lender incurs a cost (which it would not otherwise have incurred) or becomes liable to make a payment (calculated with reference to the amount outstanding under the Loan) with respect to continuing to provide or maintain the Loan (other than a tax such as a capital or franchise tax or a tax imposed on the income of the Lender);
- (b) any reserve, special deposit or similar requirement is imposed or increased with respect to the Loan increasing the cost thereof to the Lender; or



- (c) the Lender suffers or will suffer a reduction in the rate of return on its overall capital (other than a reduction by reason of any increase in the taxes referred to in (a) above) as a result of the amount of the capital that the Lender is required to maintain being increased or of any change in the manner in which the Lender is required to allocate its resources;

then the Borrower shall, upon receipt of written notice from the Lender, pay to the Lender such amount as will compensate the Lender for and will indemnify the Lender against such increases in cost or reductions of rate of return with respect to the Loan, accruing from and after the date of receipt of such notice. The notice issued by the Lender setting out the amount and basis for the amount of such additional payment required shall be conclusive and binding absent manifest error. The Lender, acting reasonably, shall be entitled to use averages and estimates in preparing any such notice.

**3.3 Place of Payments.** All payments of principal, interest, fees and other amounts to be made by the Borrower to the Lender pursuant to this Agreement shall be made at the address of the Lender as noted herein. All payments received by the Lender on a Business Day before 2:00 p.m. shall be treated as having been received on that day; payments made after 2:00 p.m. on a Business Day shall be treated as having been received on the next Banking Day.

**3.4 Evidence of Obligations.** The Lender may, but shall not be obliged to, request the Borrower to execute and deliver from time to time such promissory notes and grid promissory notes as may be required in order to evidence all or any portion of the Borrower's Obligations. The Lender shall open and maintain, in accordance with its usual practice, an account or accounts evidencing the Borrower's Obligations, and the information entered in such accounts shall constitute prime facie evidence of the Borrower's Obligations. The Lender agrees to advise the Borrower of the entries made in its books of account in this regard, upon request.

#### ARTICLE IV - REPRESENTATIONS AND WARRANTIES

**4.1 General Representations and Warranties relating to the Obligors.** Each of the Obligors represents and warrants to the Lender as follows, with respect to each of the Obligors, as applicable:

- (a) ***Incorporation and Status*** – Each Obligor that is a corporation has been duly incorporated and is a subsisting corporation in good standing under the laws of its jurisdiction of incorporation, and has full corporate power, authority and capacity to own its property and carry on its business.
- (b) ***Power*** - Each Obligor that is a corporation has the corporate power and authority required as of the date hereof to enter into and perform its obligations under this Agreement, to own or lease its property and assets and to conduct the business in which they are currently engaged.

- (c) **No Contravention** - Neither the consummation of the transactions contemplated by this Agreement, execution and delivery to the Lender of the Security or Security Documents, nor compliance with the terms, provisions and conditions of this Agreement, the Security or the Security Documents will conflict with, result in a breach of, or constitute a default under its charter documents or by-laws, or result in a breach of, default under or the creation of any lien on its properties under any agreement or instrument to which it is a party or by which its property and assets may be bound or affected, and does not require the consent or approval of any Person.
- (d) **Authorization of Documents** - It has taken or caused to be taken all necessary action to authorize, and has duly executed and delivered this Agreement and each of the Security Documents; and there are no provisions in any unanimous shareholder agreement which restrict or limit its powers to borrow money or grant security in respect of its property and assets.
- (e) **Binding Agreements** - This Agreement and the Security Documents constitute legal, valid and binding obligations enforceable against it in accordance with their terms, subject only to the availability of equitable remedies and the effect of bankruptcy, insolvency and similar laws affecting the rights of creditors generally.
- (f) **Capitalization** - Schedule "E" is a true and complete summary of its authorized and issued capital and the names of the registered and beneficial owners of all of its issued and outstanding shares of all classes. Other than as disclosed herein there are no agreements, options, warrants, rights of conversion or other rights pursuant to which it is or may become obligated to issue any shares or any securities convertible into shares.
- (g) **Material Contracts** - Each of the Material Contracts is in good standing in all material respects and in full force and effect; and neither it nor, to its knowledge, any of the other parties to such agreements is in breach in any material respect of any of the terms thereof.
- (h) **Approvals** - Each Obligor holds in good standing all permits, licences, approvals (including regulatory approvals), franchises, rights-of-way, easements and entitlements, including but not limited to the permits required in connection with the business carried on by it, (collectively, "**Permits**") which it requires, or is required by Applicable Law, to hold, own, lease, license or use the property included in the business carried on by such Obligor and to carry on such business, except for such Permits the absence of which do not affect any Obligor, or its rights to carry on business in such jurisdiction and, has not had, and which does not have a reasonable possibility of having, a Material Adverse Effect.
- (i) **Compliance** - It has not received any notice, nor does it have any knowledge after due enquiry, that its operations are not in compliance in all material respects with

all applicable laws and regulations, the non-compliance with which would be likely to have a material adverse effect on its financial condition, assets or operations or its ability to perform and discharge its obligations and liabilities under this Agreement and the Security.

- (j) ***Environmental Laws*** - It has complied in all material respects with all Requirements of Environmental Law. There are no Hazardous Materials situated in, on or under any of its property or upon which it carries on business. There are no legal or administrative proceedings, investigations or claims now threatened or pending against it with respect to the presence on or under, or the discharge, emission, spill, radiation or disposal into or upon any land, the atmosphere, or any watercourse or body of water, of any Hazardous Material; nor are there any matters under discussion with any Governmental Body relating thereto; and there is no factual basis for any such proceedings, investigations or claims.
- (k) ***Financial Statements*** - Its financial statements in connection with its most recently completed fiscal year and its interim financial statements in connection with its most recently completed fiscal quarter delivered to the Lender have been prepared in accordance with generally accepted accounting principles on a basis which is consistent with previous fiscal years and present fairly:
  - (i) its assets, liabilities (whether accrued, absolute, contingent or otherwise) and its financial condition as at the dates therein specified; and
  - (ii) its earnings and results of its operations during the periods covered thereby.
- (l) ***Financial Information*** - All other financial information relating to it which has been delivered to the Lender is complete and accurate in all material respects in light of the circumstances prevailing at the time of delivery and there has been no material adverse change in its financial position or operations since the date of its most recent financial statements provided to the Lender.
- (m) ***No Undisclosed Liabilities*** - It has no liabilities of any kind whatsoever, whether or not accrued and whether or not determined or determinable, other than:
  - (i) liabilities disclosed on, reflected in or provided for in its most recent audited financial statements;
  - (ii) liabilities incurred in the ordinary course of business since the date of its said financial statements; and
  - (iii) liabilities disclosed or referred to in this Agreement.



- (n) ***Tax Returns*** - Except as disclosed in its most recent financial statements, it has duly and timely filed all tax returns required to be filed by it and has paid all taxes which are due and payable and has paid all assessments and re-assessments and all other taxes, charges, penalties and interest due and payable by it on or before the date hereof, and there are no actions, suits, proceedings, investigations or claims now threatened or pending against it in respect of taxes, governmental charges or assessments or any matters under discussion with any Governmental Body relating to taxes, governmental charges or assessments asserted by any such Governmental Body.
- (o) ***Deemed Trusts and Statutory Liens*** - It has remitted to all appropriate Governmental Bodies all payments which if not paid when due could result in the creation of a lien or charge against any of its property or which could result in any of its property becoming subject to a deemed trust established by any applicable legislation.
- (p) ***No Litigation*** - Except as disclosed in its most recent audited financial statements, there are no legal or administrative proceedings, investigations or claims pending, or to its knowledge threatened against it, before any court or Governmental Body which if determined adversely to its interest would not be fully covered by insurance or which would affect materially and adversely its financial condition, assets or operations or its ability to perform and discharge its obligations and liabilities under this Agreement and the Security.
- (q) ***Ownership of Assets*** - It owns, possesses and has a good and marketable title to all of its undertaking, property and assets free and clear of any and all Liens, except for the Security and Permitted Encumbrances. None of the Obligors has any Subsidiaries.
- (r) ***No Encumbrances*** - It has no bonds, purchase-money security obligations, mortgages, debentures, security agreements, or other secured indebtedness outstanding or any agreement or obligation to execute and deliver any such instruments, except for the Security and Permitted Encumbrances. All of the Permitted Encumbrances are in good standing, have been fully complied with and there is no continuing or pending defaults or events which with the passage of time would become a default or event of default by any Obligor thereunder.
- (s) ***Insurance*** - Its undertaking, property and assets are insured against loss or damage with reputable insurers, in amounts not less than the replacement cost thereof and against such losses as are normally insured against by Persons engaged in comparable businesses, including public liability and business interruption insurance, and, to its knowledge, it is not in default with respect to any of the provisions contained in any such insurance nor has it failed to give any notice or present any claim under any such insurance in a due and timely fashion. The Lender acknowledges that business interruption insurance was purchased as part of the May 2019 insurance binder renewal.



- (t) **Pension Plans** - There are no unfunded liabilities under any of its pension plans.
- (u) **Location of Assets** - It owns no real property and no machinery, equipment, plant, goods or chattels located outside the province of Ontario having an aggregate value in excess of \$50,000.
- (v) **No Default** - No Event of Default (or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default) has occurred and is continuing.
- (w) **No Material Adverse Effect** - Since the date of its most recent financial statements, it has operated its business diligently and only in the ordinary course and there has not been any material adverse effect in its financial condition, assets or operations or any substantial loss of or damage to its assets.
- (x) **Non-Arm's Length Transactions** - It is not a party to any contract, commitment or transaction (including by way of loan) with any of its officers, directors or shareholders, or any Related Person, other than as disclosed in its most recent financial statements and other than employment contracts in the ordinary course of business.
- (y) **No Adverse Information** - It is not aware of any information or any other matter which, if known to the Lender, might reasonably deter the Lender from entering into this Agreement or establishing the Loan on the terms and conditions contained herein.
- (z) **Construction Liens** - It has not received any notice of any construction or builder's liens currently outstanding in respect of the Lands and Buildings and all applicable time periods during which notice of any such lien may be filed in respect of any construction on or in respect of the Lands and Buildings have expired and there is no such construction which is ongoing at the date of this Agreement.
- (aa) **Taxes and Rates** - All taxes due and owing on the Lands and Buildings, including realty and business taxes and local improvement rates, have been paid in full.

#### 4.2 Specific Representations and Warranties.

- (a) With the exception of the Permitted Debt, none of the Obligors has any Debt and none of the Obligors is obligated to create or issue any bonds, debentures, mortgages, notes or similar indebtedness.

**4.3 Survival of Representations and Warranties.** The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and the Security, notwithstanding any investigations which may be made by the Lender.

## ARTICLE V - COVENANTS

**5.1 Positive Covenants relating to the Obligors.** For so long as any Borrower's Obligations remain outstanding, each Obligor hereby covenants and agrees with the Lender that it will:

- (a) ***Perform Obligations***- fully observe, carry out and perform its obligations under this Agreement, the Security Documents and all other agreements and documentation delivered hereunder, including, without limitation, duly and punctually paying all amounts payable by such Obligor and (ii) executing and delivering all documents and taking such actions as are required to provide all Security Documents in a timely manner.
- (b) ***Preservation of Corporate Existence*** - maintain its corporate existence, preserve its rights, powers, licences, privileges, franchises and goodwill, and exercise any rights of renewal or extensions of any leases, licences, concessions, franchises or any other rights whatsoever which are necessary or material to the conduct of its business and carry on and conduct its business in a proper and efficient manner so as to protect its property and the earnings, income, rents and profits of its business;
- (c) ***Payment of Taxes, etc.*** - pay and discharge promptly, when due (i) all taxes, assessments and governmental charges or levies lawfully imposed upon it or upon its property; and (ii) all claims which, if unpaid, might by law become a Lien upon or deemed trust affecting its property;
- (d) ***Maintenance of Insurance*** - maintain insurance with reputable insurers of its undertaking, property and assets, in amounts not less than the replacement cost thereof and against such risks as are normally insured against by Persons engaged in comparable businesses or which the Lender may reasonably require, including public liability and business interruption insurance; such insurance shall include loss payable endorsements in favour of the Lender, with any loss under such policies (other than policies in respect of third party liability and business interruption insurance) in excess of \$50,000 to be payable to the Lender; provided that if no Event of Default has occurred and is continuing, then the Borrower shall be entitled to receive any such loss payment directly if the entire amount thereof is used to repair or replace the applicable lost or damaged property, and the Borrower provides satisfactory evidence thereof to the Lender;
- (e) ***Compliance with Laws*** - comply in all material respects with all applicable laws, rules, governmental restrictions and regulations (specifically including all Requirements of Environmental Law) and obtain and maintain in good standing all material leases, licences, permits and approvals from all Governmental Bodies required in respect of its operations;
- (f) ***Maintenance of Properties*** - maintain and preserve all of its material properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted;

- (g) **Keeping of Books** - keep books of record and account in accordance with generally accepted accounting principles in effect from time to time, applied in a consistent manner from period to period;
- (h) **Inspection** - permit the Lender and its employees and agents to enter upon and inspect its property, assets, books and records from time to time, at reasonable times and upon reasonable notice;
- (i) **Compliance with Agreements** - perform and satisfy all covenants and obligations to be performed by it under (i) this Agreement, the Security and any other agreement or undertaking now or hereafter made between it and the Lender and (ii) the Material Agreements;
- (j) **Notice** - provide prompt notice to the Lender of the occurrence of any Event of Default or any event which, with notice or lapse of time would constitute an Event of Default, and any other event or development which could materially adversely affect its financial position or its property; and
- (k) **Reporting Requirements** - For so long as there is any Indebtedness of the Borrower owing to the Lender, the Borrower shall deliver or cause to be delivered to the Lender
  - (i) copies of its unaudited management prepared financial statements for each fiscal quarter, as soon as available and in any event within 45 days after the end of such fiscal quarter;
  - (ii) every month by the 10th day of each month, a completed Loan Compliance Certificate in such form attached hereto as Schedule "B" together with the Borrower's month end aged accounts payable and accounts receivable listing and a completed month end balance sheet showing, *inter alia*, the Borrower's working capital as at the last day of the prior month together with such other internally generated financial reporting as the Lender may reasonably require; and
  - (iii) such other information regarding its operations, properties and financial condition as the Lender may from time to time reasonably request.

**5.2 Negative Covenants relating to the Obligors.** For so long as any Borrower's Obligations remain outstanding, each of the Obligors hereby covenants and agrees with the Lender that, without the prior written consent of the Lender, it will not:

- (a) **Disposition of Assets** - directly or indirectly sell or otherwise dispose of, by conveyance, transfer, lease, declaration of trust or by any other manner whatsoever any property or assets, other than sales of inventory in the ordinary course of its business; provided that so long as no Event of Default has occurred or is continuing,



it may in any fiscal year sell or otherwise dispose of property and assets (other than the Lands and Buildings or any interest therein) having an aggregate fair market value of not more than \$250,000;

- (b) **Corporate Changes** - liquidate or dissolve or enter into any consolidation, amalgamation, merger, partnership, joint venture or other combination; or enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation or Person, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise;
- (c) **Related Party Transactions** - enter into any contract with any Related Person for the purchase, lease or other dealing in any property or services, except: (i) in connection with a transaction involving an expenditure, at an amount equal to or less than the fair market value of such property or services; and (ii) in connection with a transaction involving a receipt, at an amount equal to or greater than the fair market value of such property or services;
- (d) **Additional Debt** - create, incur or assume any Debt other than Permitted Debt;
- (e) **Encumbrances** - grant, assume or suffer to exist any Lien upon any of its property or assets other than the Security and the Permitted Encumbrances;
- (f) **Guarantees** - be obligated under Guarantees at any time in excess of the aggregate maximum principal amount of \$50,000 dollars other than those guarantees given as part of the Security hereunder;
- (g) **Loans and Investments** - make any loans to, or acquire or invest in any securities issued by, any Person other than any Material Subsidiary which has granted Liens to the Lender over its property and assets as part of the Security hereunder;
- (h) **Distributions** - make any Distributions in any fiscal year in excess of 10% of its net income for such fiscal year, except for Distributions to employees of the Borrower in connection with such employment at levels of compensation not in excess of those in effect as at the date of this Agreement, which have been disclosed to the Lender;
- (i) **Subsidiaries** - create or acquire any Subsidiaries;
- (j) **Change in Business** - acquire or establish any business unrelated to its current business or make any material change in or terminate or suspend its current business; or
- (k) **Material Contracts** - amend any term or provision of any of the Material Contracts or waive or consent to any waiver of any term or provision of any of the Material Contracts if such amendment or waiver would materially adversely affect the rights

of the Lender under this Agreement or the Security, or terminate any of the Material Contracts.

Notwithstanding Sections (a) or (b) above, the Borrower may affect a transaction, including a merger, sale, going public event or otherwise without the express written consent of the Lender as long as such transaction is approved by the board of directors of the Borrower and is based on a valuation of the Borrower's common shares, on a fully diluted basis, of at least \$3.00.

## ARTICLE VI - SECURITY

**6.1 Security to be Provided.** For so long as any Borrower Obligations remain outstanding and as security for the timely repayment of the Loan and performance of any other Borrower Obligations and the due and punctual payment and performance of this Agreement and all other Indebtedness, liabilities and obligations of the Obligors to the Lender under, arising out of or from this Agreement or any other agreement, both present and future direct or indirect, absolute or contingent, matured or otherwise, or howsoever arising, the Obligors agree to provide in favour of the Lender the security and documents listed below (collectively, the "**Security**"), in form and substance satisfactory to the Lender:

- (a) an unlimited joint and several guarantee and postponement of claim signed by the Guarantors in favour of the Lender in respect of the full amount of the obligations owed by the Borrower to the Lender, supported by the following:
  - i. a share pledge from the Guarantors in favour of the Lender pledging all shares and other equity interest of the Guarantors in the Borrower, GGH and 2634436 Ontario, together with any and all equity interest of any of the foregoing corporations in their respective subsidiaries together with stock powers of attorneys and the original share certificates;
- (b) a charge, to be registered in first priority, over the Property (with the exception of a charge held by 1035065 Ontario Inc. registered against PIN 48053-0803 in Land Registry Office #35 in respect of which property, such charge of the Lender shall be registered in second priority), to be prepared in such form as may be acceptable to the Lender;
- (c) such other Security as may be determined by the Lender from time to time, based on the state of the Borrower's business affairs and financial condition;
- (d) such other documents, agreements, legal opinions, instruments, undertakings and assurances as the Lender or the Lender's Counsel, acting reasonably, may deem necessary or advisable in connection with, relating to or arising from or to give effect to or better assure the foregoing Security Documents.

**6.2 Opinions.** The Borrower shall also cause to be delivered to the Lender the opinion of its solicitors with respect to the corporate status of the Borrower, the due authorization, execution and the delivery of the Security, the enforceability of the Security and such other matters as the Lender

and its counsel may reasonably request; such opinion to be in form and substance satisfactory to the Lender and its counsel, acting reasonably.

## ARTICLE VII - DEFAULT AND REMEDIES

**7.1 Events of Default.** Without affecting or limiting the right of the Lender to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, the Loan, and without in any way derogating from the rights of the Lender hereunder, each of the following events shall constitute an event of default (an “**Event of Default**”) under this Agreement:

- (a) if the Borrower fails to pay any amount of principal, interest or other amount when due and payable under this Agreement, any of the Security Documents, or any other agreement between a Lender and the Borrower;
- (b) if any of the representations or warranties given by any Obligor in this Agreement or the Security Documents is or shall become untrue in a material way;
- (c) if any of the Obligors defaults in the material observance or performance of any covenant or condition in this Agreement or in the Security Documents or any other agreement between the Obligor (as a borrower) and a lender to such Obligor;
- (d) the death or disability of the David Grand, only if key man insurance of at least \$1,000,000 has not been obtained prior to the Maturity Date;
- (e) a default by an Obligor under any Debt that has been guaranteed by the Lender;
- (f) a default by an Obligor under any of the Permitted Encumbrances;
- (g) if an order is made or a resolution is passed for the winding-up, dissolution or the liquidation of any of the corporate Obligor, or if any process is filed or other processes taken for the winding-up, dissolution, bankruptcy, compromise or consolidation of debt or liquidation of any of the corporate Obligors;
- (h) if any of the Obligors ceases to carry on its business, makes a bulk sale of its assets or goes into liquidation;
- (i) if any of the Obligors becomes insolvent, commits an act of bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) or institutes proceedings for its winding up, liquidation or dissolution, or take action to become a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, or files a petition or other proceeding seeking reorganization, readjustment, arrangement, composition or similar relief under any law or consents to the filing of any such petition or other proceeding, or consents to the appointment of a monitor, receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the whole or any material part of its property, or makes a compromise or general assignment for the benefit of creditors, or publicly announces or admits in writing its inability to pay its debts generally as



they become due, or suspends or threatens to suspend transaction of all or any substantial part of its usual business, or any action is taken by any of the Obligors in furtherance of any of the foregoing;

- (j) if proceedings are instituted in any court of competent jurisdiction by any Person other than any of the Obligors, parent or a shareholder or affiliates of any of the Obligors or for the winding up, liquidation or dissolution of any of the Obligors, or for any reorganization, readjustment, arrangement, composition or similar relief with respect to any of the Obligors under any bankruptcy law or any other applicable insolvency law, or for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of the whole or any material part of the property of any of the Obligors, and at any time thereafter such proceeding is not contested by any of the Obligors, or if any order sought in any such proceeding is granted and at any time thereafter such order is not either dismissed or effectively contested by the Obligors, parents, Affiliates or any Subsidiary and the effect thereof stayed;
- (k) if any execution, sequestration, extent or other process of any court becomes enforceable against any of the Obligors, except for the litigation in respect of Canaccord Genuity Corp., or if any distress or analogous process is levied upon all of its properties or assets charged by the Security Documents, or any material part thereof, as determined by the Lender, or if any encumbrancer takes possession of all of its properties or assets or any material part thereof, as determined by the Lender;
- (l) if any government, government agency, statutory claimant, creditor or any other party exercises any remedy against any properties or assets of any of the Obligors charged by the Security Documents;
- (m) if any of the Obligors fails to keep current all rents payable, make all periodic payments owing to prior ranking secured creditors (if any), except for interest or principal due to the holders of debentures issued by the Borrower when due, statutory priority claims (including, without limitation, goods and service tax, provincial retail sales tax, workers' compensation remittances and employee source deductions (i.e., income tax, pension plan contributions, and employment insurance premiums, etc.) or, upon request, fails to provide evidence thereof satisfactory to the Lender within two (2) Business Days of such request;
- (n) if any of the Obligors shall permit any sum which has been admitted as due by any of the Obligors is not disputed to be due by it and which forms or is capable of being made a charge upon any of its properties or assets subject to the Security Documents to remain unpaid for ten (10) Business Days after proceedings have been taken to enforce same;
- (o) if there shall occur any event which has a Material Adverse Effect;



- (p) if there is a Sale of Business of any Obligor without the prior written consent of the Lender or that does not meet the requirements of Section 5.2 above;
- (q) other than with respect to the Borrower's control of its subsidiaries, if any Person or group of Persons or any company controlled by them acting in concert shall at any time possess, directly or indirectly, the power to direct or cause the direction of the management and policies of any of the corporate Obligors, whether through the ownership of voting securities, by contract, or otherwise;
- (r) if any of the Obligors defaults in the observance or performance of any Material Agreement; and
- (s) if control of the Borrower (as the term "control" is defined in the OBCA) is at any time not held directly or indirectly by the Individual Guarantor except if the control rests with the Lender or any of its affiliates and in such case no Event of Default shall have occurred.

**7.2 Remedies.** Upon the occurrence of an Event of Default, and at any time thereafter, provided that the Borrower has not remedied the Events of Default, the Lender may, in its discretion:

- (a) appoint an individual or individuals to monitor the day-to-day operations of the Borrower and any Guarantors that are corporations (and any Subsidiaries), with full access to the premises of such Obligors (including, without limitation, any majority owned Subsidiaries) and with approval rights on all cash disbursements and all material contracts of such Obligors (including without limitation, any majority-owned Subsidiaries), and any fees and expenses incurred by the Lender in connection therewith shall be borne by the Borrower and payable on demand;
- (b) forthwith declare due and payable the outstanding balance of the Loan, any accrued interest thereon, and any fees payable hereunder without presentment of any notes evidencing the same, and without demand, protest or other notices of any kind, all of which are hereby expressly waived;
- (c) at any time and from time to time and directly pay such amount to any third party required to cure in whole or in part any Event of Default, including without limitation discharge of any Encumbrance which is not a Permitted Encumbrance, it being expressly agreed that (i) the Lender is under no obligation to make any such advance and (ii) any such payment will constitute an Advance; and
- (d) exercise any and all rights, powers, remedies and recourses available to the Lender under the Security Documents, at law, in equity or otherwise.

**7.3 Remedies Cumulative.** The rights and remedies of the Lender under this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by

law; and any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement herein contained shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies, to which the Lender may be lawfully entitled for the same default or breach and any waiver by the Lender of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained, and any indulgence granted by the Lender shall be of no effect unless given in writing and then shall only be effective for the specific instance given and shall not be deemed to be a waiver of any subsequent default. The Lender may exercise all rights and remedies constituted by, or provided for in this Agreement, the Security Documents or any document granted to the Lender pursuant to or incidental to this Agreement. The Lender may, to the extent permitted by Applicable Law, bring suit at law, in equity or otherwise, for any available relief or purpose including but not limited to:

- (a) the specific performance of or declaratory relief with respect to any covenant or agreement contained in this Agreement, the Security Documents or in any document given pursuant to or incidental to any of them;
- (b) an injunction against a violation of any of the terms thereof;
- (c) any action in aid of the exercise of any power granted hereby or by law; or
- (d) the recovery of judgment for any and all amounts due hereunder or under the Security Documents.

**7.4 Acceleration.** On the Acceleration Date, the Borrower's Obligations shall immediately become due and payable; interest thereon shall be due and payable from such date at the rate or rates determined as provided in this Agreement to the actual date of payment; and the Security shall immediately become enforceable.

**7.5 Performance of Covenants by Lender.** If the Borrower fails to perform any covenant or obligation to be performed by it pursuant to this Agreement, the Lender may in its discretion perform any of the said obligations but shall be under no obligation to do so; and any reasonable amounts expended or advanced by the Lender for such purpose shall be considered an Advance.

## **ARTICLE VIII - GENERAL**

**8.1 No Waiver.** The failure or delay by the Lender in exercising any right or privilege with respect to the non-compliance with any provisions of this Agreement by the Borrower, and any course of action on the part of the Lender, shall not operate as a waiver of any rights of the Lender unless made in writing by the Lender. Any waiver by the Lender shall be effective only in the specific instance and for the purpose for which it is given and shall not constitute a waiver of any other rights and remedies of the Lender with respect to any other or future non-compliance.

**8.2 Governing Law.** This Agreement shall be interpreted in accordance with the laws of the Province of Ontario. Without prejudice to the right of a party to commence any proceedings with

respect to this Agreement in any other proper jurisdiction, the parties hereby attorn and submit to the jurisdiction of the courts of the Province of Ontario.

**8.3 Lender's Expenses.** The Borrower agrees to pay on demand by the Lender all reasonable legal and out-of-pocket expenses incurred by the Lender in connection with this Agreement, completion of the First Tranche, the initial letter of intent, the Security and any amendments hereto and all documents contemplated hereby or thereby, including: the preparation, administration or interpretation of such documents, the protection and enforcement of the rights of the Lender provided for thereby, the enforcement of the Security, any costs incurred in any proceeding in which any party asserts that the Security is invalid, unenforceable or does not have the priority contemplated by the Lender, and the preparation of any waivers, partial discharges and similar matters which may be required; and in the event such amounts are not paid, they shall be treated as an Advance and added to the Indebtedness upon which interest is determined. The Borrower agrees that the terms of Section 2.6(b) shall not apply to the foregoing amounts.

**8.4 Indemnity.** In addition to any other liability of the Borrower hereunder, the Borrower agrees to indemnify and save harmless the Lender from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Lender which relate or arise out of or result from:

- (a) any failure by the Borrower to satisfy the Borrower's Obligations to the Lender when due or fulfill any of its other obligations to the Lender hereunder including, without limitation, any costs or expenses incurred by reason of the liquidation or re-employment in whole or in part of deposits or other funds required by the Lender to fund or maintain the Loan or as a result of the Borrower's failure to take any action on the date required hereunder or specified by it in any notice given hereunder; and
- (b) the Borrower's failure to give any notice required or to be given by it to the Lender hereunder.

**8.5 Environmental Indemnity.** In addition to any other liability of the Borrower hereunder, the Borrower agrees to indemnify and save harmless the Lender and its successors or assigns, any agent of the Lender or its successors or assigns (specifically including a receiver or receiver-manager) and the respective officers, directors and employees of the foregoing (collectively, the "**Indemnitees**") from and against:

- (a) any losses suffered by them for, in connection with, or as a direct or indirect result of, the failure of the Borrower to comply with all Requirements of Environmental Law;
- (b) any losses suffered by the Indemnitees for, in connection with, or as a direct or indirect result of, the presence of any Hazardous Material situated in, on or under any property owned by the Borrower or upon which it carries on business,



specifically including without limiting the generality of the foregoing, any diminution in value of the business, property and assets of such Person; and

- (c) any and all liabilities, losses, damages, penalties, expenses (including legal fees) and claims which may be paid, incurred or asserted against the Indemnitees for, in connection with, or as a direct or indirect result of, any legal or administrative proceedings with respect to the presence of any Hazardous Material on or under any property owned by Borrower or upon which it carries on business, or the discharge, emission, spill, radiation or disposal by any of them of any Hazardous Material into or upon any land, the atmosphere, or any watercourse or body of water; including, without limitation the costs of defending and/or counterclaiming or claiming over against third parties in respect of any action or matter and any cost, liability or damage arising out of a settlement entered into by the Indemnitees of any such action or matter.

**8.6 Interest on Unpaid Costs and Expenses.** Unless the payment of interest is otherwise provided for herein, if the Borrower fails to pay any amount required to be paid by it hereunder when due (including interest on amounts in default), the Borrower shall pay interest on such unpaid amount from the time such amount is due until paid at the rate equal to the rate of interest applicable to an Advance.

**8.7 Notice.** Without prejudice to any other method of giving notice, any notice required or permitted to be given hereunder to any party shall be conclusively deemed to have been received by such party on the date following the sending thereof by prepaid private courier to such party at its address noted below:

- (a) to the Borrower or the Guarantors:

P.O. Box 182  
Bracebridge, Ontario, P1L-1T6

Attention: David Grand  
Facsimile No.:  
E-mail: davidgrand@muskokagrown.com

with a copy to:

CC Corporate Counsel Professional Corporation  
100 Bass Pro Mills Drive, Suite 49  
Vaughan, Ontario, L4K 5X1

Attention: Michael Bluestein  
Facsimile No.: 647-499-4292  
E-mail: mbluestein@corpcounsel.ca

(b) to the Lender:

1440 Don Mills Road, Suite 105  
North York, ON M3B 3M1

Attention: Arthur Zwingenberger

with a copy to:

Conroy Shifman Professional Corporation  
56 Finch Avenue West  
North York, Ontario, M2N 2H2

Attention: Behn Conroy  
Facsimile No.: 416-225-1124  
E-mail: behn@conroylaw.ca

Any party may change its address for service by notice given in the foregoing manner.

**8.8 Provision of Information to Assignees and Participants.** The Lender may provide all information it may have from time to time concerning the Borrower and the Investee Companies (whether or not such information is confidential) to any prospective assignee or participant pursuant to section 9.13, with the prior written consent of the Borrower not to be unreasonably withheld.

**8.9 Severability.** Any provision of this Agreement which is illegal, prohibited or unenforceable in any jurisdiction, in whole or in part, shall not invalidate the remaining provisions hereof; and any such illegality, prohibition or unenforceability in any such jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**8.10 No Merger.** The taking of any judgment or judgments on any of the covenants herein contained or contained in any Security Documents or the collection or realization of any security shall not operate as a merger or affect the Lender's rights thereunder including without limitation, the right to receive interest at the rate and in the same manner as herein provided.

**8.11 Further Assurances.** The Borrower shall at its own expense promptly execute and deliver to the Lender upon request from time to time all such other and further documents, agreements, opinions, certificates and instruments in compliance with this Agreement, or if necessary or desirable to more fully record or evidence the obligations intended to be entered into herein, or to make any recording, file any notice or obtain any consent.

**8.12 Interest Act.** For the purposes of the *Interest Act* (Canada) and disclosure thereunder, whenever any interest or any fee to be paid hereunder or in connection herewith is to be calculated on the basis of any period of time that is less than a calendar year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by

the actual number of days in the calendar year in which the same is to be ascertained and divided by 365. The rates of interest under this Agreement are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement. The Borrower confirms that it fully understands and is able to calculate the rate of interest applicable to the Indebtedness, including the Commitment Fee, based on the methodology for calculating per annum rates provided for in this Agreement. The Lender agree that if requested in writing by the Borrower it will calculate the nominal and effective per annum rate of interest on any Indebtedness outstanding at the time of such request and provide such information to the Borrower promptly following such request; provided that any error in any such calculation, or any failure to provide such information on request, shall not relieve the Borrower of any of its obligations under this Agreement or any other document, nor result in any liability to the Lender. The Borrower hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to this Agreement or any of the Security Documents, that the interest payable under this Agreement and the calculation thereof has not been adequately disclosed to the Borrower, whether pursuant to section 4 of the *Interest Act* (Canada) or any other applicable law or legal principle.

**8.13 Time of the Essence.** Time shall be of the essence of this Agreement.

**8.14 Entire Agreement; Paramountcy of Loan Agreement.** This Agreement, the Security and any other documents or instruments contemplated hereby shall constitute the entire agreement and understanding between the parties, and shall supersede all prior agreements and undertakings, whether oral or written, relative to the subject matter hereof. To the extent that there is any inconsistency between a provision of this Agreement and a provision of the Security, the said provision in this Agreement shall be paramount. No provision of this Agreement, or any other document or instrument in existence among the parties may be modified, waived or terminated except by an instrument in writing executed by the party against whom such modification, waiver or termination is sought to be enforced.

**8.15 Assignment and Participation.** Except as provided below, neither the benefits nor the obligations of this Agreement may be assigned by either party without the prior written consent of the other party. Notwithstanding the foregoing, the Lender may assign all or any portion of its rights under this Agreement at any time and from time to time, to any Affiliate without the consent of the Borrower. The parties agree to execute and deliver between themselves and in favour of any such assignees or new parties such documents and assurances as may be reasonably required to effect the foregoing.

**8.16 Binding Effect.** This Agreement shall be binding upon and shall enure to the benefit of the parties and their respective successors and permitted assigns; "successors" includes any corporation resulting from the amalgamation of any party with any other corporation.

**8.17 Criminal Code Compliance.** In this paragraph, the terms "interest", "criminal rate" and "credit advanced" have the meanings ascribed to them in Section 347 of the *Criminal Code* (Canada) as amended from time to time. The Borrower and the Lender agree that, notwithstanding any agreement to the contrary, no interest associated with the Loan advanced by the Lender under this Agreement will be payable in excess of that permitted under the laws of Canada. If the

effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

- (a) the elements of return which fall within the term "interest" shall be reduced to the extent necessary to eliminate such excess; and
- (b) any overpayment that may remain after such crediting will be returned forthwith to the Borrower upon demand;

and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lender shall perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same will be conclusive and binding on the parties. This Agreement and its ancillary documents shall automatically be modified to reflect such modifications without the necessity of any further act or deed of the Lender and the Borrower to give effect to them.

**8.18 Execution.** This Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto. This Agreement may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail), and delivery of an executed counterpart of a signature page to this Agreement or any other document contemplated thereby, by facsimile, portable document format (.pdf) or other electronic delivery (including e-mail) shall be as effective and binding as delivery of a manually executed counterpart thereof.

*[remainder of page left blank, signature page follows]*



**SCHEDULE "A"****LANDS & BUILDINGS / REAL PROPERTY**

**PIN:** 48053-0802 (LT)

PART LOTS 1 & 2 CONCESSION 13 DRAPER, BEING PART 1 ON 35R-25226; TOWN OF BRACEBRIDGE; THE DISTRICT MUNICIPALITY OF MUSKOKA

**PIN:** 48053-0803 (LT)

PART LOT 1 CONCESSION 12 DRAPER PARTS 1, 2 & 3 35R25379; SUBJECT TO AN EASEMENT OVER PART 3 35R25379 IN FAVOUR OF PART LOT 1 CONCESSION 12 AS IN DM226261 EXCEPT PART 2 35R17003, PARTS 1 TO 5, 8 TO 11 35R21146, PARTS 1 TO 10 35R24393, PARTS 1, 2 & 3 35R25379 AS IN MT185935; TOGETHER WITH AN EASEMENT OVER PART 3, 35R-25226 AS IN MT192298; TOWN OF BRACEBRIDGE

**PIN:** 48053-0801 (LT)

PART LOTS 1 & 2 CONCESSION 13 DRAPER BEING PARTS 2 & 3 ON 35R-25226, TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA; SUBJECT TO AN EASEMENT OVER PART 3 ON 35R-25226 IN FAVOUR OF PART LOT 2 CONCESSION 12 DRAPER AS IN DM38412, AS IN MT179269; TOGETHER WITH AN EASEMENT OVER PART 4 ON 35R-25226 AS IN MT179270; SUBJECT TO AN EASEMENT OVER PART 3, 35R-25226 IN FAVOUR OF PART LOT 1 CON 12 DRAPER DESIGNATED AS PARTS 1, 2, 3, 35R-25379 AS IN MT192298

## SCHEDULE "B"

### FORM OF LOAN COMPLIANCE CERTIFICATE

**TO: Arthur Zwingenberger**

1. Reference is made to the loan agreement made as of April 17, 2019, by and between, Muskoka Grown Limited (the "**Borrower**"), as borrower, the guarantors party thereto, and Arthur Zwingenberger (the "**Lender**"), as lender, relating to the provision of a loan in favour of the Borrower (as amended, modified, supplemented or restated, the "**Loan Agreement**"). Capitalized terms used herein, and not otherwise defined herein, shall have the meanings attributed to such terms in the Loan Agreement.
2. This Compliance Certificate is delivered to the Lender pursuant to Section 5.3(a) of the Loan Agreement.
3. The undersigned, President of the Borrower, hereby certifies that, as of the date of this Compliance Certificate, I have made or caused to be made such investigations as are necessary or appropriate for the purposes of this Compliance Certificate and:
  - (a) Since March 20, 2019, the Borrower has not incurred any Debt other than Permitted Debt;
  - (b) Since March 20, 2019, the Borrower has not given security over, nor otherwise permitted any of its property or assets to become subject to any Encumbrances;
  - (c) the representations and warranties in Section 4.1 of the Loan Agreement are true and accurate in all material respects on and as of the date hereof, except as has heretofore been notified to the Lender by the Borrower in writing and except to the extent that such representations and warranties refer specifically to an earlier date, in which case such representations and warranties shall be true and accurate in all material respects as of such earlier date; provided that any such representation and warranty in Section 4.1 of the Loan Agreement that is already qualified as to "materiality," "Material Adverse Effect" or similar language shall not be further qualified by the reference to "material respects" in this Compliance Certificate;
  - (d) the Obligors are in compliance with the covenants set forth in Article 5 of the Loan Agreement, except as has heretofore been notified to the Lender by the Borrower in writing;
  - (e) no event has occurred or is continuing which would constitute a Default or Event of Default, except as has heretofore been notified to the Lender by the Borrower in writing;

## **SCHEDULE "C"**

### **MATERIAL CONTRACTS & PERMITS**

1. AgMedica Purchase Order No 856 delivered herewith
2. Producer license 10-MM0214/2018 issued by Health Canada to the Company on July 11, 2018 pursuant to section 35 of the Access to Cannabis for Medical Purposes Regulations which permits business to business sales.

## **SCHEDULE "D"**

### **SPECIFIED PERMITTED ENCUMBRANCES**

1. Charge held by 1035065 Ontario Inc. registered against PIN 48053-0803 in Land Registry Office #35;
2. PPSA File No. 730087569 registered against the Individual Guarantor by TD Auto Finance (Canada) Ltd.
3. PPSA File No. 715077702 registered against the Individual Guarantor by TD Auto Finance (Canada) Ltd.
4. PPSA File No. 719090757 registered against the Individual Guarantor by Nissan Canada Financial Services Inc.

**SCHEDULE "E"**

**AUTHORIZED AND ISSUED CAPITAL OF THE BORROWER**


I give this Compliance Certificate on behalf of the Borrower, and in my capacity as the President of the Borrower.

Dated this 2 day of August, 2019.

**MUSKOKA GROWN LIMITED**

Per:

Title:

  
President KEO



AS EVIDENCE OF THEIR AGREEMENT the parties hereto have caused this Agreement to be executed and delivered as of the date first noted above.

**ARTHUR ZWINGENBERGER**

**MUSKOKA GROWN LIMITED**

Per: 

David Grand  
President

*I/We have authority to bind the corporation.*

ACKNOWLEDGED AND AGREED TO BY THE GUARANTORS, in their capacity as guarantors, and to the extent that the provisions of this Agreement apply to any of the Guarantors as a party to this Agreement:

**GRAND GABLE HOLDINGS INC.**

**2634436 ONTARIO INC.**

Per: 

David Grand  
President

*I/We have authority to bind the corporation.*

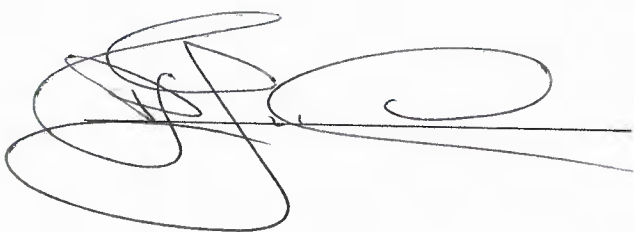
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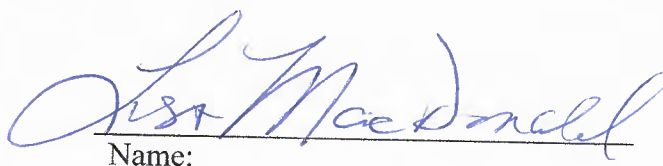
David Grand  
President

*I/We have authority to bind the corporation.*

**DAVID JAMES GRAND**

**WITNESS:**



  
Name:

*This is Exhibit* \_\_\_\_\_ *"I"* \_\_\_\_\_ *referred to in the*  
*affidavit of* \_\_\_\_\_ David Ascott \_\_\_\_\_  
*sworn before me, this* \_\_\_\_\_ 5th \_\_\_\_\_  
*day of* \_\_\_\_\_ May, 2020 \_\_\_\_\_

\_\_\_\_\_  
**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

## LOAN AMENDING AGREEMENT

**THIS LOAN AMENDING AGREEMENT** is made effective as of the 2nd day of August, 2019,

**BETWEEN:**

**MUSKOKA GROWN LIMITED**, a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called the “**Borrower**”)

OF THE FIRST PART;

- and -

**ARTHUR ZWINGENBERGER** an individual with an office located at 1440 Don Mills Road, Suite 105, Toronto, Ontario, M3B 3M1

(hereinafter called the “**Lender**”)

OF THE SECOND PART;

- and -

**GRAND GABLE HOLDINGS INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called “**GGH**”)

**2634436 ONTARIO INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having an office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called “**2634436 Ontario**”)

- and -

**DAVID JAMES GRAND**, an individual born on April 17, 1959 and residing at 14 M72 Grandview Island in the Town of Bracebridge

(the “**Individual Guarantor**”, and jointly and severally with GGH and 2634463 hereinafter called the “**Guarantors**”)

OF THE THIRD PART;

## WHEREAS:

- A. Effective as of March 20, 2019, the Lender advanced a loan of \$6,731,000 to the Borrower pursuant to a loan agreement dated as of March 20, 2019;
- B. Effective as of April 17, 2019, the Lender advanced an additional loan of \$3,269,000 to the Borrower pursuant to the amended and restated loan agreement dated as of April 17, 2019 (the “**Restated Loan Agreement**”);
- C. The Lender and Borrower wish to make certain amendments to the Restated Loan Agreement, such changes to be effective as of the Amendment Date.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that pursuant to the premises and in consideration of the mutual covenants hereinafter contained and the agreement of the Lender to advance funds to the Borrower, the parties hereto covenant and agree as follows:

## ARTICLE I - INTERPRETATION

### 1.1 Definitions.

In this Agreement, the following words and phrases shall have the meanings set forth below:

- (a) All capitalized terms used herein shall, unless otherwise defined herein, have the meanings ascribed thereto in the Restated Loan Agreement;
- (b) “**Agreement**”, “**this Agreement**”, “**Amending Agreement**”, “**this Amending Agreement**”, “**hereto**”, “**herein**”, “**hereof**”, “**hereby**”, “**hereunder**” and similar expressions used herein shall refer to the whole of this Loan Amending Agreement and any schedule hereto, as amended from time to time;
- (c) “**Amendment Date**” means September 10, 2019;
- (d) “**Amended Conversion Price**” refers to:
  - i. Where the Conversion Date is on or prior to the first anniversary of the Amendment Date, the price per Share used for the purposes of Section 2.6 of the Restated Loan Agreement and Section 2.8 herein and that is determined by dividing \$65,535,000 by the total number of Shares as may be outstanding on the Conversion Date, assuming the conversion of all securities issued by the Borrower that are convertible into Shares, provided that such number shall not be less than 30,301,366; or
  - ii. Where the Conversion Date is after the first anniversary of the Amendment Date, the price per Share used for the purposes of Section 2.6 of the Restated

Loan Agreement and Section 2.8 herein and that is determined by dividing \$68,000,000 by the total number of Shares as may be outstanding on the Conversion Date, assuming the conversion of all securities issued by the Borrower that are convertible into Shares, provided that such number shall not be less than 30,301,366.

Notwithstanding the foregoing, in the event that the Borrower consolidates its Shares prior to any conversion of the Indebtedness into Shares, then the minimum number of shares of 30,301,366 set out above shall be reduced by the applicable consolidation ratio.

- (e) **"Consolidated Loan"** has the meaning ascribed thereto in Section 2.4;
- (f) **"Conversion Date"** means the day on which Notice of Conversion is given;
- (g) **"Notice of Conversion"** means the notice given pursuant to Section 2.8(a) hereof;
- (h) **"RBC"** has the meaning ascribed thereto in Section 2.10(a);
- (i) **"RBC Loan"** has the meaning ascribed thereto in Section 2.10(a);
- (j) **"Restated Loan Agreement"** means the amended and restated loan agreement dated as of April 17, 2019 among the Borrower, the Lender, GGH, 2634436 Ontario and the Individual Guarantor;
- (k) **"Shares"** means common shares in the capital of the Borrower;

## ARTICLE II LOAN

**2.1 Status of Loan.** The Parties agree that as of the Amendment Date, accrued interest on the Loan shall be as follows:

- (a) First Tranche - \$394,516.54; and
- (b) Second Tranche - \$133,482.47.

**2.2 Partial Conversion of Loan.** Effective as of the Amendment Date, the Parties agree that \$5,000,000 principal of the Loan together with all accrued interest of \$527,999.01 shall be converted into Shares at a price of \$2.17 per common share. The Borrower agrees to cause such Shares to be validly issued to the Lender. Following such conversion, the Borrower shall deliver to the Lender a certificate representing 2,547,465 Shares registered in the name of the Lender.

**2.3 Maturity Date.** Section 2.4(a)(i) of the Restated Loan Agreement is amended by replacing the date of August 15, 2019 with September 10, 2021.

**2.4 Consolidation of First Tranche and Second Tranche.** The Parties agree that immediately following partial conversion of the Loan set out in Section 2.2 herein, that the remaining First Tranche and Second Tranche shall be consolidated into a single principal balance owing of \$5,000,000.00 (the “**Consolidated Loan**”).

**2.5 Interest Rate.** Subject to Section 7.2 of the Restated Loan Agreement, from and after the date on which conversion of the Loan as described in Section 2.2 herein is completed, the Consolidated Loan shall bear interest at the rate published by the Royal Bank of Canada as “Royal Bank Prime”, plus 2.49% per annum calculated and compounded monthly on the outstanding balance of the Consolidated Loan. The Parties agree that as of the date hereof, Royal Bank Prime is set at 3.95%.

**2.6 Payment of Interest.** Section 2.4(d) of the Restated Loan Agreement is amended by replacing such section with the following:

Without limiting this Section 2.4, the Borrower shall pay interest to the Lender on the first business day of each calendar month in respect of interest accrued during the immediately preceding calendar month or part thereof. All interest shall be paid in cash as the Lender may direct.

**2.7 Prepayment.** In the event that the Borrower seeks to prepay any part of the Indebtedness prior to the Maturity Date pursuant to Section 2.5 of the Restated Loan Agreement, the Borrower shall do so on ten (10) Business Days’ notice as otherwise described in Section 2.5 of the Restated Loan Agreement.

**2.8 Conversion.** Section 2.6(a) of the Restated Loan Agreement is amended by replacing such section with the following:

- (a) **Conversion at Lender’s Option.** At any time prior to or on the Maturity Date, the Lender may, by written notice given to the Borrower, exchange any amount of the principal of the Consolidated Loan for Shares. Such amounts to be exchanged for Shares shall be exchanged at the Amended Conversion Price. For greater certainty the Lender shall be permitted to elect to exchange any amount of the Consolidated Loan that the Borrower has given notice that it intends to prepay prior to the effective date of such prepayment.

**2.9 No Mandatory Conversion and No Further Extensions of Loan.** Sections 2.6(b) and 2.6(c) of the Restated Loan Agreement are deleted in their entirety.

**2.10 Loan from Royal Bank of Canada to the Borrower.**

- (a) It is hereby agreed that Debts incurred by the Borrower to Royal Bank of Canada (“**RBC**”) pursuant to RBC’s commitment letter dated June 20, 2019 in an amount not to exceed \$2,000,000 shall be considered as Permitted Debt (the “**RBC Loan**”);



- (b) The Parties acknowledge that at the request of the Borrower, the Lender intends to guarantee the RBC Loan on behalf of the Borrower and to provide RBC with cash collateral as security in respect thereof. Upon such guarantee being given and for so long as such guarantee continues to be effective, the RBC Loan shall be considered to be a Borrower Obligation pursuant to Restated Loan Agreement.
- (c) The Borrower agrees that in the event that the Lender gives notice to RBC, with a copy thereof to the Borrower, that the Lender is terminating its guarantee of the RBC Loan, that the Borrower shall immediately cease to draw any further funds down pursuant to the RBC Loan.

### ARTICLE III – GENERAL

**3.1 Execution.** This Amending Agreement and any amendments, waivers, consents, or supplements may be executed in any number of counterparts and in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute one and the same instrument. This Amending Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto. This Amending Agreement may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail), and delivery of an executed counterpart of a signature page to this Amending Agreement or any other document contemplated thereby, by facsimile, portable document format (.pdf) or other electronic delivery (including e-mail) shall be as effective and binding as delivery of a manually executed counterpart thereof.

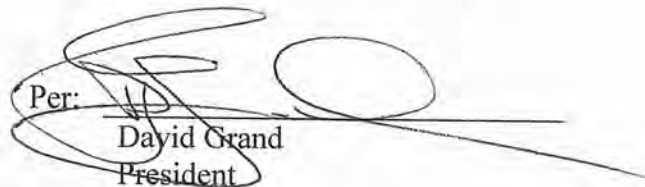
*[remainder of page left blank, signature page follows]*

AS EVIDENCE OF THEIR AGREEMENT the parties hereto have caused this Agreement to be executed and delivered as of the date first noted above.

**ARTHUR ZWINGENBERGER**

**MUSKOKA GROWN LIMITED**

\_\_\_\_\_

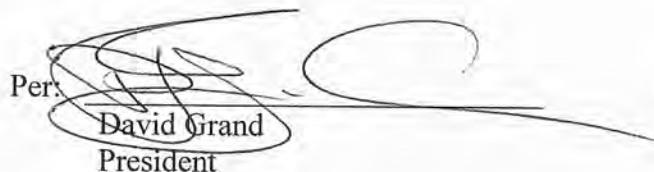
Per:   
David Grand  
President

*I/We have authority to bind the corporation.*

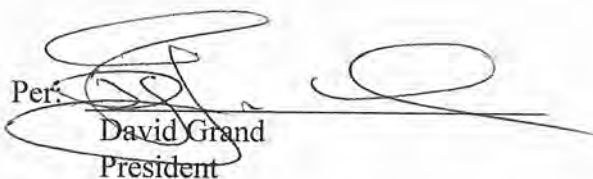
ACKNOWLEDGED AND AGREED TO BY THE GUARANTORS, in their capacity as guarantors, and to the extent that the provisions of this Agreement apply to any of the Guarantors as a party to this Agreement:

**GRAND GABLE HOLDINGS INC.**

**2634436 ONTARIO INC.**

Per:   
David Grand  
President

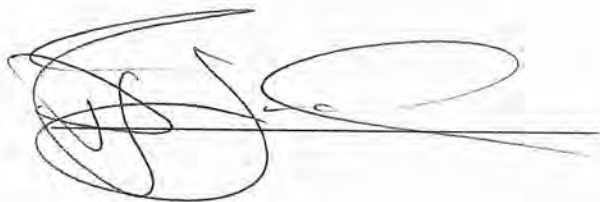
*I/We have authority to bind the corporation.*


Per:   
David Grand  
President

*I/We have authority to bind the corporation.*

**DAVID JAMES GRAND**

**WITNESS:**



  
Name:

*This is Exhibit* “J” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

## SHARE PLEDGE AGREEMENT

**THIS AGREEMENT** made as of the 12<sup>th</sup> day of March, 2019.

BETWEEN:

● David Grand, a resident of the Province of Ontario  
(hereinafter called the “**Pledgor**”)

- and -

● Arthur Zwingenberger  
(hereinafter called the “**Pledgee**”)

**WHEREAS** the Pledgor is as of the date hereof the registered and beneficial owner of the Current Shares (as hereinafter defined) in the capital of Muskoka Grown Limited (the “**Borrower**”);

**AND WHEREAS** the Pledgor has agreed to pledge the Current Shares and other Pledged Collateral (as hereinafter defined) to the Pledgee as general and continuing collateral security for the Obligations (as hereinafter defined);

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the respective covenants hereinafter contained and for other good and valuable consideration and the sum of \$1.00 of lawful money of Canada (the receipt and sufficiency of which are hereby acknowledged by the Pledgor), it is hereby agreed by and between the parties hereto as follows:

### ARTICLE 1 INTERPRETATION

**1.01 Defined Terms.** In this agreement or any amendment to this agreement, unless the context requires otherwise;

“**Act**” means the *Personal Property Security Act* (Ontario) and all Regulations enacted thereunder, as amended from time to time;

“**affiliate**” shall have the meaning ascribed thereto by the *Ontario Business Corporations Act* as of the date hereof;

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**"Business Day"** means a day that Canadian chartered banks are open for business in the City of Toronto;

**"Current Shares"** means the issued and outstanding shares in the capital of the Borrower owned beneficially and of record as of the date hereof by the Pledgor as set out in Schedule A hereto;

**"Event of Default"** shall have the meaning ascribed to the term default in the Credit Agreement;

**"Credit Agreement"** means the credit agreement of even date made between the Borrower and the Lender, as the same may be amended, modified, supplemented or replaced from time to time.

**"Obligations"** means all debts, obligations and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, now or at any time hereafter owing by the Pledgor to the Pledgee;

**"person"** includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, trustee, government, governmental agency or board or commission or authority and any other form of entity or organization whatsoever, whether incorporated or not;

**"Pledged Collateral"** means collectively:

- (i) the Current Shares and all Shares hereafter owned or acquired by the Pledgor,
- (ii) all substitutions therefor, additions thereto and proceeds thereof,
- (iii) all present and future options, warrants, agreements or other rights by which the Pledgor or its nominee shall be entitled to purchase from any person or subscribe for the issue of any Shares,
- (iv) in accordance with section 4.02 hereof, all interest, dividends, income, revenue or other distributions made or paid in respect of the Pledged Shares after an Event of Default has occurred but before such Event of Default has been cured or waived by the Pledgee, and
- (v) all rights and claims of the Pledgor in respect of the foregoing or evidenced thereby;

**"Pledged Shares"** means all Shares forming part of the Pledged Collateral including, without limitation, the Current Shares;

**"proceeds"** shall have the meaning ascribed thereto by the Act; and

**"Shares"** means shares of any class in the capital of the Borrower.

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"Affirmation that" means a statement by the President or any other person in the  
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City of London.

**1.02 Applicable Law.** This agreement and all documents pursuant hereto shall be deemed to be governed by and construed in accordance with the laws of the Province of Ontario.

**1.03 Prohibited Provisions.** In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

**1.04 Number and Gender.** Where the context so requires, the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall be applicable to all genders (including the neuter).

**1.05 Time of the Essence.** Time shall in all respects be of the essence of this agreement.

## ARTICLE 2 PLEDGE OF SHARES

**2.01 Pledge of Collateral.** As general and continuing collateral security for the due payment and performance of the Obligations, the Pledgor hereby assigns, hypothecates and pledges to and in favour of the Pledgee, and grants the Pledgee a security interest in, all of the Pledged Collateral. This agreement will terminate when a definitive agreement is in place or when the funds that have been forwarded for the definitive agreement have been returned. This agreement will terminate on June 13, 2019

**2.02 Acknowledgement of Receipt.** The Pledgee acknowledges receipt from the Pledgor of the Current Shares, duly endorsed in blank for transfer or accompanied by a duly signed power of attorney for transfer in blank.

**2.03 Future Certificates.** The Pledgor hereby agrees and undertakes to deliver to and deposit with, or cause to be delivered to and deposited with, the Pledgee all certificates (duly endorsed in blank for transfer or accompanied by a duly signed power of attorney for transfer in blank) representing any of the Pledged Shares that the Pledgor may from time to time hereafter acquire or be or become entitled to. The Pledgor hereby irrevocably authorizes and directs the Borrower to deliver to the Pledgee any such certificates representing Pledged Shares.

**2.04 Reclassification, Etc.** In the event that any of the Pledged Shares are changed, classified or reclassified, subdivided or converted into a different number or class of Shares or otherwise, or if any additional Shares are subscribed for or issued to the Pledgor for any other reason, the Shares or other securities resulting from any such change, classification, reclassification, subdivision, conversion, subscription or issuance and the certificates representing the same shall be delivered by the Pledgor to and held by the Pledgee in place of or in addition to, as the case may be, the Pledged Shares. In the event of any consolidation,

101. The first of these is the fact that the present system of taxation is not only a burden on the people, but it is also a burden on the Government. The present system of taxation is not only a burden on the people, but it is also a burden on the Government.

102. The second of these is the fact that the present system of taxation is not only a burden on the people, but it is also a burden on the Government. The present system of taxation is not only a burden on the people, but it is also a burden on the Government.

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104. The fourth of these is the fact that the present system of taxation is not only a burden on the people, but it is also a burden on the Government. The present system of taxation is not only a burden on the people, but it is also a burden on the Government.

## ARTICLE THE FIRST

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106. The second of these is the fact that the present system of taxation is not only a burden on the people, but it is also a burden on the Government. The present system of taxation is not only a burden on the people, but it is also a burden on the Government.

107. The third of these is the fact that the present system of taxation is not only a burden on the people, but it is also a burden on the Government. The present system of taxation is not only a burden on the people, but it is also a burden on the Government.

108. The fourth of these is the fact that the present system of taxation is not only a burden on the people, but it is also a burden on the Government. The present system of taxation is not only a burden on the people, but it is also a burden on the Government.



reorganization, merger or amalgamation of the Borrower with or into another person, or the sale of a substantial portion of the property and assets of the Borrower other than in the ordinary course of its business to another person or persons in exchange for securities in or of such other person or persons or any affiliate thereof, any and all securities issued or issuable to or received or receivable by the Pledgor upon such consolidation, reorganization, merger, amalgamation or sale shall form part of the Pledged Collateral and the provisions hereof relating to the Pledged Shares shall, *mutatis mutandi*, apply to such securities. The provisions of this section shall similarly apply to successive such changes, classifications, reclassifications, subdivisions, conversions, subscriptions, consolidations, reorganizations, mergers, amalgamations and sales.

**2.05 Attachment of Security Interest.** For the purposes of the Act, the parties hereby acknowledge:

- (a) their mutual intention that the security interest created by this agreement is to attach upon the execution of this agreement by the Pledgor;
- (b) that value has been given by the Pledgee to the Pledgor; and
- (c) that the Pledgor has rights in the Pledged Collateral (other than future property) as of the date hereof.

### ARTICLE 3 DEALINGS WITH SHARES

**3.01 Prior to Default.** Until the security hereby constituted shall have become enforceable pursuant to Article 4 hereof, the Pledgor shall be entitled to:

- (a) keep all of the Pledged Shares registered in its name on the books of the Borrower;
- (b) exercise all voting and other rights in respect of the Pledged Shares; and
- (c) receive all dividends, whether in cash or stock, interest, income, revenue or other distributions made to the holders of Shares paid or made in respect of the Pledged Shares for the Pledgor's own use and benefit.

**3.02 No Sales.** During the term of this agreement, the Pledgor shall not transfer, sell, bargain or assign, nor enter into any agreement for the transfer, sale, bargain or assignment of, any of the Pledged Shares, nor shall the Pledgor grant, or enter into any agreement which has the effect of granting, to any person any option, right or privilege capable of becoming an agreement for the transfer, sale, bargain or assignment of any of the Pledged Shares to such person.

**3.03 No Encumbrances.** During the term of this agreement, the Pledgor shall not enter into or grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of the Pledged Collateral (other than any such encumbrance in favour of the Pledgee) ranking or purporting to rank in priority to or *pari passu* with the security interest granted by this agreement.

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## ARTICLE 4 DEFAULT AND ENFORCEMENT

**4.01 Events of Default.** The security hereby constituted shall become immediately enforceable upon the occurrence of an Event of Default.

**4.02 Dividends, Etc.** After the occurrence of an Event of Default and for so long as such Event of Default has not been cured or waived by the Pledgee, all dividends paid on the Pledged Shares, regardless of when such dividends were declared, and all interest, income, revenue and other distributions made to the holders of Shares paid in respect of the Pledged Shares shall form part of the Pledged Collateral and, if received by the Pledgor, shall be received in trust for and paid forthwith to the Pledgee.

**4.03 Application of Proceeds.** In the event of any realization upon or sale or disposition of the Pledged Collateral or any portion thereof as hereinbefore provided, the Pledgee shall apply the proceeds of any such realization, sale or disposition, together with any other monies at the time held by it under the provisions of this agreement, after deducting all costs and expenses of collection, sale and delivery (including, without limitation, reasonable legal fees and expenses) incurred by the Pledgee in connection therewith, to the payment of all amounts owing to the Pledgee in respect of the Obligations, in such order as the Pledgee in its sole discretion may determine, and the balance of such proceeds, if any, shall be paid in accordance with the Act and any other applicable law, all of the foregoing to be without prejudice to the Pledgee's claim upon the Pledgor for any deficiency remaining after the application of such proceeds to the Obligations.

**4.04 Rights Cumulative.** All rights and remedies of the Pledgee set out in this agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document between the parties hereto or now or hereafter existing at law or in equity or by statute.

**4.05 No Waiver.** No delay or omission on the part of the Pledgee in exercising any right or remedy hereunder shall operate as a waiver of such right or remedy or of any other right or remedy hereunder, and any Event of Default or other default or breach by the Pledgor may only be waived by the Pledgee in writing, provided that no such written waiver by the Pledgee shall extend to or be taken in any manner to affect any other or any subsequent breach or default or the rights resulting therefrom.

**4.06 No Liability.** The Pledgee shall not be liable or accountable to the Pledgor or to any other person for any failure to exercise any of the rights, powers and remedies set out in section 4.01 above, or any loss which may be occasioned by such failure, nor shall the Pledgee be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of any party in respect of the same. The Pledgee may compound, compromise, grant extensions of time or other indulgences, take and give up securities, accept





compositions, grant releases and discharges and otherwise deal with the Pledgor, the Borrower and others and with the Pledged Collateral as it sees fit without prejudice to any of its rights or remedies hereunder. The Pledgee shall not be required to see to the collection of dividends on or the exercise of any option or right in connection with any of the Pledged Shares and shall not be required to protect or preserve the Pledged Shares from depreciating in value.

## ARTICLE 5 GENERAL

**5.01 Continuing Security.** The security interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time outstanding have been satisfied and performed in full and this agreement has been terminated. At any time after all of the Obligations have been so satisfied and performed, the Pledgor may, on five days written notice to the Pledgee, terminate this agreement, in which event the Pledgee shall forthwith release the Pledged Collateral from the assignment, hypothecation, pledge and security interest herein contained and return to the Pledgor all documents evidencing ownership or title to the Pledged Collateral.

**5.02 Additional Security.** The security hereby constituted is in addition to and not in substitution for any other security now or hereafter held by the Pledgee.

**5.03 No Merger.** The Pledged Collateral and the security hereby constituted shall not operate by way of merger of any of the Obligations or of any present or future indebtedness, liabilities or obligations of any other person to the Pledgee. The taking of a judgment or judgments with respect to any of the Obligations shall not operate by way of merger of or otherwise affect the security created hereby or any of the covenants, rights or remedies contained in this agreement.

**5.04 Entire Agreement.** This agreement constitutes the entire agreement between the parties hereto and supersedes any and all prior agreements, undertakings and understandings, whether written or verbal, in respect of the subject matter hereof.

**5.05 Notice.** Any demand, notice or other communication in connection with this agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee, mailed by registered mail or sent by telex, telefacsimile or other direct written electronic means, charges prepaid, at or to the address, telex number or telefacsimile number of the party set out opposite its name below or to such other address or addresses, telex or telefacsimile number of numbers as either party may from time to time designate to the other party in such manner.

In the case of the Pledgor: David Grand

Email: davidgrand@muskokagrown.com





In the case of the Pledgee: Arthur Zwingenberger

Email: [azwing@2226@gmail.com](mailto:azwing@2226@gmail.com)

Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication mailed as aforesaid shall be deemed to have been validly and effectively given on the fifth Business Day following the date of mailing provided that, in the event of an interruption in postal service before such fifth Business Day, such communication shall be given by one of the other means. Any communication which is transmitted by telex, telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

**5.06 Successors and Assigns.** This agreement shall enure to the benefit of the Pledgee and its successors and assigns and shall be binding upon the Pledgor and its successors and assigns.

[Signature Page Follows]

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

**The Pledgor, in executing this share pledge agreement, hereby acknowledges receipt of an executed copy thereof.**

**PLEDGEE: ●**

Per:

  
David Grand

Founder & CEO

Muskoka Grown Limited

c/s

**PLEDGOR: ●**

Per:

\_\_\_\_\_  
Arthur Zwingenberger

Title

c/s





# Schedule A

## Pledged Shares

<b>Borrower/Pledged Shares Issuer</b>	<b>No. and Class of Pledged Shares</b>	<b>Ownership Percentage</b>	<b>Share Certificate No.</b>
David Grand Muskoka Grown Limited	11,442,000	37%	

Table 1

Physical Status

Physical Status	Physical Status	Physical Status	Physical Status
Physical Status	Physical Status	Physical Status	Physical Status

## SECURITIES PLEDGE AGREEMENT

**THIS AGREEMENT** made as of the 20<sup>th</sup> day of March, 2019.

B E T W E E N:

**DAVID JAMES GRAND**, an individual born on April 17, 1959 and residing at 14 M72 Grandview Island in the Town of Bracebridge

(hereinafter called the “**Individual Pledgor**”)

– and –

**GRAND GABLE HOLDINGS INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having its registered and records office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called “**GGH**”)

– and –

**2634436 ONTARIO INC.** a corporation incorporated pursuant to the laws of the Province of Ontario, having its registered and records office address at 440 Ecclestone Drive, Unit C5, Bracebridge, Ontario, P1L 1Z6

(hereinafter called “**2634436 Ontario**” and collectively with the Individual Pledgor and GGH, the “**Pledgor**”)

- and -

**ARTHUR ZWINGENBERGER** an individual with an office located at 1440 Don Mills Road, Suite 105, Toronto, Ontario, M3B 3M1

(hereinafter called the “**Pledgee**” or “**Lender**”)

**WHEREAS** the Pledgor is as of the date hereof the registered and beneficial owner of the Securities (as hereinafter defined) in the capital of Muskoka Grown Limited (the “**Borrower**”);

**AND WHEREAS** the Pledgor has agreed to pledge the Securities and other Collateral (as hereinafter defined) to the Lender as general and continuing collateral security for the Obligations (as hereinafter defined);

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the respective covenants hereinafter contained and for other good and valuable consideration and the sum of \$1.00 of lawful money of Canada (the receipt and sufficiency of which are hereby acknowledged by the Pledgor), it is hereby agreed by and between the parties hereto as follows:

## ARTICLE 1 INTERPRETATION

**1.01 Defined Terms.** In this agreement or any amendment to this agreement, unless the context requires otherwise:

**“Act”** means the *Personal Property Security Act* (Ontario) and all Regulations enacted thereunder, as amended from time to time;

**“affiliate”** shall have the meaning ascribed thereto by the *Ontario Business Corporations Act* as of the date hereof;

**“Business Day”** means a day that Canadian chartered banks are open for business in the City of Toronto;

**“Event of Default”** shall mean any default pursuant to the terms hereof and shall include any Event of Default, as defined in the Loan Agreement;

**“Guarantee”** means guarantee and postponement of claim signed by the Pledgor in favour of the Pledgee in respect of the full amount of the obligations owed by the Borrower under the Loan Agreement to the Lender thereunder.

**“Loan Agreement”** means the loan agreement dated March 20, 2019 among Muskoka Grown Limited (the “Borrower”), the Lender, GGH, the Individual Guarantor and 2634436 Ontario in respect of a loan of \$6,731,000 from the Lender to the Borrower;

**“person”** includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, trustee, government, governmental agency or board or commission or authority and any other form of entity or organization whatsoever, whether incorporated or not;

**1.02 Defined Terms in Loan Agreement.** Any capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Loan Agreement.

**1.03 Applicable Law.** This agreement and all documents pursuant hereto shall be deemed to be governed by and construed in accordance with the laws of the Province of Ontario.

**1.04 Prohibited Provisions.** In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

**1.05 Number and Gender.** Where the context so requires, the singular number shall include the plural, the plural shall include the singular, and the use of any gender shall be applicable to all genders (including the neuter).

**1.06 Time of the Essence.** Time shall in all respects be of the essence of this agreement.

## **ARTICLE 2 PLEDGE OF SECURITIES AND COLLATERAL**

**2.01 Obligations Secured.** The Security Interest (as hereinafter defined) is granted to the Pledgee by the Pledgor as continuing security for its guarantee of the prompt and complete payment of all present and future indebtedness and liabilities of the Borrower to the Lender, including interest thereon, and for the prompt and complete performance of all other present and future obligations of the Borrower to the Lender, whether direct or indirect, contingent or absolute, or joint, several, or joint and several, arising in connection with or pursuant to the Loan Agreement, at any time owing or remaining unpaid by the Borrower to the Lender in any currency, including all principal, interest, commissions, fees (including receiver's fees and expenses), legal costs (on a solicitor and its own client basis) and other costs, charges and expenses, and the payment of all costs and expenses incurred by the Lender in enforcing any rights under this Agreement (collectively, the "**Obligations**").

**2.02 Creation of Security Interest.** The Pledgor grants, mortgages, charges, transfers, assigns and creates to and in favour of the Lender a security interest in the following:

- (a) all present and future securities held by the Pledgor or any person not dealing at arm's length with the Pledgor in the capital stock of the Borrower, including shares, options, rights, warrants, joint venture interests, interests in limited partnerships, bonds, debentures and all other documents which constitute evidence of a share, participation or other interest of the Pledgor or any person not dealing at arm's length with the Pledgor, in property or in an enterprise or which constitute evidence of an obligation of the Borrower, and including an uncertificated security within the meaning of the *Business Corporations Act* (Ontario) and all substitutions therefor ("**Securities**"); and
- (b) all income derived from or in respect of the Securities including, without limiting the generality of the foregoing, all interest and dividends (whether in the form of cash, securities or any other property), all monies and property received or receivable in the nature of the return or repayment of capital in respect of the Securities, and all property in any form derived directly or indirectly from any dealing with the Securities or the proceeds therefrom ("**Proceeds**").



The Securities and Proceeds are collectively called the “**Collateral**”. Any reference in this agreement to Collateral shall mean Collateral or any part thereof, unless the context otherwise requires. The grants, mortgages, charges, transfers, assignments and security interests herein created are collectively called the “**Security Interest**”.

**2.03 Registration of Securities.** Until further notice by the Lender, the certificates representing the Securities may remain registered in the name of the Pledgor, and the Pledgor shall at the option of the Lender, either duly endorse such certificates in blank for transfer or execute stock powers of attorney in respect thereof, in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Lender. At any time and from time to time upon request by the Lender, the Pledgor and the Borrower shall cause any or all of the Securities to be registered in the name of the Lender or its nominee, and the Lender or any officer thereof is appointed as the true and lawful attorney of the Pledgor with full power of substitution to cause any or all of the Securities to be registered in the name of the Lender or its nominee, which powers are coupled with an interest and are irrevocable until all of the Obligations have been repaid in full and this Agreement is terminated and the Security Interest created hereby has been released.

**2.04 Further Description of Collateral.** Without limiting the generality of the description of Collateral as set out in Section 2.02, and for greater certainty, the Collateral shall include all present and future Securities described in any Schedule attached hereto. The Pledgor agrees to promptly inform the Lender in writing of the acquisition by the Pledgor or any person not dealing at arm's length with the Pledgor of any Securities (including any Securities received by the Pledgor or any person not dealing at arm's length with the Pledgor as Proceeds of other Securities), and the Pledgor constitutes and appoints the Lender or any officer thereof as its true and lawful attorney, with full power of substitution, to attach additional schedules to this agreement from time to time to identify any additional Securities which are so intended to be subject to the Security Interest, which powers are coupled with an interest and are irrevocable until all of the Obligations have been repaid in full and this Agreement is terminated and the Security Interest created hereby has been released.

**2.05 Attachment.** The parties acknowledge that value has been given, the Pledgor has rights in the Collateral, and the parties have not agreed to postpone the time for attachment of the Security Interest.

**2.06 Acknowledgement of Receipt.** The Pledgee acknowledges receipt from the Pledgor of the Securities described in Schedule “A” hereto, duly endorsed in blank for transfer or accompanied by a duly signed power of attorney for transfer in blank.

**2.07 Future Certificates.** The Pledgor hereby agrees and undertakes to deliver to and deposit with, or cause to be delivered to and deposited with, the Pledgee all certificates (duly endorsed in blank for transfer or accompanied by a duly signed power of attorney for transfer in blank) representing any of the Collateral that the Pledgor may from time to time hereafter acquire or be or become entitled to. The Pledgor hereby irrevocably authorizes and directs the Borrower to deliver to the Pledgee any such certificates representing the Securities.

**2.08 Reclassification, Etc.** In the event that any of the Securities are changed, classified or reclassified, subdivided or converted into a different number or class of Securities or otherwise,

or if any additional Securities subscribed for or issued to the Pledgor for any other reason, the Securities or other securities resulting from any such change, classification, reclassification, subdivision, conversion, subscription or issuance and the certificates representing the same shall be delivered by the Pledgor to and held by the Pledgee in place of or in addition to, as the case may be, the Securities. In the event of any consolidation, reorganization, merger or amalgamation of the Borrower with or into another person, or the sale of a substantial portion of the property and assets of the Borrower other than in the ordinary course of its business to another person or persons in exchange for securities in or of such other person or persons or any affiliate thereof, any and all securities issued or issuable to or received or receivable by the Pledgor upon such consolidation, reorganization, merger, amalgamation or sale shall form part of the Pledged Collateral and the provisions hereof relating to the Securities shall, *mutatis mutandi*, apply to such securities. The provisions of this section shall similarly apply to successive such changes, classifications, reclassifications, subdivisions, conversions, subscriptions, consolidations, reorganizations, mergers, amalgamations and sales.

### ARTICLE 3 DEALINGS WITH SECURITIES

**3.01 Voting Rights.** Until an Obligor or Pledgor defaults in the payment or performance of any of the Obligations:

- (a) the Pledgor shall be entitled to exercise all voting rights attached to the Securities and give consents, waivers and ratifications in respect thereof; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Lender or which would have the effect of reducing the value of the Securities as security for the Obligations or imposing any restriction on the transferability of any of the Securities; and
- (b) the Pledgor shall not exercise its voting rights attached to the Securities in connection with the following matters relating to the Borrower, without the prior written consent of the Lender:
  - (i) the issuance of shares of any class in the capital stock of the Borrower, or any subdivision or consolidation of any such shares;
  - (ii) any borrowing or guarantee of debt to be undertaken by the Borrower;
  - (iii) any investment to be made by the Borrower outside the existing scope of its business;
  - (iv) any disposition by the Borrower of assets outside the existing scope of its business;
  - (v) any disposition by the Borrower of any securities of its affiliates or subsidiaries;

- (vi) any plan of reorganization, merger, dissolution, liquidation, winding-up or other similar plan affecting the corporate structure or existence of the Borrower;
- (vii) any amendment or other change to the constating documents of the Borrower; or
- (viii) any other action of the Borrower that would constitute an Event of Default pursuant to the Loan Agreement.

All such rights of the Borrower to vote and give consents, waivers and ratifications shall cease immediately upon the occurrence and during the continuance of any default by the Borrower in the payment or performance of any of the Obligations or any other Event of Default (as defined in the Loan Agreement).

**3.02 Dealing with Proceeds.** All Proceeds received by the Pledgor in respect of the Securities shall be received by the Pledgor as trustee for the Lender and shall be forthwith paid over to the Lender. Such Proceeds shall be applied against the Obligations or, at the option of the Lender, shall remain subject to the Security Interest and shall be held as additional security for the Obligations.

**3.03 No Sales.** During the term of this agreement, the Pledgor shall not transfer, sell, bargain or assign, nor enter into any agreement for the transfer, sale, bargain or assignment of, any of the Collateral, nor shall the Pledgor grant, or enter into any agreement which has the effect of granting, to any person any option, right or privilege capable of becoming an agreement for the transfer, sale, bargain or assignment of any of the Collateral to such person.

**3.04 No Encumbrances.** During the term of this agreement, the Pledgor shall not enter into or grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of the Collateral (other than any such encumbrance in favour of the Lender) ranking or purporting to rank in priority to or *pari passu* with the security interest granted by this agreement.

## ARTICLE 4 DEFAULT AND ENFORCEMENT

**4.01 Events of Default.** The security hereby constituted shall become immediately enforceable upon the occurrence of an Event of Default.

**4.02 Remedies.** Upon the Security Interest becoming enforceable, in addition to any other remedies available at law or equity or contained in any other agreement between the Pledgor and the Lender, the Lender may:

- (a) obtain possession of any Securities which it does not already hold, by any method permitted by law;



- (b) realize upon, collect, sell, transfer, assign, give options to purchase, or otherwise dispose of and deal with the Collateral or any part thereof;
- (c) notify any parties obligated in respect of any Proceeds to make payment thereof to the Lender;
- (d) exercise all voting rights attached to the Securities (whether or not registered in the name of the Lender or its nominee) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the absolute owner thereof;
- (e) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Securities as if it were the absolute owner thereof including, without limitation, the right to exchange at its discretion any and all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any of the Securities, and in connection therewith, to deposit and deliver any of the Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it;
- (f) comply with any limitation or restriction in connection with any proposed sale or other disposition of the Securities as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Pledgor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Lender be liable or accountable to the Pledgor for any discount in the sale price of the Securities which may be given by reason of the fact that such Securities are sold in compliance with any such limitation or restriction;
- (g) purchase any or all of the Securities, whether in connection with a sale made under the power of sale herein contained or pursuant to judicial proceedings or otherwise; and
- (h) file proofs of claim and other documents in order to have the claims of the Lender lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Pledgor.

**4.03 Dividends, Etc.** After the occurrence of an Event of Default and for so long as such Event of Default has not been cured or waived by the Pledgee, all dividends paid on the Securities, regardless of when such dividends were declared, and all interest, income, revenue and other distributions made to the holders of securities paid in respect of the Securities shall form part of the Pledged Collateral and, if received by the Pledgor, shall be received in trust for and paid forthwith to the Pledgee.

**4.04 Application of Proceeds.** In the event of any realization upon or sale or disposition of the Pledged Collateral or any portion thereof as hereinbefore provided, the Pledgee shall apply the proceeds of any such realization, sale or disposition, together with any other monies at the time held by it under the provisions of this agreement, after deducting all costs and expenses of collection, sale and delivery (including, without limitation, reasonable legal fees and expenses) incurred by the Pledgee in connection therewith, to the payment of all amounts owing to the Pledgee in respect of the Obligations, in such order as the Pledgee in its sole discretion may determine, and the balance of such proceeds, if any, shall be paid in accordance with the Act and any other applicable law, all of the foregoing to be without prejudice to the Pledgee's claim upon the Pledgor for any deficiency remaining after the application of such proceeds to the Obligations.

**4.05 Rights Cumulative.** All rights and remedies of the Pledgee set out in this agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document between the parties hereto or now or hereafter existing at law or in equity or by statute.

**4.06 No Waiver.** No delay or omission on the part of the Pledgee in exercising any right or remedy hereunder shall operate as a waiver of such right or remedy or of any other right or remedy hereunder, and any Event of Default or other default or breach by the Pledgor may only be waived by the Pledgee in writing, provided that no such written waiver by the Pledgee shall extend to or be taken in any manner to affect any other or any subsequent breach or default or the rights resulting therefrom.

**4.07 No Liability.** The Pledgee shall not be liable or accountable to the Pledgor or to any other person for any failure to exercise any of the rights, powers and remedies set out in section 4.02 above, or any loss which may be occasioned by such failure, nor shall the Pledgee be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of any party in respect of the same. The Pledgee may compound, compromise, grant extensions of time or other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the Pledgor, the Borrower and others and with the Pledged Collateral as it sees fit without prejudice to any of its rights or remedies hereunder. The Pledgee shall not be required to see to the collection of dividends on or the exercise of any option or right in connection with any of the Securities and shall not be required to protect or preserve the Securities from depreciating in value.

**4.08 Standards of Sale.** The Pledgor and the Lender acknowledge that any sale of Securities must occur in compliance with the relevant provisions of the *Securities Act* (Ontario) and similar legislation in other applicable jurisdictions ("**Securities Laws**"), and that the Lender shall not be obliged to effect a public sale of the Securities and may sell the Securities pursuant to one or more private sales of the Securities to a restricted group of purchasers who may be obliged to agree, among other things, to acquire the Securities as principal and to comply with certain resale restrictions. The Lender shall be under no obligation to delay a sale of such Securities for any period of time in order to permit the Borrower or any other person to qualify such Securities for public sale under Securities Laws. The Lender shall be under no obligation to sell the Securities as a "control block" or at a premium to the "market price", as defined under applicable Securities Laws. The Pledgor acknowledges that any private sale may result in prices and other terms which

may be less favourable than a public sale or a control block sale, and the Pledgor agrees that any such sale shall not, solely by reason of its being a private sale, be deemed to have not been made in a commercially reasonable manner. Upon the Security Interest becoming enforceable, the Pledgor consents, and agrees to use reasonable efforts to cause the Borrower to consent to the disclosure by the Lender to the public generally and to any prospective purchaser of the Securities of any information relating to the Securities, whether or not such information may be considered confidential.

**4.09 Dealings by Lender.** The Lender may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, and otherwise deal with the Collateral, the Pledgor, borrowers of the Pledgor, sureties of the Pledgor, and others as the Lender may see fit, without prejudice to the Obligations and the rights of the Lender to hold and realize upon the Security Interest. The Lender has no obligation to keep Collateral identifiable.

**4.10 Obligor Consents.** Each corporate Obligor hereby confirms that all consents that are required to be given by such Obligor, its directors or its shareholders to permit the Lender to exercise all rights afforded to the Lender hereunder, have been given and remain in effect.

**4.11 Power of Attorney.** The Pledgor hereby constitutes and appoints the Lender or any officer thereof as its true and lawful attorney, effective at any time after the Borrower or Pledgor has failed to pay or perform any of the Obligations when due or upon the occurrence and during the continuance of an Event of Default, with full power of substitution, to execute all documents and take all actions as may be necessary or desirable to perform any obligations of the Pledgor arising pursuant to this Agreement, and in executing such documents and taking such actions, to use the name of the Pledgor whenever and wherever it may be considered necessary or expedient. These powers are coupled with an interest and are irrevocable until all of the Obligations have been repaid in full and this Agreement is terminated and the Security Interest created hereby has been released.

## ARTICLE 5 GENERAL

**5.01 Continuing Security.** The Security Interest constituted hereby shall be deemed to be a continuing security for the Obligations until all of the Obligations from time to time outstanding have been satisfied and performed in full and this agreement has been terminated. At any time after all of the Obligations have been so satisfied and performed, the Pledgor may, on five days written notice to the Pledgee, terminate this agreement, in which event the Pledgee shall forthwith release the Collateral from the assignment, hypothecation, pledge and security interest herein contained and return to the Pledgor all documents evidencing ownership or title to the Collateral.

**5.02 Additional Security.** The security hereby constituted is in addition to and not in substitution for any other security now or hereafter held by the Pledgee.

**5.03 No Merger.** The Pledged Collateral and the security hereby constituted shall not operate by way of merger of any of the Obligations or of any present or future indebtedness,



liabilities or obligations of any other person to the Pledgee. The taking of a judgment or judgments with respect to any of the Obligations shall not operate by way of merger of or otherwise affect the security created hereby or any of the covenants, rights or remedies contained in this agreement.

**5.04 Entire Agreement.** This agreement constitutes the entire agreement between the parties hereto and supersedes any and all prior agreements, undertakings and understandings, whether written or verbal, in respect of the subject matter hereof.

**5.05 Notice.** Any demand, notice or other communication in connection with this agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee, mailed by registered mail or sent by telex, telefacsimile or other direct written electronic means, charges prepaid, at or to the address, telex number or telefacsimile number of the party set out opposite its name below or to such other address or addresses, telex or telefacsimile number of numbers as either party may from time to time designate to the other party in such manner.

In the case of the Pledgor:

David Grand  
P.O. Box 182  
Bracebridge, Ontario, P1L-1T6

Attention: David Grand  
Facsimile No.:  
E-mail: davidgrand@muskokagrown.com

with a copy to:

CC Corporate Counsel Professional Corporation  
100 Bass Pro Mills Drive, Suite 49  
Vaughan, Ontario, L4K 5X1

Attention: Michael Bluestein  
Facsimile No.: 647-499-4292  
E-mail: mbluestein@corpcounsel.ca

In the case of the Lender:

Arthur Zwingenberger  
1440 Don Mills Road, Suite 105  
North York, ON M3B 3M1•

Attention: Arthur Zwingenberger  
Email: azwing@2226@gmail.com

with a copy to:

Conroy Shifman Professional Corporation  
56 Finch Avenue West  
North York, Ontario, M2N 2H2

Attention: Behn Conroy  
Facsimile No.: 416-225-1124  
E-mail: behn@conroylaw.ca

Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication mailed as aforesaid shall be deemed to have been validly and effectively given on the fifth Business Day following the date of mailing provided that, in the event of an interruption in postal service before such fifth Business Day, such communication shall be given by one of the other means. Any communication which is transmitted by telex, telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

**5.06 Separate Security.** This Agreement and the Security Interest are in addition to and not in substitution for any other security now or hereafter held by the Lender in respect of the Borrower, the Obligations or the Collateral and any other present and future rights or remedies which the Lender might have.

**5.07 Amalgamation of Borrower.** The Pledgor acknowledges and agrees that in the event that the Borrower amalgamates with any other persons (which it is prohibited from doing without the prior written consent of the Lender) then the Collateral and the Security Interest shall extend to and include all like property of the amalgamated corporation and all references herein to the Borrower shall extend to and include the amalgamated corporation and all references herein to Obligations shall extend to and include all of the debts, liabilities and obligations of every type and kind of the amalgamated corporation.

**5.08 Assignment.** The Lender may from time to time upon notice to, but without the consent of the Pledgor or Borrower, assign or transfer this Agreement and the Obligations or any portion thereof or interest therein to any other party (the "Assignee"). The Assignee shall, to the extent of the interest so assigned or transferred, be entitled to the benefit of and the right to enforce this Agreement to the same extent as if the Assignee were the Lender. The Pledgor shall not be entitled to assign or transfer this Agreement or any of the Pledgor's rights, duties or obligations hereunder without the prior written consent of the Lender.

**5.09 Governing Law and Attornment.** This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Without prejudice to the ability of the Lender to enforce this Agreement in any

other proper jurisdiction, the Pledgor irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario in connection with this Agreement.

**5.10 Entire Agreement.** This Agreement, **the Loan Agreement** and any other documents delivered pursuant hereto **or thereto**, including any schedules attached hereto **or thereto**, constitute the entire agreement between the Pledgor and the Lender relating to the subject matter hereof and supersede all prior agreements, representations, warranties, statements, promises, information, arrangements, understandings, conditions or collateral agreements, whether oral or written, express or implied, with respect to the subject matter hereof.

**5.11 Expenses.** The Pledgor shall pay forthwith upon demand to the Lender all expenses, including the reasonable fees, disbursements and other charges of its counsel (on a solicitor and his own client basis), experts or agents which the Lender may incur in connection with (i) the negotiation and preparation of this Agreement, (ii) the administration of this Agreement, (iii) the custody or preservation of, or the sale of, collection from or other realization upon any of the Collateral, (iv) the exercise, enforcement or protection of any of the rights of the Lender hereunder or (v) the failure of the Pledgor or Borrower to perform or observe any of the provisions hereof.


**5.12 Further Assurances.** The Pledgor shall forthwith, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such documents, agreements, opinions, certificates and instruments reasonably requested by the Lender or its counsel as may be necessary or desirable to complete the transactions contemplated by this Agreement and carry out its provisions and intention.

**5.13 Execution by Facsimile and Counterparts.** Delivery of an executed copy of a signature page to this Agreement by facsimile transmission and in counterparts shall be effective as delivery of a manually executed copy of this Agreement and the Pledgor undertakes to provide the Lender with a copy of the Agreement bearing original signatures forthwith upon demand.

*[Signature Page Follows]*

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

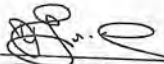
**MUSKOKA GROWN LIMITED**

Per:   
David Grand  
President

**ARTHUR ZWINGENBERGER**

\_\_\_\_\_

**GRAND GABLE HOLDINGS INC.**

Per:   
David Grand  
President


**2634436 ONTARIO INC.**

Per:   
David Grand  
President

**DAVID JAMES GRAND**

  
\_\_\_\_\_

**WITNESS:**

  
Name: Broidy Rondelet

Properties				
PIN	48053 - 0801	LT	Interest/Estate	Fee Simple
Description	PART LOTS 1 & 2 CONCESSION 13 DRAPER BEING PARTS 2 & 3 ON 35R-25226, TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA; SUBJECT TO AN EASEMENT OVER PART 3 ON 35R-25226 IN FAVOUR OF PART LOT 2 CONCESSION 12 DRAPER AS IN DM38412, AS IN MT179269; TOGETHER WITH AN EASEMENT OVER PART 4 ON 35R-25226 AS IN MT179270; SUBJECT TO AN EASEMENT OVER PART 3, 35R-25226 IN FAVOUR OF PART LOT 1 CON 12 DRAPER DESIGNATED AS PARTS 1, 2, 3, 35R-25379 AS IN MT192298			
Address	BRACEBRIDGE			
PIN	48053 - 0803	LT	Interest/Estate	Fee Simple
Description	PART LOT 1 CONCESSION 12 DRAPER PARTS 1, 2 & 3 35R25379; SUBJECT TO AN EASEMENT OVER PART 3 35R25379 IN FAVOUR OF PART LOT 1 CONCESSION 12 AS IN DM226261 EXCEPT PART 2 35R17003, PARTS 1 TO 5, 8 TO 11 35R21146, PARTS 1 TO 10 35R24393, PARTS 1, 2 & 3 35R25379 AS IN MT185935; TOGETHER WITH AN EASEMENT OVER PART 3, 35R-25226 AS IN MT192298; TOWN OF BRACEBRIDGE			
Address	50 KEITH ROAD BRACEBRIDGE			
PIN	48053 - 0802	LT	Interest/Estate	Fee Simple
Description	PART LOTS 1 & 2 CONCESSION 13 DRAPER, BEING PART 1 ON 35R-25226; TOWN OF BRACEBRIDGE; THE DISTRICT MUNICIPALITY OF MUSKOKA			
Address	BRACEBRIDGE			

Chargor(s)	
The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.	
Name	MUSKOKA GROWN LIMITED
Address for Service	P.O. Box 182, Stn Main Bracebridge, ON P1L 1T6
I, DAVID GRAND, have the authority to bind the corporation.	
This document is not authorized under Power of Attorney by this party.	

Chargee(s)	Capacity	Share
Name	ZWINGENBERGER, ARTHUR	
Address for Service	c/o Conroy Shifman Professional Corporation 56 Finch Avenue West Toronto, ON M2N 2H2	

Provisions			
Principal	\$10,000,000.00	Currency	CDN
Calculation Period	See additional charge terms		
Balance Due Date	See additional charge terms		
Interest Rate	10%		
Payments			
Interest Adjustment Date			
Payment Date	See additional charge terms		
First Payment Date			
Last Payment Date	2019 08 19		
Standard Charge Terms	200033		
Insurance Amount	Full insurable value		
Guarantor	David Grand		

Additional Provisions
See Schedules

Signed By				
Miki Zhu	56 Finch Avenue West Toronto M2N 2H2	acting for Chargor(s)	Signed	2019 05 01

I have the authority to sign and register the document on behalf of the Chargor(s).

Fax 416-225-1124

<i>Total Paid</i>	\$64.40
-------------------	---------

Chargee Client File Number : 30451-19



## ADDITIONAL PROVISIONS

THIS MORTGAGE IS TAKEN AS SECURITY FOR THE DUE PAYMENT OF AMOUNTS DUE FROM THE MORTGAGOR UNDER A LOAN AGREEMENT DATED APRIL 19, 2019. ALL TERMS OF THE LOAN AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS MORTGAGE AND SHALL, TO THE EXTENT OF ANY CONFLICT, PREVAIL OF THE TERMS HEREOF.

## CALCULATION OF INTEREST

Interest, as set out herein, shall be calculated daily and accrued on the maturity date, not in advance. Any interest accruing after maturity shall be calculated and accrued daily.

## ADDITIONAL REMEDIES

For greater certainty, the parties hereto agree that, in addition to, and not in substitution for, all the rights and remedies of the Chargee, the Chargee may, on default by the Chargor of making any payments required by this Charge or in performing or observing any of the covenants, agreements, provisions or obligations contained herein, commence an action and claim payment of the Charge debt by any party personally liable therefor and commence an action and claim possession of the land and premises described in the Charge. The Chargee, at its sole option, may commence any or all of the actions in this paragraph, at its sole discretion.

STATEMENT AND DISCHARGE FEES (Paragraph 23 of Standard Charge Terms 200033 is hereby excluded)

Upon request, the Chargee agrees to prepare and provide statements to the Chargor and the Chargor agrees to pay to the Chargee or his agent, the then prevailing fee of the Chargee or his agent.

In addition, upon payment in full of all monies secured hereunder, the Chargee or his agent, shall prepare a discharge of this Charge and the Chargor agrees to pay to the Chargee or his agent, the then prevailing discharge fee of the Chargee or his agent.

SALES CLAUSE (Paragraph 14 of Standard Charge Terms 200033 is hereby excluded)

Provided that the Chargor covenants and agrees with the Chargee that in the event of the Chargor selling, conveying, transferring or entering into an Agreement for sale or of transfer of title of the property hereby mortgaged to a purchaser or transferee not approved of in writing by the Chargee, all monies hereby secured with accrued interest thereon and any prepayment bonus contained herein shall forthwith become due and payable at the sole option of the Chargee.

## TIME OF PAYMENT

Any payment (other than of the regular payments of principal and interest) that is made after 2:00 p.m. on any date shall be deemed, for the purpose of calculation of interest, to have been made and received on the next business-banking day.

Initials	
Borrowers	Guarantor

## MANAGEMENT FEE

In the event that the Chargee is required to take possession of the lands herein and is required to finish the dwellings thereon, the Chargee shall be entitled to charge a 10% management fee based on the balance owing on this mortgage at the time of possession.

## SUBSEQUENT ENCUMBRANCES

The Chargor shall not allow to be registered any subsequent charge or mortgage against the mortgaged property without the express written consent of the Chargee

## GUARANTORS

The obligations of the Chargor are guaranteed by David Grand.

Initials	
Borrowers	Guarantor

*This is Exhibit*           “K”           *referred to in the*  
*affidavit of*           David Ascott            
*sworn before me, this*           5th            
*day of*           May, 2020          

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

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

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

RESPONSE CONTAINS: APPROXIMATELY 3 FAMILIES and 7 PAGES.

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

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY  
THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER  
AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS  
UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE  
INTERPRETATION AND USE THAT ARE MADE OF IT.

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 3 ENQUIRY PAGE : 1 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 751621203 EXPIRY DATE : 27MAY 2024 STATUS :  
 01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20190527 1939 1531 2442 REG TYP: P PPSA REG PERIOD: 5  
 02 IND DOB : IND NAME:  
 03 BUS NAME: MUSKOKA GROWN LIMITED  
 OCN :  
 04 ADDRESS : 50A KEITH RD  
 CITY : BRACEBRIDGE PROV: ON POSTAL CODE: P1L 1T6  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
 ROYAL BANK OF CANADA  
 09 ADDRESS : 7101 PARC AVENUE, 5TH FLOOR  
 CITY : MONTREAL PROV: QC POSTAL CODE: H3N 1X9  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X X X  
 YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

16 AGENT: CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 3 ENQUIRY PAGE : 2 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 758487537 EXPIRY DATE : 11DEC 2024 STATUS :  
 01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20191211 1411 1462 9990 REG TYP: P PPSA REG PERIOD: 5  
 02 IND DOB : IND NAME:  
 03 BUS NAME: MUSKOKA GROWN LIMITED  
 OCN :  
 04 ADDRESS : 50 KEITH ROAD  
 CITY : BRACEBRIDGE PROV: ON POSTAL CODE: P1L0A1  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :  
 MUSKOKA COMMUNITY FUTURES DEVELOPMENT CORPORATION  
 09 ADDRESS : 345 ECCLESTONE DRIVE  
 CITY : BRACEBRIDGE PROV: ON POSTAL CODE: P1L1R1  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X X X 500000  
 YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13 GENERAL SECURITY AGREEMENT IN PLACE COVERING ALL ASSETS OF THE  
 14 BUSINESS

15

16 AGENT: MUSKOKA COMMUNITY FUTURES DEVELOPMENT CORPORATION

17 ADDRESS : 345 ECCLESTONE DRIVE

CITY : BRACEBRIDGE PROV: ON POSTAL CODE: P1L1R1

END OF FAMILY

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



MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 3 ENQUIRY PAGE : 3 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 760902246 EXPIRY DATE : 13MAR 2022 STATUS :  
 01 CAUTION FILING : PAGE : 001 OF 5 MV SCHEDULE ATTACHED :  
 REG NUM : 20200313 1331 6083 9657 REG TYP: P PPSA REG PERIOD: 2  
 02 IND DOB : IND NAME:  
 03 BUS NAME: MUSKOKA GROWN LIMITED  
 OCN :  
 04 ADDRESS : 3440 ECCLESTONE DRIVE UNIT C5  
 CITY : BRACEBRIDGE PROV: ON POSTAL CODE: P1L 1R1  
 05 IND DOB : IND NAME:  
 06 BUS NAME: MUSKOKA GROWN LIMITED  
 OCN :  
 07 ADDRESS : 50A KEITH ROAD  
 CITY : BRACEBRIDGE PROV: ON POSTAL CODE: P1L 0A1

08 SECURED PARTY/LIEN CLAIMANT :

NITROTIN INC.

09 ADDRESS : 485 INDUSTRIAL AVENUE

CITY : TRURO PROV: NS POSTAL CODE: B2N 6V8  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X  
 YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13 ALL OF THE DEBTOR'S RIGHT, TITLE, ESTATE AND INTEREST IN AND TO  
 14 WITHOUT LIMITATION THE FOLLOWING COLLATERAL - NITROGEN DOSER (S/N  
 15 31836287), HIGH VOLUME CANNING SEAMER (S/N FHV20190114V), AND  
 16 AGENT: ESC CORPORATE SERVICES LTD.  
 17 ADDRESS : 445 KING STREET WEST, 4TH FL  
 CITY : TORONTO PROV: ON POSTAL CODE: M5V 1K4

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 3 ENQUIRY PAGE : 4 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 760902246 EXPIRY DATE : 13MAR 2022 STATUS :  
 01 CAUTION FILING : PAGE : 002 OF 5 MV SCHEDULE ATTACHED :  
 REG NUM : 20200313 1331 6083 9657 REG TYP: REG PERIOD:  
 02 IND DOB : IND NAME:  
 03 BUS NAME:  
 OCN :  
 04 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10  
 YEAR MAKE MODEL V.I.N.  
 11  
 12  
 GENERAL COLLATERAL DESCRIPTION  
 13 SEMI-AUTOMATIC CHILD RESISTANT LID APPLICATOR (S/N SCP201905011),  
 14 (COLLECTIVELY REFERRED TO AS THE "EQUIPMENT"), TOGETHER WITH - (A)  
 15 ALL PROCEEDS THEREOF AND THEREFROM IN ANY FORM, INCLUDING GOODS,  
 16 AGENT:  
 17 ADDRESS :  
 CITY : PROV: POSTAL CODE:

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 3 ENQUIRY PAGE : 5 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 760902246 EXPIRY DATE : 13MAR 2022 STATUS :  
 01 CAUTION FILING : PAGE : 003 OF 5 MV SCHEDULE ATTACHED :  
 REG NUM : 20200313 1331 6083 9657 REG TYP: REG PERIOD:  
 02 IND DOB : IND NAME:  
 03 BUS NAME:  
 OCN :  
 04 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10  
 YEAR MAKE MODEL V.I.N.  
 11  
 12

GENERAL COLLATERAL DESCRIPTION

13 DOCUMENTS OF TITLE, CHATTEL PAPER, INVESTMENT PROPERTY, INSTRUMENTS,  
 14 MONEY AND INTANGIBLES, AND ALL PROCEEDS THEREOF, (B) ALL ACCESSIONS  
 15 THERETO AND SUBSTITUTIONS THEREFOR, (C) ALL DEEDS, DOCUMENTS,

16 AGENT:

17 ADDRESS :  
 CITY : PROV: POSTAL CODE:

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 3 ENQUIRY PAGE : 6 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 760902246 EXPIRY DATE : 13MAR 2022 STATUS :  
 01 CAUTION FILING : PAGE : 004 OF 5 MV SCHEDULE ATTACHED :  
 REG NUM : 20200313 1331 6083 9657 REG TYP: REG PERIOD:  
 02 IND DOB : IND NAME:  
 03 BUS NAME:  
 OCN :  
 04 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10  
 YEAR MAKE MODEL V.I.N.  
 11  
 12

GENERAL COLLATERAL DESCRIPTION

13 WRITINGS, PAPERS, BOOKS OF ACCOUNT AND OTHER BOOKS RELATING TO OR  
 14 BEING RECORDS OF THE EQUIPMENT, CHATTEL PAPER OR DOCUMENTS OF TITLE  
 15 OR BY WHICH SUCH ARE OR MAY HEREAFTER BE SECURED, EVIDENCED,

16 AGENT:

17 ADDRESS :  
 CITY : PROV: POSTAL CODE:

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Muskoka Grown Limited

FILE CURRENCY: April 28, 2020

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 3 ENQUIRY PAGE : 7 OF 7

SEARCH : BD : MUSKOKA GROWN LIMITED

00 FILE NUMBER : 760902246 EXPIRY DATE : 13MAR 2022 STATUS :  
 01 CAUTION FILING : PAGE : 005 OF 5 MV SCHEDULE ATTACHED :  
 REG NUM : 20200313 1331 6083 9657 REG TYP: REG PERIOD:  
 02 IND DOB : IND NAME:  
 03 BUS NAME:  
 OCN :  
 04 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10  
 YEAR MAKE MODEL V.I.N.  
 11  
 12  
 GENERAL COLLATERAL DESCRIPTION  
 13 ACKNOWLEDGED OR MADE PAYABLE, AND (D) ALL CONTRACTUAL RIGHTS AND  
 14 INSURANCE CLAIMS RELATING TO THE EQUIPMENT  
 15  
 16 AGENT:  
 17 ADDRESS :  
 CITY : PROV: POSTAL CODE:  
 LAST SCREEN

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

*This is Exhibit* “L” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5<sup>th</sup>  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*





## LETTER OF INTENT/LOAN AGREEMENT

(August 22, 2017)

On the basis of the information provided to us in support of a Business Financing Application for loan assistance we, **Muskoka Community Futures Development Corporation** (hereinafter referred to as '**Muskoka Futures**' or as the '**Lender**'), hereby offer the following loan on the terms and conditions herein set forth:

<b>BORROWER:</b>	Muskoka Medical Marijuana Company Limited (also referred to as the ' <b>Client</b> ')
<b>BUSINESS ADDRESS:</b>	50 Keith Road, Bracebridge P1L 0A1
<b>LOAN AMOUNT:</b>	\$500,000.00
<b>GUARANTORS:</b>	David Grand & Marion Elizabeth Rondelet
<b>INTEREST RATE:</b>	8.00% per annum; reducing to 6% upon confirmation of Health Canada license
<b>TERM:</b>	12 months
<b>AMORTIZATION PERIOD</b>	180 months
<b>PURPOSE:</b>	Complete leaseholds; purchase equipment

### 1. PAYMENT TERMS

- **Interest only payments** for the first 12 months beginning one month after advance.
- **Blended payments**, consisting of principal and interest in the sum of \$4,406.18 from thereafter until the first anniversary of the Interest Adjustment Date, on which day the full amount of the outstanding principal and any accrued interest and/or other outstanding charges shall fall due and become payable.
- Payments to be applied firstly towards outstanding interest and/or other charges incurred and secondly towards the reduction of the outstanding principal.
- Upon termination of the initial term of this loan as at October 1, 2018 and provided that the loan remains in good standing throughout the initial term, the Lender may, **subject to Article 4 and 5 of this agreement**, extend the term of this loan for such further term as deemed appropriate. A renewal fee may apply.

## 2. SECURITY AND OTHER PROVISIONS

In consideration of advancing the funds herein referred to, the Borrower hereby agrees to provide the following:

- Fees as applicable, and as set out in **Schedule A**, will be due and payable prior to advance of funding under this loan facility or as incurred;
- The Borrower will be responsible for all legal costs and disbursements incurred, **present and future**, with respect to the processing and administration of this loan, as well as enforcement of all agreements, promises, guarantees and covenants under this loan.

### Security and related documents apply as follows:

Security instruments, registered on title, creating fixed and floating charge over all present and future property and assets of the Borrower, including:

- Letter of Intent/Loan Agreement;
- Muskoka Futures Confidentiality and Privacy Agreement, **Schedule C**;
- Demand Promissory Note in the amount of \$500,000.00, **plus** accrued interest and charges, in the form set out in **Schedule D**;
- The personal guarantees of David Grand & Marion Elizabeth Rondelet, **Schedule E**;
- Letters of authorization to provide Muskoka Futures' access to the status to the client's accounts with respect to HST and CRA payroll remittances, **Schedule G**;
- Pre-authorized debit form, **Schedule H**;
- Acknowledgement of Loan Delinquency Process as outlined in **Schedule I**;
- 2<sup>nd</sup> collateral mortgage on building and land described as RP 35R 6448 Parts 2&3 and part of Part 4 and R13223 Parts 2&3 on Grandview Island, Lake Muskoka, Township of Muskoka Lakes.
- The guarantor, Marion Elizabeth Rondelet to receive independent legal advice or provide a signed waiver to Muskoka Futures.
- Key person life insurance on the life of David Grand with the death benefit assigned to Muskoka Futures.
- Acknowledgement of fire and all peril insurance on RP 35R 6448 Parts 2&3 and part of Part 4 and R13223 Parts 2&3 on Grandview Island, Lake Muskoka, Township of Muskoka Lakes; policies shall designate Muskoka Futures as a named insured;

### Reports as follows:

- Quarterly in house financial statements (Balance Sheet and year to date Operating Statement) within 60 days of each fiscal quarter;
- Annual financial statements within 90 days of the company's fiscal year end;
- Listings of Aged Accounts Receivable and Accounts Payable, **as well as such other financial information**, which the Lender deems necessary to assess the financial position of the borrower from time to time, within 10 working days of a request by the Lender.

### Undertaking and Agreement of the Borrower:

The borrower agrees to notify the lender prior to completing any of the following:

- A sale of capital assets of the business, except in the normal course of business operations;
- Make any further borrowings against the business operations or the property on which the business is situated, whether ranking prior to or subsequent to the Lender loan, except as acknowledged herein and/or an operating line of credit which the client may establish from time to time with their banking institution.
- Certificate of the Borrower's Corporate Solicitor that:
  - Attests to the current shareholder structure as well as a listing of current officers and directors of the Corporation;
  - The Corporation is validly incorporated and validly subsisting and has full power to undertake the obligations of and give security for this loan.

### **3. CONDITIONS PRECEDENT**

Those customarily found in loan agreements for credit facilities of this nature including, without limitation, the following:

- i. Personal Financial Statements shall be provided to Muskoka Futures by the parties to this agreement
- ii. Credit bureau reports will be obtained and reviewed by Muskoka Futures prior to this agreement coming into effect
- iii. Nothing shall have occurred which would have a material adverse effect on the Company's ability to meet their financial obligations
- iv. A copy of the Incorporation Documents and Shareholders' Agreement governing the affairs of the Company as well as a copy of the Business Registration document shall be provided to Muskoka Futures for review
- v. Personal identification for all guarantors/principals shall be provided to Muskoka Futures
- vi. Satisfactory completion of due diligence by Muskoka Futures, in its sole discretion

### **4. SPECIAL CONDITION**

The interest rate will be 8% at the time of advance and will reduce to 6% in Muskoka Futures sole discretion upon receipt of confirmation of a license through Health Canada.

### **5. WITHDRAWAL**

The Lender reserves the right to demand repayment of the loan at any time, **both before and after maturity**, should any of the terms, conditions, or covenants of this agreement not be kept or be abridged ~~or~~ should there be, in the opinion of the Lender:

- A material adverse change in the financial conditions of the Borrower;
- Legal implications arise, detrimental to the affairs of the Lender or Borrower; ~~or~~
- The Borrower moves the undertaking (business) outside the District of Muskoka.

6. **PREPAYMENT OF LOAN:**

Partial or total repayment of up to 100% of the amount of the loan outstanding may be made without notice or bonus on any scheduled payment date.

The Borrower shall be required to pay legal fees for preparation and registration of discharges, **if and as required**.

**THIS PROPOSAL** is open for acceptance until 4:00 p.m. September 12<sup>th</sup> after which time, if not accepted; it shall be null and void. **This Agreement shall serve as the Loan Agreement and shall become effective on the date of final acceptance of and execution by both parties hereto.**

**DATED** at Bracebridge this 5<sup>th</sup> day of September, 2017

**MUSKOKA COMMUNITY FUTURES  
DEVELOPMENT CORPORATION**

per

  
Executive Director

I/We hereby accept the above proposal on the terms and conditions contained therein.

DATED at Bracebridge this 9<sup>th</sup> day of September, 2017

Witness:

Muskoka Medical Marijuana Company Limited



David Grand

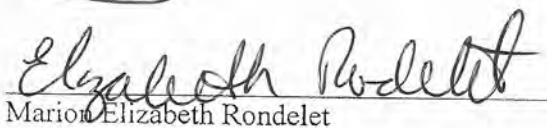
\*I have authority to bind the corporation



Guarantors:



David Grand



Marion Elizabeth Rondelet



## SCHEDULE A - FEES

Muskoka Medical Marijuana Company Limited

PROCESSING FEES due prior to the signing of the loan documents

LOAN AMOUNT	FEE	CLIENT CHARGE	CLIENT'S INITIAL
\$0.00-\$10,000			
\$10,001-\$150,000	\$100.00		
	\$150.00	X	

ADMINISTRATION FEES due prior to the signing of the loan documents

Credit Bureau	\$30.00 per		
PPSA Registrations New	\$70.00 per		
PPSA Registration Amend	\$50.00 per		
PPSA Search	\$25.00 per		
Legal Fees related to Mortgages	Solicitor to invoice client directly		
Appraisal Fees related to Property	Appraiser to invoice client directly	N/A	
		N/A	

LOAN INSURANCE (optional) premiums are calculated annually in advance and charged monthly to the loan account based on the Canada Life Assurance Company rates. (NOT AVAILABLE AT THIS TIME)

TOTAL OWED FOR PROCESSING, ADMINISTRATION AND LOAN INSURANCE n/a

### OTHER FEES

NSF Cheques and/or EFT	\$40.00 per		
Late Payment Charge	\$25.00 per month on any outstanding balance		
Renewal Fees	Minimum \$100.00 per		
Collection Fees	As required, to be billed to the account.		
Late Financial Reporting	\$50.00 per month for every month after 90 days past fiscal year end. FYE: _____		

\*Note: Muskoka Community Futures Development Corporation reserves the right to change this Fee Schedule with or without notice either verbal or written to the Client, with the difference being charged directly to the client account for unknown expenses that cannot be defined at the time of signing (e.g. collections), or as a result of inflation.



**MUSKOKA COMMUNITY FUTURES  
DEVELOPMENT CORPORATION  
CONFIDENTIALITY AND PRIVACY AGREEMENT  
(Schedule "C")**

Page 1

Due to the nature of the relationship between the Muskoka Community Futures Development Corporation (herein referred to as "**Muskoka Futures**"), Industry Canada (herein referred to as "**Canada**"), and Muskoka Medical Marijuana Company Limited (herein collectively and individually referred to as the "**Client**"), it is essential to have an agreement and this form will be that agreement.

**(1) CANADA'S RIGHTS**

The Client acknowledges that, as the operations of Muskoka Futures is financially supported by Canada, representatives of FedNor and Industry Canada are permitted access to the files of Muskoka Futures for reporting, monitoring and evaluation purposes, and the Client may be contacted from time to time by Canada in order to effectively evaluate the performance of Muskoka Futures. Clients are encouraged to cooperate by providing Canada with information on assistance provided to them by Muskoka Futures. The Client's signature on this agreement shall be the Client's undertaking to comply with Canada's request for information. All information acquired by Canada will be treated as confidential.

**(2) SERVICE LIMITATIONS**

Muskoka Futures is providing the Client with business advice and/or business financing based on information provided by the Client. Muskoka Futures makes no effort to validate the information provided by the Client, by audit or otherwise. Muskoka Futures makes no warranty to the Client or subsequent reader of any correspondence, since the correspondence and documentation is prepared by or in accordance to the Client's instructions and is not audited, reviewed or otherwise verified for accuracy or completeness. The Client's execution of this form shall be the Client's waiver and release of Muskoka Futures from any claims, costs and actions resulting from Muskoka Futures involvement with the Client. The Client further agrees to indemnify and save harmless Muskoka Futures from all claims, costs and actions brought against Muskoka Futures by any other person or entity relating to Muskoka's involvement with the Client.

**(3) FEES**

An initial interview to assess the Client's needs is provided at no cost up to two hours. Service beyond this preliminary interview will be negotiated before the Client incurs any expense and/or fees may be assessed as provided for in Muskoka Futures' Fee Schedule, which is available upon request.

**(4) COLLECTION, USE AND DISCLOSURE OF PERSONAL / BUSINESS INFORMATION**


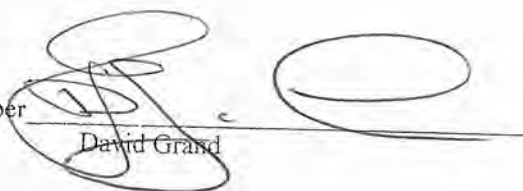
- (a) All information provided by the Client to Muskoka Futures is to be held private and confidential, except as stated herein. Referrals and ongoing liaison with other lenders or service providers requires that the Muskoka Futures communicate with such third parties to the extent necessary to conduct an effective service. The signing of this agreement authorizes Muskoka Futures to obtain such factual and investigative information regarding the Client as permitted by law, and to furnish particulars of the Business Financing Application, including credit information and subsequent credit experience to credit grantors and credit bureaus, if applicable, and to retain all information for Muskoka Futures' records.
- (b) The Client acknowledges that in order to establish positive identification and/or perform a credit investigation he/she will be required to provide a copy of their birth certificate and driver's license as well as their Incorporation and Business Registration documents.

- (c) In order to perform a credit investigation, Muskoka Futures will request that the Client provide their Social Insurance Number (SIN). The Client understands that they need not provide their Social Insurance Number ("SIN"), if they can provide alternate identification that is acceptable to the credit reporting agencies. If the Client provides a SIN, they hereby consent to Muskoka Futures using this information for the limited purpose of performing a credit investigation.
- (d) The Client acknowledges receipt of Muskoka Futures' *Privacy Statement*, understands and hereby consents to his/her personal and business information being collected, used, retained, and disclosed by Muskoka Futures for the limited purposes as set out above. The Client further understands that under Federal Privacy law, he/she has access to the information held by Muskoka Futures and knows to refer to the Muskoka Futures' Privacy Policy, available at [www.muskokafutures.ca](http://www.muskokafutures.ca) or contact the Chief Privacy Officer if a question or concern arises about the handling of the Client's personal information.
- (e) The Client further understands and consents to Muskoka Futures publicizing their investment in the Client's business venture if the Client is successful in obtaining financing from Muskoka Futures, which may or may not include personal information such as the name of the Applicant.


IN WITNESS WHEREOF the parties hereto have affixed their hand and seal.

Dated at Bracebridge this 9<sup>th</sup> September 2017 day of August, 2017

Witness

 per   
David Grand

Muskoka Community Futures Development Corporation

Per   
David Brushey - Executive Director

**SCHEDULE D**  
**DEMAND PROMISSORY NOTE**

AMOUNT: \$500,000.00

DATED:

**FOR VALUE RECEIVED**, the undersigned promise to pay **on demand** to **Muskoka Community Futures Development Corporation** the sum of Five Hundred Thousand Dollars-----xx/00 with interest at 8.00% per annum, calculated and payable in accordance with a Letter of Intent/Loan Agreement dated as of August 22, 2017.

In the event that contracted payments are not paid as they become due, or if in the opinion of the Holder of this note, the undersigned is in default of the terms of the Letter of Intent/Loan Agreement, the whole unpaid principal and interest accrued shall forthwith become due and payable, at the option of the Holder.

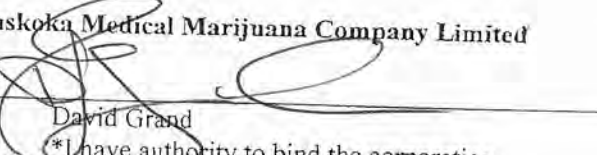
When not in default hereunder, the undersigned shall have the right to prepay all or any of the principal of this note at any time without notice or bonus, provided that any partial prepayment(s) shall be applied in inverse order of maturity. Notwithstanding any additional payment on account of the principal money hereby secured the contracted monthly installments of principal and interest shall continue to fall due and become payable so long as any monies hereunder remain unpaid.

**Witness:**



**Muskoka Medical Marijuana Company Limited**

Per

  
 David Grand

(\*I have authority to bind the corporation

William F. Clark  
 Print Name of Witness

## GUARANTEE

## SCHEDULE E

TO: **MUSKOKA COMMUNITY FUTURES DEVELOPMENT CORPORATION**

WHEREAS you have entered into an agreement with:

Muskoka Medical Marijuana Company Limited  
50 Keith Rd. Bracebridge ON P1L 0A1

(hereinafter referred to as the "Borrower"). As a condition of lending the funds to the Borrower you have demanded security as hereunder written.

NOW THEREFORE, in consideration of you lending funds to the Borrower either continuously or intermittently so long as you may see fit and of such advances as you make to the Borrower, we and each of us hereby jointly and severally guarantees the due payment and discharge of all liabilities to you of the Borrower howsoever incurred including without limitation hereto the repayment of all moneys advanced or which may be advanced by you to the Borrower and all liabilities direct or indirect to which you may become subject as a result of making advances to or dealing with the Borrower and also payment of all moneys which are now or shall at any time or from time to time hereafter become liable to you either directly or indirectly, whether matured or not, whether alone or jointly with others, and whether as principal or surety and whether absolute or contingent, and all interest, commission, costs, charges and expenses which may be incurred in respect of such advances or liabilities or any securities therefore.

Provided that no sum in excess of **\$500,000.00** together with interest at the rate(s) payable by the Borrower accruing from date of demand on the under-signed shall be recoverable hereunder.

AND EACH PARTY who signs this agreement of guarantee declares that:

1. It is understood that where the Borrower is a partnership or Corporation, this guarantee is to extend to the person or persons of the Corporation or partnership for the time being and from time to time carrying on the business now carried on by the Borrower, notwithstanding any change or changes in the name or membership of the Borrower's firm or in the name of the Corporate Borrower and notwithstanding any reorganization of the Corporate Borrower or its amalgamation with another or others of the sale or disposal of its business in whole or in part to another or others. Provided however, that no person executing this guarantee shall be liable to you hereunder for any moneys advanced to the Borrower or to others on the faith of the paper of the Borrower (except for liabilities of the Borrower to you arising out of requirements of the Borrower based on agreements expressed or implied made prior to the receipt by you of the notice in writing hereinafter mentioned) after he or his executors or administrators shall have given to you notice in writing of his or their unwillingness to be liable for moneys thereafter advanced.
2. No alteration or waiver of this guarantee or of any of its terms, provisions or conditions shall be binding on you unless made in writing over the signature of your Executive Director.
3. You may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply to any portion of the liabilities hereby guaranteed, and in such order of application as you may from time to time elect, any property, balances, credits, accounts or moneys of the undersigned.


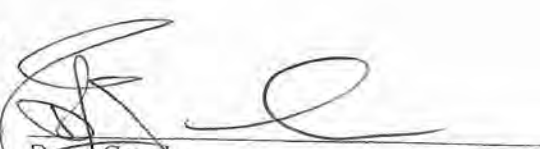
4. The statement in writing of the Executive Director of the indebtedness or liability of the Borrower to you shall be binding upon each party executing this guarantee and conclusive against him and all right to question in any way your present or future method of dealing with any person or persons now or hereafter liable to you for the moneys and liability hereby guaranteed or any part thereof or with any securities now or hereafter held by you or with any goods or property covered by such securities or any of them, absent manifest error is hereby waived.
5. You shall not be bound to exhaust your recourses against the Borrower or other person or persons or the securities you may hold, or to value such securities before requiring or being entitled to payment from the undersigned, or any of them.
6. Each of the undersigned hereby expressly waives: (a) notice of the existence of all or any of the liabilities hereby guaranteed, (b) presentment, demand, notice of dishonour, protest and all other notices whatsoever, and (c) all diligence in collection or protection of or realization upon the liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.
7. This guarantee shall be jointly and severally binding upon the undersigned (if more than one), and upon heirs, legal representatives, successors and assigns of the undersigned.
8. Each of the undersigned executing this guarantee shall be held and bound to you directly as principal debtor in respect of the payment of the amounts hereby guaranteed. Any notice or demand which you may wish to give may be served on any or all of the undersigned or his or their legal personal representatives either personally or by sending the same by ordinary mail in an envelope addressed to the last known place of address of the person to be served, and the notice so sent shall be deemed to be served on the day following that on which it is mailed.
9. This guarantee shall be construed in accordance with the laws of the Province of Ontario and in any action thereon the undersigned, or any of them, shall be stopped from denying the same; any judgment recovered in the Courts of such Province against any of the undersigned or his personal representatives shall be binding on him and on them.

Dated at Bracebridge this 9<sup>th</sup> September 2017 day of August, 2017

WITNESS the respective hands and seal of the parties executing this guarantee.

SIGNED IN THE PRESENCE OF:

Witness

  
  
 David Grand  
 Marion Elizabeth Rondelet



# BUSINESS CONSENT FORM

Use this form to consent to the release of confidential information about your Business Number (BN) account(s) to the representative named below, or to cancel consent for an existing representative.

- Complete Parts 1, 2, and 5 to name a representative.
- Complete Parts 3, 4, and 5 to cancel consent for an existing representative.
- Complete all parts of this form if you want to both name a new representative and cancel consent for an existing representative.

If you have questions, such as where to send this form, call us at 1-800-959-5525.

## Part 1 - Consent to release of information to a representative

Client's name: Muskoka Medical Marijuana Company Limited Business Number:                     

I consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.)

Muskoka Community Futures Development Corporation

If you named a firm as your representative, and you want to specify a particular individual of that firm, enter that individual's first and last name.

(705) 646-9511  
Representative's telephone number

(705) 646-9522  
Representative's fax number

## Part 2 - Details of consent

### A. Which accounts?

I request that this consent apply to all accounts. ☒ OR

I request that this consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to authorize access to more than one account of the same type, for example RP0002 and RP0003, please print the account numbers in the spaces provided.)

Corporate income tax	RC0001	<input type="checkbox"/>	RC	<u>      </u>	RC	<u>      </u>
GST/HST	RT0001	<input type="checkbox"/>	RT	<u>      </u>	RT	<u>      </u>
Payroll deductions	RP0001	<input type="checkbox"/>	RP	<u>      </u>	RP	<u>      </u>
Import/Export	RM0001	<input type="checkbox"/>	RM	<u>      </u>	RM	<u>      </u>

### B. Which years?

I request that this consent apply to all years. ☒ OR

I request that this consent apply only to the following years:

- All year-ends up to:        Year        Month        Day
- All year-ends beginning in:        Year        Month        Day and all years after that.
- The following year-ends only:        Year        Month        Day        Year        Month        Day  
       Year        Month        Day        Year        Month        Day



### Part 3 – Cancellation of consent to release of information to a representative

Client's name: \_\_\_\_\_ Business Number: \_\_\_\_\_

I cancel all previous consents for all representatives. ☐ OR

I cancel my consent to the release of confidential information about my BN account(s) by the Canada Customs and Revenue Agency to the representative named below.

Representative's name (If a firm, enter the name of the firm. If an individual, enter the first and last name of the individual.) \_\_\_\_\_

If you named a firm as your representative, and you want to cancel the consent for a particular individual of that firm, enter that individual's first and last name. \_\_\_\_\_

Representative's telephone number \_\_\_\_\_

Representative's fax number \_\_\_\_\_

### Part 4 – Details of cancellation of consent

#### A. Which accounts?

I request that this cancellation of consent apply to all accounts. ☐ OR

I request that this cancellation of consent apply only to the following accounts.

(Check the appropriate box or boxes. If you wish to cancel access to more than one account of the same type, for example RP0002 and RP0003, please print the account numbers in the spaces provided.)

Corporate income tax	RC0001	<input type="checkbox"/>	RC	_____	RC	_____
GST/HST	RT0001	<input type="checkbox"/>	RT	_____	RT	_____
Payroll deductions	RP0001	<input type="checkbox"/>	RP	_____	RP	_____
Import/Export	RM0001	<input type="checkbox"/>	RM	_____	RM	_____

#### B. Which years?

I request that this cancellation of consent apply to all years. ☐ OR

I request that this cancellation of consent apply only to the following years:

- All year-ends up to: \_\_\_\_\_  
Year Month Day
- All year-ends beginning in: \_\_\_\_\_ and all years after that.  
Year Month Day
- The following year-ends only: \_\_\_\_\_  
Year Month Day Year Month Day  
Year Month Day Year Month Day

### Part 5 – Signature

Print your name

This form must be signed by an owner, partner, director, trustee, or officer.

Title: CEO & Founder

Sign here



Date: 2017 09 09  
Year Month Day

WE WILL NOT PROCESS THIS FORM IF IT IS NOT SIGNED



## TERMS AND CONDITIONS

1. I/We hereby authorize the Payee, in accordance with the terms of my/our account agreement with the Processing Institution, to debit or cause to be debited the Account for the purposes indicated in the "Payment Type" section on page 1 of this agreement.
2. Particulars of the Account that the Payee is authorized to debit are indicated in the "Payment Details" section on page 1 of this agreement. A specimen cheque, if available for the Account, has been marked "VOID" and attached to this agreement.
3. I/We undertake to inform the Payee, in writing, of any change in the Account information provided in this agreement prior to the next due date of the PAD.
4. This agreement is continuing but may be cancelled at any time upon notice being provided by me/us, either in writing or orally, with proper authorization to verify my/our identity within the specified number of days before the next PAD is to be issued as noted on Cancel Payment section, Page 1. I/we acknowledge that I/we can obtain a sample cancellation form or further information on my/our right to cancel this agreement from the Processing Institution or by visiting [www.cdnpay.ca](http://www.cdnpay.ca).  
I/we acknowledge that if I/we wish to cancel this agreement or if I/we have any questions or need further information with respect to a PAD, I/we can contact the Payee at the telephone number or address set out in this agreement.
5. Revocation of this agreement does not terminate any contract for goods or services that exists between me/us and the Payee. This agreement applies only to the method of payment and does not otherwise have any bearing on the contract for goods or services exchanged.
6. I/We acknowledge that provision and delivery of this agreement to the Payee constitutes delivery by me/us to the Processing Institution. Any delivery of this agreement to the Payee constitutes delivery by the Payor.
7. If this agreement is for fixed or variable amount business, personal, or funds transfer PADs recurring at set intervals, unless I/we have waived any and all requirements for pre-notification of debiting in the "Waiver of Pre-Notification" section on page 1 of this agreement, or unless the change in the amount of any such PAD will occur as a result of my/our direct action (such as, but not limited to, telephone instructions or other remote measures), I/we acknowledge that I/we will receive:
  - a) with respect to fixed amount business or personal PADs, written notice from the Payee of the amount to be debited and the due date(s) of debiting, at least 10 calendar days before the due date of the first PAD, and such notice will be received every time there is a change in the amount or the payment date(s); or
  - b) with respect to variable amount business or personal PADs, written notice from the Payee of the amount to be debited and the due date(s) of debiting, at least 10 calendar days before the due date of every PAD; or
  - c) with respect to business, personal, or funds transfer PADs, at least 10 calendar days' written notice from the Payee of any change in the amount of the PAD which results from a change in any applicable tax rate, a top-up, or other adjustment. No pre-notification will be given if the amount of the PAD decreases as a result of a reduction in municipal, provincial, or federal tax.

Pre-notification may be given in writing or in any form of representing or reproducing words in visible form, which, if I/we have provided an email address to the Payee, includes an electronic document. The

amount of pre-notification provided will change when there is a change in the pre-notification requirements contained in the CPA Rules.

8. If this agreement provides for PADs with sporadic frequency, I/we understand that the Payee is required to obtain an authorization from me/us for each and every PAD prior to the PAD being exchanged and cleared. I/we agree that a password or security code or other signature equivalent will be issued and will constitute valid authorization for the Processing Institution to debit the Account.
9. I/We acknowledge that the Processing Institution is not required to verify that a PAD has been issued in accordance with the particulars of this agreement, including, but not limited to, the amount.
10. I/We acknowledge that the Processing Institution is not required to verify that any purpose of payment for which the PAD was issued has been fulfilled by the Payee as a condition to honouring a PAD issued or caused to be issued by the Payee on the Account.
11. I/We acknowledge that, if this agreement is for personal or business PADs or for funds transfer PADs that have recourse through the clearing system, a PAD may be disputed under the following conditions:
  - a) the PAD was not drawn in accordance with this agreement;
  - b) this agreement was revoked; or
  - c) pre-notification was required and was not received.
 I/We further acknowledge that in order to be reimbursed, a declaration to the effect that either a), b), or c) took place must be completed and presented to the branch of the Processing Institution holding the Account on or before the 90th calendar day in the case of a personal PAD or a funds transfer PAD that has recourse through the clearing system or, in the case of a business PAD, on or before the 10th business day, in each case after the date on which the PAD in dispute was posted to the Account.
12. I/We acknowledge that any claim made after the periods set out above must be resolved solely between me/us and the Payee and there is no entitlement to reimbursement from the Processing Institution.
13. I/We acknowledge and agree that if this agreement is for funds transfer PADs and the Payee does not provide recourse through the clearing system, then no recourse will be provided through the clearing system (that is, I/we will not receive automatic reimbursement in the event of a dispute) and I/we must seek reimbursement or recourse from the Payee in the event a PAD is erroneously charged to the Account.
14. Unless this agreement is for a funds transfer PAD that does not have recourse through the clearing system, I/we acknowledge that I/we have certain recourse rights if any debit does not comply with this agreement. For example, I/we have the right to receive reimbursement for any debit that is not authorized or is not consistent with this PAD agreement. To obtain more information on my/our recourse rights I/we can contact my/our financial institution or visit [www.cdnpay.ca](http://www.cdnpay.ca).
15. I/We acknowledge that I/we understand that I/we am/are participating in a PAD plan established by the Payee and I/we accept participation in the PAD plan upon the terms and conditions set out herein.
16. I/We consent to the disclosure of any personal information that may be contained in this agreement to the financial institution that holds the account of the Payee to be credited with the PAD to the extent that such disclosure of personal information is directly related to and necessary for the proper application of Rule H1 of the Rules of the Canadian Payments Association.

**SCHEDULE I**  
**ACKNOWLEDGMENT OF DELINQUENCY PROCESS**

If the loan becomes delinquent the following process will apply:

- After a payment is missed, a call from Muskoka Futures Staff will be made immediately.
- After 30 days in arrears, a collection notice will be sent or delivered outlining overdue amount and deadline.
- During the period of 30-45 days in arrears the client will be required to meet at Muskoka Futures office to discuss remediation with staff.
- During the period of 45-60 days in arrears a collection notice will be sent or delivered outlining the procedure going forward with potential legal action; security to be reviewed.
- During the period of 60-90 days in arrears a demand letter will be sent or delivered outlining the overdue amount and deadline or file to be referred to Muskoka Futures solicitor.
- After 90 days the file will be referred to Muskoka Futures solicitor with instructions to proceed with repossession of security.

**Witness:**

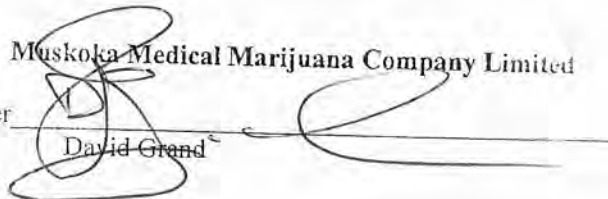


William F. Clark

Print Name of Witness

Muskoka Medical Marijuana Company Limited

Per

  
David Grand

*This is Exhibit* “M” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelm S*



## GUARANTEE

## SCHEDULE E

TO: **MUSKOKA COMMUNITY FUTURES DEVELOPMENT CORPORATION**

WHEREAS you have entered into an agreement with:

Muskoka Medical Marijuana Company Limited  
50 Keith Rd. Bracebridge ON P1L 0A1

(hereinafter referred to as the "Borrower"). As a condition of lending the funds to the Borrower you have demanded security as hereunder written.

NOW THEREFORE, in consideration of you lending funds to the Borrower either continuously or intermittently so long as you may see fit and of such advances as you make to the Borrower, we and each of us hereby jointly and severally guarantees the due payment and discharge of all liabilities to you of the Borrower howsoever incurred including without limitation hereto the repayment of all moneys advanced or which may be advanced by you to the Borrower and all liabilities direct or indirect to which you may become subject as a result of making advances to or dealing with the Borrower and also payment of all moneys which are now or shall at any time or from time to time hereafter become liable to you either directly or indirectly, whether matured or not, whether alone or jointly with others, and whether as principal or surety and whether absolute or contingent, and all interest, commission, costs, charges and expenses which may be incurred in respect of such advances or liabilities or any securities therefore.

Provided that no sum in excess of **\$500,000.00** together with interest at the rate(s) payable by the Borrower accruing from date of demand on the under-signed shall be recoverable hereunder.

AND EACH PARTY who signs this agreement of guarantee declares that:

1. It is understood that where the Borrower is a partnership or Corporation, this guarantee is to extend to the person or persons of the Corporation or partnership for the time being and from time to time carrying on the business now carried on by the Borrower, notwithstanding any change or changes in the name or membership of the Borrower's firm or in the name of the Corporate Borrower and notwithstanding any reorganization of the Corporate Borrower or its amalgamation with another or others of the sale or disposal of its business in whole or in part to another or others. Provided however, that no person executing this guarantee shall be liable to you hereunder for any moneys advanced to the Borrower or to others on the faith of the paper of the Borrower (except for liabilities of the Borrower to you arising out of requirements of the Borrower based on agreements expressed or implied made prior to the receipt by you of the notice in writing hereinafter mentioned) after he or his executors or administrators shall have given to you notice in writing of his or their unwillingness to be liable for moneys thereafter advanced.
2. No alteration or waiver of this guarantee or of any of its terms, provisions or conditions shall be binding on you unless made in writing over the signature of your Executive Director.
3. You may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by any of the undersigned, appropriate and apply to any portion of the liabilities hereby guaranteed, and in such order of application as you may from time to time elect, any property, balances, credits, accounts or moneys of the undersigned.



4. The statement in writing of the Executive Director of the indebtedness or liability of the Borrower to you shall be binding upon each party executing this guarantee and conclusive against him and all right to question in any way your present or future method of dealing with any person or persons now or hereafter liable to you for the moneys and liability hereby guaranteed or any part thereof or with any securities now or hereafter held by you or with any goods or property covered by such securities or any of them, absent manifest error is hereby waived.
5. You shall not be bound to exhaust your recourses against the Borrower or other person or persons or the securities you may hold, or to value such securities before requiring or being entitled to payment from the undersigned, or any of them.
6. Each of the undersigned hereby expressly waives: (a) notice of the existence of all or any of the liabilities hereby guaranteed, (b) presentment, demand, notice of dishonour, protest and all other notices whatsoever, and (c) all diligence in collection or protection of or realization upon the liabilities or any thereof, any obligation hereunder, or any security for any of the foregoing.
7. This guarantee shall be jointly and severally binding upon the undersigned (if more than one), and upon heirs, legal representatives, successors and assigns of the undersigned.
8. Each of the undersigned executing this guarantee shall be held and bound to you directly as principal debtor in respect of the payment of the amounts hereby guaranteed. Any notice or demand which you may wish to give may be served on any or all of the undersigned or his or their legal personal representatives either personally or by sending the same by ordinary mail in an envelope addressed to the last known place of address of the person to be served, and the notice so sent shall be deemed to be served on the day following that on which it is mailed.
9. This guarantee shall be construed in accordance with the laws of the Province of Ontario and in any action thereon the undersigned, or any of them, shall be stopped from denying the same; any judgment recovered in the Courts of such Province against any of the undersigned or his personal representatives shall be binding on him and on them.


Dated at Bracebridge this 9<sup>th</sup> September 2017 day of August, 2017

WITNESS the respective hands and seal of the parties executing this guarantee.

SIGNED IN THE PRESENCE OF:

Witness



  
 David Grand  
 Elizabeth Rondelet  
 Marion Elizabeth Rondelet

*This is Exhibit* “N” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiken Nels*

**ROYAL BANK OF CANADA CREDIT AGREEMENT****DATE: June 20, 2019****BORROWER:**

MUSKOKA GROWN LIMITED

**SRF:**

335898391

**ADDRESS** (Street, City/Town, Province, Postal Code)

50A KEITH RD

BRACEBRIDGE, ON P1L 1T6

Royal Bank of Canada (the "**Bank**") hereby confirms to the undersigned (the "**Borrower**") the following credit facilities (the "**Credit Facilities**"), banking services and other products subject to the terms and conditions set forth below and in the standard terms provided herewith (collectively the "**Agreement**"). The Credit Facilities are made available at the sole discretion of the Bank and the Bank may cancel or restrict availability of any unutilized portion of these facilities at any time and from time to time without notice.

**CREDIT FACILITIES****Facility #1      Revolving demand facility in the amount of \$2,000,000.00, available by way of RBP based loans, LCs and/or LGs.**

Minimum retained balance \$0.00

Revolved by the Bank in increments of \$5,000.00

Interest rate: RBP + 0.50% per annum. Interest payable monthly, in arrears, on the same day each month as determined by the Bank.

LC &amp; LG fees to be advised on a transaction-by-transaction basis.

Margined: Yes [ ] No [X]

**OTHER FACILITIES**

The Credit Facilities are in addition to the following facilities (the "**Other Facilities**"). The Other Facilities will be governed by this Agreement and separate agreements between the Borrower and the Bank. In the event of a conflict between this Agreement and any such separate agreement, the terms of the separate agreement will govern.

- a) Credit Card to a maximum amount of \$25,000.00.

**SECURITY**

Security for the Borrowing and all other obligations of the Borrower to the Bank, including without limitation, any amounts outstanding under any Leases, if applicable, (collectively, the "**Security**"), shall include:

- a) General security agreement on the Bank's form 924 signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower;
- b) Guarantee and postponement of claim on the Bank's form 812 in the amount of \$2,000,000.00 signed by Arthur Zwingenberger, supported by a Cash collateral agreement on the Bank's form 610 signed by Arthur Zwingenberger assigning term deposits and/or guaranteed investment certificates in the amount of \$2,000,000.00.

**FEES**

Arrangement fee of \$5,000.00 payable upon acceptance of this Agreement or as agreed upon between the Borrower and the Bank.

**FINANCIAL COVENANTS**

In the event that the Borrower changes accounting standards, accounting principles and/or the application of accounting principles during the term of this Agreement, all financial covenants shall be calculated using the accounting standards and principles applicable at the time this Agreement was entered into.

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that the Borrower will:

- a) remain licensed by Health Canada to cultivate cannabis without any suspension or revocation thereof;
- b) not, without the prior written consent of the Bank:
  - i) pay any dividends;
  - ii) use the proceeds of Facility #1 for any other purpose than to support working capital.

## **REPORTING REQUIREMENTS**

The Borrower will provide to the Bank:

- a) annual audited financial statements for the Borrower, within 90 days of each fiscal year end;
- b) annual forecasted balance sheet, income statement & cash flow statements for the Borrower, within 90 days of each fiscal year end;
- c) such other financial and operating statements and reports as and when the Bank may reasonably require.

## **OTHER INFORMATION/REQUIREMENTS**

- a) In no event will the Credit Facilities or any part thereof be available unless the Bank has received:
  - i) annual audited financial statements for the Borrower for fiscal year ending March 31, 2019, containing results substantially similar to the draft annual financial statements for the Borrower for the same period, which were previously provided to the Bank.
  - ii) proof of legal name for Arthur Zwingenberger, in form satisfactory to the Bank.

## **BUSINESS LOAN INSURANCE PLAN**

The Borrower hereby acknowledges that the Bank has offered it group creditor insurance coverage on the Borrowings under the Business Loan Insurance Plan and the Borrower hereby acknowledges that it is the Borrower's responsibility to apply for any new or increased insurance amount for the Borrowings that may be eligible.

If the Borrower decides to apply for insurance on the Borrowings, the application will be made via the Bank's Business Loan Insurance Plan application (form 3460 ENG or 53460 FRE). If the Borrower has existing uninsured Borrowings and decides not to apply for Business Loan Insurance Plan coverage on any new Borrowings, it hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the Bank's offer to apply for Business Loan Insurance Plan coverage on all such Borrowings, and that all such Borrowings are not insured under the Policy as at the date of acceptance of this Agreement.

If the Borrower has Business Loan Insurance Plan coverage on previously approved Borrowings, such coverage will be applied automatically to all new Borrowings eligible for Business Loan Insurance Plan coverage that share the same loan account number, up to the approved amount of Business Loan Insurance Plan coverage. This Agreement cannot be used to waive coverage on new Borrowings eligible for Business Loan Insurance Plan coverage if Business Loan Insurance Plan coverage is in effect on the Borrower's existing Borrowings. If the Borrower does not want Business Loan Insurance Plan coverage to apply to any new Borrowings, a different loan account number will need to be set up and all uninsured loans attached to it.

If the Borrower has existing Borrowings to which Business Loan Insurance Plan coverage applies, and any new Borrowings would exceed the approved amount of Business Loan Insurance Plan coverage already in place, the Borrower must apply for additional Business Loan Insurance Plan coverage (if eligible) in order for Business Loan Insurance Plan coverage to apply to any new Borrowings. If the Borrower decides not to apply for additional Business Loan Insurance Plan coverage in respect of any new Borrowings (if eligible), the Borrower hereby acknowledges that the Bank may accept the Borrower's signature below as the Borrower's waiver of the Bank's offer to apply for additional Business Loan Insurance Plan coverage on such new Borrowings and that such new Borrowings are not insured under the Policy as at the date the Borrower executes this Agreement.

If there are any discrepancies between the insurance information in this Agreement and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

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Business Loan Insurance Plan premiums (plus applicable taxes), will be taken as a separate payment, directly from the bank account associated with the loan, at the same frequency and schedule as your regular loan payments, where applicable. As premiums are based on the outstanding loan balance and the insured person's age at the time the premiums are due, the cost of Business Loan Insurance Plan coverage may increase during the term of the loan. The premium calculation is set out in the Business Loan Insurance Plan terms and conditions provided to the Borrower at the time the application for Business Loan Insurance Plan coverage was completed. Refer to the terms and conditions (form 3460 ENG or 53460 FRE) for further explanation and disclosure.

### **STANDARD TERMS**

The following standard terms have been provided to the Borrower:

- ☒ Form 472 (06/2019) Royal Bank of Canada Credit Agreement - Standard Terms
- ☐ Form 473 (02/2019) Royal Bank of Canada Credit Agreement - Margined Accounts Standard Terms
- ☐ Form 473A (10/2017) Royal Bank of Canada Credit Agreement - RBC Covarity Terms and Conditions
- ☐ Form 473B (02/2019) Royal Bank of Canada Credit Agreement - Margined Accounts Standard Terms

### **ACCEPTANCE**

This Agreement is open for acceptance until July 20, 2019, after which date it will be null and void, unless extended by the Bank in its sole discretion.

### **ROYAL BANK OF CANADA**



Per:  
Title: Vice President

### **RBC Contact: TIM COMFORT**

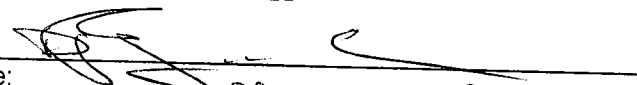
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### **CONFIRMATION & ACCEPTANCE**

The Borrower (i) confirms that it has received a copy of the Royal Bank of Canada Credit Agreement Standard Terms, Form 472, as well as all other standard terms which are hereinabove shown as having been delivered to the Borrower, all of which are incorporated in and form an integral part of this Agreement; and (ii) accepts and agrees to be bound by the terms and conditions of this Agreement including all terms and conditions contained in such standard terms.

Confirmed, accepted and agreed this 24 day of June, 2019.

### **MUSKOKA GROWN LIMITED**

Per:   
Name: DAVID GRANT  
Title: CEO

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

I/We have the authority to bind the Borrower

*This is Exhibit* “O” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aden Nelms*





# Royal Bank of Canada

## General Security Agreement

SRF: 335898391  
 Borrower: MUSKOKA GROWN LIMITED

5 COLLIER ST  
 2ND FLR  
 BARRIE  
 ONTARIO  
 L4M 1G4  
 CA

### 1. SECURITY INTEREST

(a) For value received, the undersigned ("Debtor"), hereby grants to **ROYAL BANK OF CANADA** ("RBC"), a security interest (the "Security Interest") in the undertaking of Debtor and in all of Debtor's present and after acquired personal property including, without limitation, in all Goods (including all parts, accessories, attachments, special tools, additions and accessions thereto), Chattel Paper, Documents of Title (whether negotiable or not), Instruments, Intangibles, Money and Securities and all other Investment Property now owned or hereafter owned or acquired by or on behalf of Debtor (including such as may be returned to or repossessed by Debtor) and in all proceeds and renewals thereof, accretions thereto and substitutions therefore (hereinafter collectively called "Collateral"), and including, without limitation, all of the following now owned or hereafter owned or acquired by or on behalf of Debtor:

- (i) all Inventory of whatever kind and wherever situate;
- (ii) all equipment (other than Inventory) of whatever kind and wherever situate, including, without limitation, all machinery, tools, apparatus, plant, furniture, fixtures and vehicles of whatsoever nature or kind;
- (iii) all Accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("Debts");
- (iv) all lists, records and files relating to Debtor's customers, clients and patients;
- (v) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, Chattel Paper or Documents of Title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (vi) all contractual rights and insurance claims;
- (vii) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation environmental technology and biotechnology, confidential information, trade-names, goodwill, copyrights, personality rights, plant breeders' rights, integrated circuit topographies, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively "Intellectual Property"); and
- (viii) all property described in Schedule "C" or any schedule now or hereafter annexed hereto.

(b) The Security Interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor but upon the enforcement of the Security Interest, Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.

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(c) The terms "Goods", "Chattel Paper", "Document of Title", "Instrument", "Intangible", "Security", "Investment Property", "proceeds", "Inventory", "accession", "Money", "Account", "financing statement" and "financing change statement" whenever used herein shall be interpreted pursuant to their respective meanings when used in The Personal Property Security Act of the province referred to in Clause 14(s), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "P.P.S.A.". Provided always that the term "Goods" when used herein shall not include "consumer goods" of Debtor as that term is defined in the P.P.S.A., the term "Inventory" when used herein shall include livestock and the young thereof after conception and crops that become such within one year of execution of this Security Agreement and the term "Investment Property", if not defined in the P.P.S.A., shall be interpreted according to its meaning in the Personal Property Security Act (Ontario). Any reference herein to "Collateral" shall, unless the context otherwise requires, be deemed a reference to "Collateral or any part thereof".

## 2. INDEBTEDNESS SECURED

The Security Interest granted hereby secures payment and performance of any and all obligations, indebtedness and liability of Debtor to RBC (including interest thereon) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether Debtor be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient, in the event of default, to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that Debtor shall continue to be liable for any Indebtedness remaining outstanding and RBC shall be entitled to pursue full payment thereof.

## 3. REPRESENTATIONS AND WARRANTIES OF DEBTOR

Debtor represents and warrants and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant that:

(a) the Collateral is genuine and owned by Debtor free of all security interests, mortgages, liens, claims, charges, licenses, leases, infringements by third parties, encumbrances or other adverse claims or interests (hereinafter collectively called "Encumbrances"), save for the Security Interest and those Encumbrances shown on Schedule "A" or hereafter approved in writing by RBC, prior to their creation or assumption;

(b) all Intellectual Property applications and registrations are valid and in good standing and Debtor is the owner of the applications and registrations;

(c) each Debt, Chattel Paper and Instrument constituting Collateral is enforceable in accordance with its terms against the party obligated to pay the same (the "Account Debtor"), and the amount represented by Debtor to RBC from time to time as owing by each Account Debtor or by all Account Debtors will be the correct amount actually and unconditionally owing by such Account Debtor or Account Debtors, except for normal cash discounts where applicable, and no Account Debtor will have any defence, set off, claim or counterclaim against Debtor which can be asserted against RBC, whether in any proceeding to enforce Collateral or otherwise;

(d) the locations specified in Schedule "B" as to business operations and records are accurate and complete and with respect to Goods (including Inventory) constituting Collateral, the locations specified in Schedule "B" are accurate and complete save for Goods in transit to such locations and Inventory on lease or consignment; and all fixtures or Goods about to become fixtures and all crops and all oil, gas or other minerals to be extracted and all timber to be cut which forms part of the Collateral will be situate at one of such locations; and

(e) the execution, delivery and performance of the obligations under this Security Agreement and the creation of any security interest in or assignment hereunder of Debtor's rights in the Collateral to RBC will not result in a breach of any agreement to which Debtor is a party.

## 4. COVENANTS OF THE DEBTOR

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So long as this Security Agreement remains in effect Debtor covenants and agrees:

(a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; to diligently initiate and prosecute legal action against all infringers of Debtor's rights in Intellectual Property; to take all reasonable action to keep the Collateral free from all Encumbrances, except for the Security Interest, licenses which are compulsory under federal or provincial legislation and those shown on Schedule "A" or hereafter approved in writing by RBC, prior to their creation or assumption, and not to sell, exchange, transfer, assign, lease, license or otherwise dispose of Collateral or any interest therein without the prior written consent of RBC; provided always that, until default, Debtor may, in the ordinary course of Debtor's business, sell or lease Inventory and, subject to Clause 7 hereof, use Money available to Debtor;

(b) to notify RBC promptly of:

- (i) any change in the information contained herein or in the Schedules hereto relating to Debtor, Debtor's business or Collateral,
- (ii) the details of any significant acquisition of Collateral,
- (iii) the details of any claims or litigation affecting Debtor or Collateral,
- (iv) any loss or damage to Collateral,
- (v) any default by any Account Debtor in payment or other performance of its obligations with respect to Collateral, and
- (vi) the return to or repossession by Debtor of Collateral;

(c) to keep Collateral in good order, condition and repair and not to use Collateral in violation of the provisions of this Security Agreement or any other agreement relating to Collateral or any policy insuring Collateral or any applicable statute, law, by-law, rule, regulation or ordinance; to keep all agreements, registrations and applications relating to Intellectual Property and intellectual property used by Debtor in its business in good standing and to renew all agreements and registrations as may be necessary or desirable to protect Intellectual Property, unless otherwise agreed in writing by RBC; to apply to register all existing and future copyrights, trade-marks, patents, integrated circuit topographies and industrial designs whenever it is commercially reasonable to do so;

(d) to do, execute, acknowledge and deliver such financing statements, financing change statements and further assignments, transfers, documents, acts, matters and things (including further schedules hereto) as may be reasonably requested by RBC of or with respect to Collateral in order to give effect to these presents and to pay all costs for searches and filings in connection therewith;

(e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of Debtor or Collateral as and when the same become due and payable;

(f) to insure collateral in such amounts and against such risks as would customarily be insured by a prudent owner of similar Collateral and in such additional amounts and against such additional risks as RBC may from time to time direct, with loss payable to RBC and Debtor, as insureds, as their respective interests may appear, and to pay all premiums therefor and deliver copies of policies and evidence of renewal to RBC on request;

(g) to prevent Collateral, save Inventory sold or leased as permitted hereby, from being or becoming an accession to other property not covered by this Security Agreement;

(h) to carry on and conduct the business of Debtor in a proper and efficient manner and so as to protect and preserve Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for Debtor's business as well as accurate and complete records concerning Collateral, and mark any and all such records and Collateral at RBC's request so as to indicate the Security Interest;

(i) to deliver to RBC from time to time promptly upon request:

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- (i) any Documents of Title, Instruments, Securities and Chattel Paper constituting, representing or relating to Collateral,
- (ii) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings relating to Collateral for the purpose of inspecting, auditing or copying the same,
- (iii) all financial statements prepared by or for Debtor regarding Debtor's business,
- (iv) all policies and certificates of insurance relating to Collateral, and
- (v) such information concerning Collateral, the Debtor and Debtor's business and affairs as RBC may reasonably request.

## 5. USE AND VERIFICATION OF COLLATERAL

Subject to compliance with Debtor's covenants contained herein and Clause 7 hereof, Debtor may, until default, possess, operate, collect, use and enjoy and deal with Collateral in the ordinary course of Debtor's business in any manner not inconsistent with the provisions hereof; provided always that RBC shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner RBC may consider appropriate and Debtor agrees to furnish all assistance and information and to perform all such acts as RBC may reasonably request in connection therewith and for such purpose to grant to RBC or its agents access to all places where Collateral may be located and to all premises occupied by Debtor.

## 6. SECURITIES, INVESTMENT PROPERTY

If Collateral at any time includes Securities, Debtor authorizes RBC to transfer the same or any part thereof into its own name or that of its nominee(s) so that RBC or its nominee(s) may appear of record as the sole owner thereof; provided that, until default, RBC shall deliver promptly to Debtor all notices or other communications received by it or its nominee(s) as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall issue to Debtor or its order a proxy to vote and take all action with respect to such Securities. After default, Debtor waives all rights to receive any notices or communications received by RBC or its nominee(s) as such registered owner and agrees that no proxy issued by RBC to Debtor or its order as aforesaid shall thereafter be effective.

Where any Investment Property is held in or credited to an account that has been established with a securities intermediary, RBC may, at any time after default, give a notice of exclusive control to any such securities intermediary with respect to such Investment Property.

## 7. COLLECTION OF DEBTS

Before or after default under this Security Agreement, RBC may notify all or any Account Debtors of the Security Interest and may also direct such Account Debtors to make all payments on Collateral to RBC. Debtor acknowledges that any payments on or other proceeds of Collateral received by Debtor from Account Debtors, whether before or after notification of this Security Interest to Account Debtors and whether before or after default under this Security Agreement, shall be received and held by Debtor in trust for RBC and shall be turned over to RBC upon request.

## 8. INCOME FROM AND INTEREST ON COLLATERAL

(a) Until default, Debtor reserves the right to receive any Money constituting income from or interest on Collateral and if RBC receives any such Money prior to default, RBC shall either credit the same against the Indebtedness or pay the same promptly to Debtor.

(b) After default, Debtor will not request or receive any Money constituting income from or interest on Collateral and if

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Debtor receives any such Money without any request by it, Debtor will pay the same promptly to RBC.

## 9. INCREASES, PROFITS, PAYMENTS OR DISTRIBUTIONS

(a) Whether or not default has occurred, Debtor authorizes RBC;

- (i) to receive any increase in or profits on Collateral (other than Money) and to hold the same as part of Collateral. Money so received shall be treated as income for the purposes of Clause 8 hereof and dealt with accordingly;
- (ii) to receive any payment or distribution upon redemption or retirement or upon dissolution and liquidation of the issuer of Collateral; to surrender such Collateral in exchange therefor and to hold any such payment or distribution as part of Collateral.

(b) If Debtor receives any such increase or profits (other than Money) or payments or distributions, Debtor will deliver the same promptly to RBC to be held by RBC as herein provided.

## 10. DISPOSITION OF MONEY

Subject to any applicable requirements of the P.P.S.A., all Money collected or received by RBC pursuant to or in exercise of any right it possesses with respect to Collateral shall be applied on account of Indebtedness in such manner as RBC deems best or, at the option of RBC, may be held unappropriate in a collateral account or released to Debtor, all without prejudice to the liability of Debtor or the rights of RBC hereunder, and any surplus shall be accounted for as required by law.

## 11. EVENTS OF DEFAULT

The happening of any of the following events or conditions shall constitute default hereunder which is herein referred to as "default":

(a) the nonpayment when due, whether by acceleration or otherwise, of any principal or interest forming part of Indebtedness or the failure of Debtor to observe or perform any obligation, covenant, term, provision or condition contained in this Security Agreement or any other agreement between Debtor and RBC;

(b) the death of or a declaration of incompetency by a court of competent jurisdiction with respect to Debtor, if an individual;

(c) the bankruptcy or insolvency of Debtor; the filing against Debtor of a petition in bankruptcy; the making of an assignment for the benefit of creditors by Debtor; the appointment of a receiver or trustee for Debtor or for any assets of Debtor or the institution by or against Debtor of any other type of insolvency proceeding under the Bankruptcy and Insolvency Act or otherwise;

(d) the institution by or against Debtor of any formal or informal proceeding for the dissolution or liquidation of, settlement of claims against or winding up of affairs of Debtor;

(e) if any Encumbrance affecting Collateral becomes enforceable against Collateral;

(f) if Debtor ceases or threatens to cease to carry on business or makes or agrees to make a bulk sale of assets without complying with applicable law or commits or threatens to commit an act of bankruptcy;

(g) if any execution, sequestration, extent or other process of any court becomes enforceable against Debtor or if distress or analogous process is levied upon the assets of Debtor or any part thereof;

(h) if any certificate, statement, representation, warranty or audit report heretofore or hereafter furnished by or on behalf of Debtor pursuant to or in connection with this Security Agreement, or otherwise (including, without limitation, the

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representations and warranties contained herein) or as an inducement to RBC to extend any credit to or to enter into this or any other agreement with Debtor, proves to have been false in any material respect at the time as of which the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against Debtor; or if upon the date of execution of this Security Agreement, there shall have been any material adverse change in any of the facts disclosed by any such certificate, representation, statement, warranty or audit report, which change shall not have been disclosed to RBC at or prior to the time of such execution.

## 12. ACCELERATION

RBC, in its sole discretion, may declare all or any part of Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind, in the event of default, or if RBC considers itself insecure or that the Collateral is in jeopardy. The provisions of this clause are not intended in any way to affect any rights of RBC with respect to any Indebtedness which may now or hereafter be payable on demand.

## 13. REMEDIES

(a) Upon default, RBC may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of RBC or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his/her stead. Any such Receiver shall, so far as concerns responsibility for his/her acts, be deemed the agent of Debtor and not RBC, and RBC shall not be in any way responsible for any misconduct, negligence or non-feasance on the part of any such Receiver, his/her servants, agents or employees. Subject to the provisions of the instrument appointing him/her, any such Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of Debtor and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including Debtor, enter upon, use and occupy all premises owned or occupied by Debtor wherein Collateral may be situate, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use Collateral directly in carrying on Debtor's business or as security for loans or advances to enable the Receiver to carry on Debtor's business or otherwise, as such Receiver shall, in its discretion, determine. Except as may be otherwise directed by RBC, all Money received from time to time by such Receiver in carrying out his/her appointment shall be received in trust for and paid over to RBC. Every such Receiver may, in the discretion of RBC, be vested with all or any of the rights and powers of RBC.

(b) Upon default, RBC may, either directly or through its agents or nominees, exercise any or all of the powers and rights given to a Receiver by virtue of the foregoing sub-clause (a).

(c) RBC may take possession of, collect, demand, sue on, enforce, recover and receive Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default, RBC may sell, license, lease or otherwise dispose of Collateral in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to RBC may seem reasonable.

(d) In addition to those rights granted herein and in any other agreement now or hereafter in effect between Debtor and RBC and in addition to any other rights RBC may have at law or in equity, RBC shall have, both before and after default, all rights and remedies of a secured party under the P.P.S.A. Provided always, that RBC shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, license or otherwise dispose of Collateral or to institute any proceedings for such purposes. Furthermore, RBC shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Collateral or proceeds and whether or not in RBC's possession and shall not be liable or accountable for failure to do so.

(e) Debtor acknowledges that RBC or any Receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and Debtor agrees upon request from RBC or any such Receiver to assemble and deliver possession of Collateral at such place or places as directed.

(f) Debtor agrees to be liable for and to pay all costs, charges and expenses reasonably incurred by RBC or any

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Receiver appointed by it, whether directly or for services rendered (including reasonable solicitors and auditors costs and other legal expenses and Receiver remuneration), in operating Debtor's accounts, in preparing or enforcing this Security Agreement, taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral and in enforcing or collecting Indebtedness and all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by RBC or any Receiver appointed by it, as permitted hereby, shall be a first charge on the proceeds of realization, collection or disposition of Collateral and shall be secured hereby.

(g) RBC will give Debtor such notice, if any, of the date, time and place of any public sale or of the date after which any private disposition of Collateral is to be made as may be required by the P.P.S.A..

(h) Upon default and receiving written demand from RBC, Debtor shall take such further action as may be necessary to evidence and effect an assignment or licensing of Intellectual Property to whomever RBC directs, including to RBC. Debtor appoints any officer or director or branch manager of RBC upon default to be its attorney in accordance with applicable legislation with full power of substitution and to do on Debtor's behalf anything that is required to assign, license or transfer, and to record any assignment, licence or transfer of the Collateral. This power of attorney, which is coupled with an interest, is irrevocable until the release or discharge of the Security Interest.

#### 14. MISCELLANEOUS

(a) Debtor hereby authorizes RBC to file such financing statements, financing change statements and other documents and do such acts, matters and things (including completing and adding schedules hereto identifying Collateral or any permitted Encumbrances affecting Collateral or identifying the locations at which Debtor's business is carried on and Collateral and records relating thereto are situate) as RBC may deem appropriate to perfect on an ongoing basis and continue the Security Interest, to protect and preserve Collateral and to realize upon the Security Interest and Debtor hereby irrevocably constitutes and appoints the Manager or Acting Manager from time to time of the herein mentioned branch of RBC the true and lawful attorney of Debtor, with full power of substitution, to do any of the foregoing in the name of Debtor whenever and wherever it may be deemed necessary or expedient.

(b) Without limiting any other right of RBC, whenever Indebtedness is immediately due and payable or RBC has the right to declare Indebtedness to be immediately due and payable (whether or not it has so declared), RBC may, in its sole discretion, set off against Indebtedness any and all amounts then owed to Debtor by RBC in any capacity, whether or not due, and RBC shall be deemed to have exercised such right to set off immediately at the time of making its decision to do so even though any charge therefor is made or entered on RBC's records subsequent thereto.

(c) Upon Debtor's failure to perform any of its duties hereunder, RBC may, but shall not be obligated to, perform any or all of such duties, and Debtor shall pay to RBC, forthwith upon written demand therefor, an amount equal to the expense incurred by RBC in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate of 15% per annum.

(d) RBC may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with Debtor, debtors of Debtor, sureties and others and with Collateral and other security as RBC may see fit without prejudice to the liability of Debtor or RBC's right to hold and realize the Security Interest. Furthermore, RBC may demand, collect and sue on Collateral in either Debtor's or RBC's name, at RBC's option, and may endorse Debtor's name on any and all cheques, commercial paper, and any other Instruments pertaining to or constituting Collateral.

(e) No delay or omission by RBC in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, RBC may remedy any default by Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by Debtor. All rights and remedies of RBC granted or recognized herein are cumulative and may be exercised at any time and from time to time independently or in combination.

(f) Debtor waives protest of any Instrument constituting Collateral at any time held by RBC on which Debtor is in any way liable and, subject to Clause 13(g) hereof, notice of any other action taken by RBC.

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(g) This Security Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns. In any action brought by an assignee of this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, Debtor shall not assert against the assignee any claim or defence which Debtor now has or hereafter may have against RBC. If more than one Debtor executes this Security Agreement the obligations of such Debtors hereunder shall be joint and several.

(h) RBC may provide any financial and other information it has about Debtor, the Security Interest and the Collateral to any one acquiring or who may acquire an interest in the Security Interest or the Collateral from the Bank or any one acting on behalf of the Bank.

(i) Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written agreement, executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.

(j) Subject to the requirements of Clauses 13(g) and 14(k) hereof, whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given, in the case of RBC, if delivered to it or sent by prepaid registered mail addressed to it at its address herein set forth or as changed pursuant hereto, and, in the case of Debtor, if delivered to it or if sent by prepaid registered mail addressed to it at its last address known to RBC. Either party may notify the other pursuant hereto of any change in such party's principal address to be used for the purposes hereof.

(k) This Security Agreement and the security afforded hereby is in addition to and not in substitution for any other security now or hereafter held by RBC and is intended to be a continuing Security Agreement and shall remain in full force and effect until the Manager or Acting Manager from time to time of the herein mentioned branch of RBC shall actually receive written notice of its discontinuance; and, notwithstanding such notice, shall remain in full force and effect thereafter until all Indebtedness contracted for or created before the receipt of such notice by RBC, and any extensions or renewals thereof (whether made before or after receipt of such notice) together with interest accruing thereon after such notice, shall be paid in full.

(l) The headings used in this Security Agreement are for convenience only and are not be considered a part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.

(m) When the context so requires, the singular number shall be read as if the plural were expressed and the provisions hereof shall be read with all grammatical changes necessary dependent upon the person referred to being a male, female, firm or corporation.

(n) In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

(o) Nothing herein contained shall in any way obligate RBC to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness.

(p) The Security Interest created hereby is intended to attach when this Security Agreement is signed by Debtor and delivered to RBC.

(q) Debtor acknowledges and agrees that in the event it amalgamates with any other company or companies it is the intention of the parties hereto that the term "Debtor" when used herein shall apply to each of the amalgamating companies and to the amalgamated company, such that the Security Interest granted hereby

(i) shall extend to "Collateral" (as that term is herein defined) owned by each of the amalgamating companies and the amalgamated company at the time of amalgamation and to any "Collateral" thereafter owned or acquired by the amalgamated company, and

(ii) shall secure the "Indebtedness" (as that term is herein defined) of each of the amalgamating companies and the amalgamated company to RBC at the time of amalgamation and any "Indebtedness" of the amalgamated company to

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RBC thereafter arising. The Security Interest shall attach to "Collateral" owned by each company amalgamating with Debtor, and by the amalgamated company, at the time of the amalgamation, and shall attach to any "Collateral" thereafter owned or acquired by the amalgamated company when such becomes owned or is acquired.

(r) In the event that Debtor is a body corporate, it is hereby agreed that The Limitation of Civil Rights Act of the Province of Saskatchewan, or any provision thereof, shall have no application to this Security Agreement or any agreement or instrument renewing or extending or collateral to this Security Agreement. In the event that Debtor is an agricultural corporation within the meaning of The Saskatchewan Farm Security Act, Debtor agrees with RBC that all of Part IV (other than Section 46) of that Act shall not apply to Debtor.

(s) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the province in which the herein branch of RBC is located, as those laws may from time to time be in effect, except if such branch of RBC is located in Quebec then, this Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

## 15. COPY OF AGREEMENT

(a) Debtor hereby acknowledges receipt of a copy of this Security Agreement.

(b) Debtor waives Debtor's right to receive a copy of any financing statement or financing change statement registered by RBC or of any verification statement with respect to any financing statement or financing change statement registered by RBC. (Applies in all P.P.S.A. Provinces except Ontario).

16. Debtor represents and warrants that the following information is accurate:

### BUSINESS DEBTOR

NAME OF BUSINESS DEBTOR MUSKOKA GROWN LIMITED			
ADDRESS OF BUSINESS DEBTOR 50A KEITH RD	CITY BRACEBRIDGE	PROVINCE ONTARIO	POSTAL CODE P1L1T6

IN WITNESS WHEREOF Debtor has executed this Security Agreement this 29 day MAY / 2019.

MUSKOKA GROWN LIMITED

WITNESSES

WITNESSES

Seal

Seal

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**SCHEDULE "A"**  
**(ENCUMBRANCES AFFECTING COLLATERAL)**

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**SCHEDULE "B"****1. Locations of Debtor's Business Operations**

50A KEITH RD,  
BRACEBRIDGE  
ONTARIO  
CA  
P1L1T6

**2. Locations of Records relating to Collateral**

50A KEITH RD,  
BRACEBRIDGE  
ONTARIO  
CA  
P1L1T6

**3. Locations of Collateral**

50A KEITH RD,  
BRACEBRIDGE  
ONTARIO  
CA  
P1L1T6

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**SCHEDULE "C"**  
**(DESCRIPTION OF PROPERTY)**

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*This is Exhibit* “P” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Neims*



Royal Bank of Canada

## Guarantee and Postponement of Claim

SRF: 335898391  
 Borrower: MUSKOKA GROWN LIMITED

5 COLLIER ST  
 2ND FLR  
 BARRIE  
 ONTARIO  
 L4M 1G4  
 CA

### TO: ROYAL BANK OF CANADA

FOR VALUABLE CONSIDERATION, receipt whereof is hereby acknowledged, the undersigned and each of them (if more than one) hereby jointly and severally guarantee(s) payment on demand to Royal Bank of Canada (hereinafter called the "Bank") of all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by **MUSKOKA GROWN LIMITED** (hereinafter called the "Customer") to the Bank or remaining unpaid by the Customer to the Bank, heretofore or hereafter incurred or arising and whether incurred by or arising from agreement or dealings between the Bank and the Customer or by or from any agreement or dealings with any third party by which the Bank may be or become in any manner whatsoever a creditor of the Customer or however otherwise incurred or arising anywhere within or outside the country where this guarantee is executed and whether the Customer be bound alone or with another or others and whether as principal or surety (such debts and liabilities being hereinafter called the "Liabilities"); the liability of the undersigned hereunder being limited to the sum of **\$2,000,000.00** together with interest thereon from the date of demand for payment at a rate equal to the **Bank's Prime Interest Rate plus 5.00 percent per annum** as well after as before default and judgment.

AND THE UNDERSIGNED AND EACH OF THEM (IF MORE THAN ONE) HEREBY JOINTLY AND SEVERALLY AGREE(S) WITH THE BANK AS FOLLOWS:

(1) The Bank may grant time, renewals, extensions, indulgences, releases and discharges to, take securities (which word as used herein includes securities taken by the Bank from the Customer and others, monies which the Customer has on deposit with the Bank, other assets of the Customer held by the Bank in safekeeping or otherwise, and other guarantees) from and give the same and any or all existing securities up to, abstain from taking securities from, or perfecting securities of, cease or refrain from giving credit or making loans or advances to, or change any term or condition applicable to the Liabilities, including without limitation, the rate of interest or maturity date, if any, or introduce new terms and conditions with regard to the Liabilities, or accept compositions from and otherwise deal with, the Customer and others and with all securities as the Bank may see fit, and may apply all moneys at any time received from the Customer or others or from securities upon such part of the Liabilities as the Bank deems best and change any such application in whole or in part from time to time as the Bank may see fit, the whole without in any way limiting or lessening the liability of the undersigned under this guarantee, and no loss of or in respect of any securities received by the Bank from the Customer or others, whether occasioned by the fault of the Bank or otherwise, shall in any way limit or lessen the liability of the undersigned under this guarantee.

(2) This guarantee shall be a continuing guarantee and shall cover all the Liabilities, and it shall apply to and secure any ultimate balance due or remaining unpaid to the Bank.

(3) The Bank shall not be bound to exhaust its recourse against the Customer or others or any securities it may at any time hold before being entitled to payment from the undersigned of the Liabilities. The undersigned renounce(s) to all benefits of discussion and division.

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(4) The undersigned or any of them may, by notice in writing delivered to the Manager of the branch or agency of the Bank receiving this instrument, with effect from and after the date that is 30 days following the date of receipt by the Bank of such notice, determine their or his/her liability under this guarantee in respect of Liabilities thereafter incurred or arising but not in respect of any Liabilities theretofore incurred or arising even though not then matured, provided, however, that notwithstanding receipt of any such notice the Bank may fulfil any requirements of the Customer based on agreements express or implied made prior to the receipt of such notice and any resulting Liabilities shall be covered by this guarantee; and provided further that in the event of the determination of this guarantee as to one or more of the undersigned it shall remain a continuing guarantee as to the other or others of the undersigned.

(5) All indebtedness and liability, present and future, of the customer to the undersigned or any of them are hereby assigned to the Bank and postponed to the Liabilities, and all moneys received by the undersigned or any of them in respect thereof shall be received in trust for the Bank and forthwith upon receipt shall be paid over to the Bank, the whole without in any way limiting or lessening the liability of the undersigned under the foregoing guarantee; and this assignment and postponement is independent of the said guarantee and shall remain in full effect notwithstanding that the liability of the undersigned or any of them under the said guarantee may be extinct. The term "Liabilities", as previously defined, for purposes of the postponement feature provided by this agreement, and this section in particular, includes any funds advanced or held at the disposal of the Customer under any line(s) of credit.

(6) This guarantee and agreement shall not be affected by the death or loss or diminution of capacity of the undersigned or any of them or by any change in the name of the Customer or in the membership of the Customer's firm through the death or retirement of one or more partners or the introduction of one or more other partners or otherwise, or by the acquisition of the Customer's business by a corporation, or by any change whatsoever in the objects, capital structure or constitution of the Customer, or by the Customer's business being amalgamated with a corporation, but shall notwithstanding the happening of any such event continue to apply to all the Liabilities whether theretofore or thereafter incurred or arising and in this instrument the word "Customer" shall include every such firm and corporation.

(7) This guarantee shall not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Bank, and all dividends, compositions, proceeds of security valued and payments received by the Bank from the Customer or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of the undersigned to claim in reduction of the liability under this guarantee the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Bank or proceeds thereof, and the undersigned shall have no right to be subrogated in any rights of the Bank until the Bank shall have received payment in full of the Liabilities.

(8) All monies, advances, renewals, credits and credit facilities in fact borrowed or obtained from the Bank shall be deemed to form part of the Liabilities, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Customer or of the directors, partners or agents of the Customer, or that the Customer may not be a legal or suable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals, credits or credit facilities, or any other reason, similar or not, the whole whether known to the Bank or not. Any sum which may not be recoverable from the undersigned on the footing of a guarantee, whether for the reasons set out in the previous sentence, or for any other reason, similar or not, shall be recoverable from the undersigned and each of them as sole or principal debtor in respect of that sum, and shall be paid to the Bank on demand with interest and accessories.

(9) This guarantee is in addition to and not in substitution for any other guarantee, by whomsoever given, at any time held by the Bank, and any present or future obligation to the Bank incurred or arising otherwise than under a guarantee, of the undersigned or any of them or of any other obligant, whether bound with or apart from the Customer; excepting any guarantee surrendered for cancellation on delivery of this instrument or confirmed in writing by the Bank to be cancelled.

(10) The undersigned and each of them shall be bound by any account settled between the Bank and the Customer, and if no such account has been so settled immediately before demand for payment under this guarantee any account stated by the Bank shall be accepted by the undersigned and each of them as conclusive evidence of the amount which at the date of the account so stated is due by the Customer to the Bank or remains unpaid by the Customer to the Bank.

(11) This guarantee and agreement shall be operative and binding upon every signatory thereof notwithstanding the non-execution thereof by any other proposed signatory or signatories, and possession of this instrument by the Bank shall

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be conclusive evidence against the undersigned and each of them that this instrument was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with, unless at the time of receipt of this instrument by the Bank each signatory thereof obtains from the Manager of the branch or agency of the Bank receiving this instrument a letter setting out the terms and conditions under which this instrument was delivered and the conditions, if any, to be observed before it becomes effective.

(12) No suit based on this guarantee shall be instituted until demand for payment has been made, and demand for payment shall be deemed to have been effectually made upon any guarantor if and when an envelope containing such demand, addressed to such guarantor at the address of such guarantor last known to the Bank, is posted, postage prepaid, in the post office, and in the event of the death of any guarantor demand for payment addressed to any of such guarantor's heirs, executors, administrators or legal representatives at the address of the addressee last known to the Bank and posted as aforesaid shall be deemed to have been effectually made upon all of them. Moreover, when demand for payment has been made, the undersigned shall also be liable to the Bank for all legal costs (on a solicitor and own client basis) incurred by or on behalf of the Bank resulting from any action instituted on the basis of this guarantee. All payments hereunder shall be made to the Bank at a branch or agency of the Bank.

(13) This instrument covers all agreements between the parties hereto relative to this guarantee and assignment and postponement, and none of the parties shall be bound by any representation or promise made by any person relative thereto which is not embodied herein.

(14) This guarantee and agreement shall extend to and enure to the benefit of the Bank and its successors and assigns, an every reference herein to the undersigned or to each of them or to any of them, is a reference to and shall be construed as including the undersigned and the heirs, executors, administrators, legal representatives, successors and assigns of the undersigned or of each of them or of any of them, as the case may be, to and upon all of whom this guarantee and agreement shall extend and be binding.

(15) Prime Interest Rate is the annual rate of interest announced from time to time by Royal Bank of Canada as a reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada.

(16) This Guarantee and Postponement of Claim shall be governed by and construed in accordance with the laws of the province of ONTARIO ("Jurisdiction"). The undersigned irrevocably submits to the courts of the Jurisdiction in any action or proceeding arising out of or relating to this Guarantee and Postponement of Claim, and irrevocably agrees that all such actions and proceedings may be heard and determined in such courts, and irrevocably waives, to the fullest extent possible, the defense of an inconvenient forum. The undersigned agrees that a judgment or order in any such action or proceeding may be enforced in other jurisdictions in any manner provided by law. Provided, however, that the Bank may serve legal process in any manner permitted by law or may bring an action or proceeding against the undersigned or the property or assets of the undersigned in the courts of any other jurisdiction.

(17) The Undersigned hereby acknowledges receipt of a copy of this agreement.

(Applicable in all P.P.S.A. except Ontario.) (18) The Undersigned hereby waives Undersigned's right to receive a copy of any Financing Statement or Financing Change Statement registered by the Bank.

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EXECUTED this

Aug 2nd 2019  
0 (MONTH) 0 (DAY) 19 (YEAR)

262

IN THE PRESENCE OF

Witness Signature:

MELONIE FRIESEN  
Name:

ARTHUR ZWINGENBERGER

Insert the full name and address of Guarantor (Undersigned above).

Full name and address

ARTHUR ZWINGENBERGER  
105-1440 DON MILLS RD.  
NORTH YORK  
ONTARIO  
M3B 3M1  
CA

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® Registered trademark of Royal Bank of Canada

E-Form 00812 (2013/10)

4 of 4

*This is Exhibit* “Q” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Arden Nelms*





# Royal Bank of Canada

## Cash Collateral Agreement

SRF: 335898391  
Borrower: MUSKOKA GROWN LIMITED

5 COLLIER ST  
2ND FLR  
BARRIE  
ONTARIO  
L4M 1G4  
CA

**To: ROYAL BANK OF CANADA ("Bank")  
ROYAL BANK MORTGAGE CORPORATION ("RBMC")  
ROYAL TRUST CORPORATION OF CANADA ("RTCC")  
THE ROYAL TRUST COMPANY ("RTC")**

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the undersigned (the "Customer") hereby agrees with the Bank and with the Deposit Holder (defined below), with respect to all amounts ("Amounts") now or hereafter standing to the credit of the Customer as a result of any deposits or other credits made before, on or after the date of this agreement to any accounts described in Schedule "A" to this agreement and in any additional Schedule from time to time added to this agreement and all renewals thereof, substitutions therefore, accretions thereto and proceeds thereof (the "Collateral Accounts") maintained in the name of the Customer at the branch of the Deposit Holder referred to below that:

1. (a) In this agreement, "Liabilities" means all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or not, of the Customer to the Bank whether arising within or outside Canada and whether arising from any agreement or dealings between the Bank and the Customer or from any agreement or dealings with any third person by which the Bank may be or become in any manner whatsoever a creditor of the Customer or however otherwise incurred or arising, and whether the Customer be bound alone or with another or others and whether as principal or surety, including without in any way limiting or restricting the generality of the foregoing, all debts, liabilities and obligations of the Customer to the Bank arising out of or in respect of (i) any loans or advances heretofore or hereafter made by the Bank, (ii) any letter of credit heretofore or hereafter issued by the Bank, and (iii) any agreement or instrument or any endorsement thereon (a "Guarantee") heretofore or hereafter entered into by the Customer whereby the Customer guarantees the payment or fulfillment of debts or obligations of any other party (each and every such other party a "Third Party") to the Bank.

(b) In this agreement, "Deposit Holder" is the Bank, RBMC, RTCC or RTC, as the case may be, shown on any Schedule A to this agreement as the party with which one or more Collateral Accounts are maintained.

2. In this agreement, a "Default" will occur if the Customer fails to pay or satisfy all or any part of the Liabilities when due, or if the Customer assigns, transfers, grants a security interest in or otherwise deals with any Amounts, or if a writ of execution or garnishment or any similar or analogous writ, process or proceeding is issued against or in respect of the Customer, or if the Customer commits or threatens to commit any act of bankruptcy or becomes insolvent, or if any bankruptcy, receivership, liquidation, debt restructuring, corporate reorganization or similar proceedings involving the Customer are commenced or applied for by or against the Customer, or if a receiver or other person with like powers is appointed in respect of the Customer or if any encumbrancer takes possession of any of the properties or assets of the Customer or if the Customer dies or is declared incompetent.

3. Whenever and so long as any Liabilities exist:

(a) the Deposit Holder will not be indebted or liable to the Customer in respect of any Amounts, which Amounts shall not be due or payable; and

(b) the Customer shall have no right to withdraw any moneys from the Collateral Accounts or to draw any cheques or

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drafts or other orders for the payment of money to be charged against the Collateral Accounts, or to assign, transfer, grant a security interest in or otherwise deal with any Amounts, or any part thereof.

On or after a Default, the Bank may by written declaration permanently extinguish any obligation the Deposit Holder may have to ever repay all or any part of the Amounts. If such a declaration is given an equal amount of the Liabilities (which part shall be designated by the Bank) shall be deemed to have been satisfied.

4. On or after Default the Bank may apply all or any of the Amounts by way of co-mingling of accounts or set off, against and in reduction or extinction of all or any part of the Liabilities, all as the Bank may see fit, whether or not those amounts are due and payable.

5. The Customer hereby assigns, transfers and sets over and grants a security interest to and in favour of the Bank in the Amounts, as general and continuing collateral security for the payment and fulfillment of the Liabilities. On or after Default, the Bank may apply the Amounts or any part thereof against and in reduction or extinction of all or any part of the Liabilities, all as the Bank may see fit.

6. Upon Default:

- (a) all the Liabilities shall, immediately prior to the happening of the Default, be and become immediately due and payable;
- (b) the Customer shall immediately be and become directly indebted and liable to the Bank as a principal debtor in respect of all liabilities and obligations then existing or thereafter arising under or by virtue of each and every Guarantee; and
- (c) the Bank shall be entitled as and when it sees fit and without prior notice to the Customer or demand for payment of the Liabilities (except as may be required by any applicable statute), and is hereby irrevocably authorized and empowered, to immediately exercise any or all of its rights and remedies under this agreement.

7. The Bank and the Deposit Holder are authorized and shall be entitled to make such debits, credits, correcting entries, and other entries to the Customer's accounts and the Bank's and the Deposit Holder's records relating to the Customer as they regard as desirable in order to give effect to the Bank's rights hereunder and in particular its rights under paragraphs (3), (4) and (5), and the Customer agrees to be bound by such entries absent manifest error. Without limiting the foregoing, Amounts standing to the credit of any Collateral Accounts with the Deposit Holder may be transferred to the Bank.

8. The Customer shall remain liable for any part of the Liabilities remaining unsatisfied following any exercise of any of the Bank's rights under this agreement.

9. As further evidence of its rights, the Bank may require the Customer to lodge with the Bank any certificates or other written evidence of the Amounts issued by the Deposit Holder, but any failure of the Bank to require such documents to be lodged shall not prejudice or diminish the Bank's rights under this agreement.

10. The Bank may grant time, renewals, extensions, indulgences, releases and discharges to, take securities (which word as used includes guarantees) from and give the same and any or all existing securities up to, abstain from taking securities from or from perfecting securities of, cease or refrain from giving credit or making loans or advances to, accept compositions from and otherwise deal with any Third Party or other party and with all securities as the Bank may see fit, and may apply all moneys at any time received from any Third Party or other party or from securities upon such part of the debts or liabilities of such Third Party or other party to the Bank as the Bank may see fit and change any such application in whole or in part from time to time as the Bank may see fit, the whole without in any way limiting or lessening the rights and powers of the Bank to hold and deal with those Amounts now and hereafter on deposit in the Collateral Accounts in the manner provided for in this agreement.

11. No loss of or in respect of any securities received by the Bank from any Third Party or other party, whether occasioned by the fault of the Bank or otherwise, shall in any way limit or lessen the rights and powers of the Bank to hold and deal with the Amounts now and hereafter on deposit in the Collateral Accounts in the manner provided for in this agreement.

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12. The Bank shall not be bound to exercise any of its rights or remedies against any Third Party or other party or in respect of any securities that it may at any time hold before being entitled to appropriate and apply all or any portion of the Amounts for the purpose and in the manner provided for in this agreement.

13. In the event that at any time or from time to time the moneys on deposit in any Collateral Account are in a currency ("Deposit Currency") different from the currency ("Liabilities Currency") of any of the Liabilities, then for the purposes of this agreement the rate of exchange between the currencies shall be the Bank's current rate of exchange for converting the Deposit Currency to the Liabilities Currency.

14. For greater certainty, "Amounts" includes without limitation all interest on deposits and all other accretions and additions to those deposits, and all term deposits, renewals of term deposits, replacements or substitutions therefor and other certificates or evidence of debt.

15. The Bank's rights and remedies under this agreement are in addition to, not in substitution for, any other rights and remedies the Bank may have at any time, including without limitation any rights and remedies arising at common law, in equity, under statute, or pursuant to any contract with or security granted by the Customer. In the case of any conflict between this agreement and the terms of any agreement governing the operation of any of the Collateral Accounts, the terms of this agreement shall prevail.

16. The provisions of paragraphs (3), (4) and (5) are intended to operate independently, and in the event that any of those provisions or any other provision of this agreement shall be held invalid or void, the remaining terms and provisions hereof shall remain in full force and effect.

17. This agreement shall be a continuing agreement and shall have effect whenever and so often as any Liabilities exist.

18. This agreement shall be governed by and construed in accordance with the laws of the Province in which the branch of the Bank referred to in this agreement is located.

19. If the Customer is a corporation and it at any time amalgamates with another corporation or corporations, the term "Customer" shall thereafter include each of the amalgamating corporations and the amalgamated corporation, such that "Amounts" shall include without limitation amounts standing to the credit of the original Customer or the amalgamated corporation in any account(s) described in Schedule "A" to this agreement or any additional Schedule from time to time added hereto, and "Liabilities" shall include without limitation all the "Liabilities" of each of the amalgamating corporations at the time of the amalgamation and of the amalgamated corporation thereafter arising.

20. This agreement shall extend to and be binding on and enure to the benefit of the Bank, the Deposit Holder and the Customer and their heirs, executors, administrators, legal representatives, successors and assigns and each of them. If there is more than one Customer, the obligations of each Customer under this agreement shall be joint and several.

21. The Customer acknowledges receipt of a copy of this agreement.

22. The Customer represents and warrants that the following information is accurate:

#### INDIVIDUAL DEBTOR

NAME OF INDIVIDUAL DEBTOR ARTHUR ZWINGENBERGER			DATE OF BIRTH YEAR MONTH DAY 1941/Jan/15
ADDRESS OF INDIVIDUAL DEBTOR 105-1440 DON MILLS RD.	CITY NORTH YORK	PROVINCE ONTARIO	POSTAL CODE M3B 3M1

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23. The Customer waives the Customer's right to receive a copy of any financing statement or financing change<sup>267</sup> statement registered by the Bank, or of any verification statement with respect to any financing statement registered by the Bank.

24. The Customer agrees to pay all costs for searches and filings in connection with this agreement.

IN WITNESS WHEREOF this agreement has been executed at Toronto

this Aug 2nd 2014  
(MONTH) (DAY) (YEAR)



Witnesses  
MELONIE FRIESEN



ARTHUR ZWINGENBERGER

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**SCHEDULE "A"**  
**(COLLATERAL ACCOUNTS)**

1.	TYPE OF ACCOUNT	NON REDEEMABLE GIC
	ACCOUNT NUMBER	RBC 00180194192
	DEPOSIT HOLDER	ARTHUR ZWINGENBERGER

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*This is Exhibit* “R” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Ndms*



---

**SECOND LIEN SECURED CONVERTIBLE DEBENTURE INDENTURE**

**Effective as of the 1st day of March, 2020**

**Between**

**MUSKOKA GROWN LIMITED**

**AND**

**THE DEBENTUREHOLDERS SET FORTH ON SCHEDULE A-1**

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## SECOND LIEN SECURED CONVERTIBLE DEBENTURE INDENTURE

This Agreement is effective as of the 1st day of March, 2020, between

**MUSKOKA GROWN LIMITED**, a corporation existing under the laws of Ontario (hereinafter called **Muskoka** or the **Corporation**)

and

the Debentureholders set forth on Schedule A-1, each of whom has executed a subscription agreement

### WITNESSETH THAT:

**WHEREAS** the Corporation wishes to create and issue the Debentures in the manner and subject to the terms and conditions of this Indenture;

**NOW THEREFORE THIS INDENTURE WITNESSES** that in consideration of the respective covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Corporation and the Debentureholders covenant and agree as follows:

### Article 1 INTERPRETATION

#### 1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) **this Indenture, this Convertible Debenture Indenture, hereto, herein, hereby, hereunder, hereof** and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) **Applicable Law** means all current constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations, and bylaws of any Governmental Entity, and the common law, each having the force of law and which are binding on any Person, property or matter referred to in the context in which such words are used;
- (c) **Applicable Period** means any period announced by the Board of Directors as a period of time for which a cash dividend or distribution will be declared and paid by the Corporation to the holders of all or substantially all of the outstanding Common Shares;
- (d) **Applicable Securities Legislation** means applicable securities laws (including rules, regulations, policies and instruments) in each of the provinces of Canada;
- (e) **Auditors of the Corporation** means an independent firm of chartered accountants duly appointed as auditors of the Corporation;
- (f) **Board of Directors** means the board of directors of the Corporation or any committee thereof acting on the authority of the board of directors of the Corporation;

- (g) **Business Day** means any day other than a Saturday, Sunday or any other day that Canadian Chartered Banks located in, Toronto, Ontario are not generally open for business;
- (h) **Canadian Securities Authorities** means the securities regulatory authorities in each of the other Provinces and Territories of Canada where the Corporation is a reporting issuer, as applicable.
- (i) **Capital Stock** of any Person means any and all shares, partnership interests, common shares, participations, rights in or other equivalents of, or interests in, the equity of such Person;
- (j) **Collateral** has the meaning ascribed thereto in Section 5.1.
- (k) **Common Shares** means common shares in the capital of the Corporation, as such common shares are constituted on the date hereof; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 6.5, Common Shares shall mean the shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;
- (l) **Common Share Interest Payment Election** means an election by a Holder made to the Corporation to accept in full and complete satisfaction of an Interest Obligation on the applicable Interest Payment Date that number of Common Shares equal to the amount of the Interest Obligation owing to such Holder on the Interest Payment Date divided by the Conversion Price;
- (m) **Common Share Interest Payment Election Notice** means a written notice made by the Holder to the Corporation specifying the Interest Obligation to which the election relates.
- (n) **Conversion Price** means \$1.62, as such price may be adjusted in accordance with the provisions of Section 6.5;
- (o) **Corporation** means Muskoka Grown Limited and includes any successor to or of the Corporation that shall have complied with the provisions of Article 10;
- (p) **Counsel** means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Corporation;
- (q) **Current Market Price** means the fair value of the Shares as reasonably determined by the Board of Directors;
- (r) **Date of Conversion** has the meaning ascribed thereto in Section 6.4(b) but in respect of the Initial Debentures, means the Initial Debenture Conversion Date defined in Section 2.4;



- (s) **Debentureholders or holders** means the Persons for the time being entered in the register for Debentures as registered holders of Debentures or any transferees of such Persons by endorsement or delivery, including the Debentureholders set forth on Schedule A-1;
- (t) **Debentures** means the debentures, notes or other evidence of indebtedness of the Corporation issued and certified hereunder, or deemed to be issued and certified hereunder, including, the Initial Debentures, and for the time being outstanding, whether in definitive or interim form;
- (u) **Definitive Debenture** means a certificated Debenture fully registered in the name of the holder thereof;
- (v) **Distributed Securities** has the meaning ascribed thereto in Section 6.4(e);
- (w) **Equity** means, in respect of any Person at any time, the aggregate amount of:
  - (i) the stated capital of all of the outstanding shares or other ownership interest of that Person;
  - (ii) that Person's accumulated retained earnings;
  - (iii) the amount, without duplication, of any contributed surplus all as set forth in the financial statements for that Person as at the end of its most recently completed fiscal quarter; and
  - (iv) the amount of any loans from shareholders of that Person which have been fully subordinated and postponed to the Debentures.
- (x) **Equity Interest** means, with respect to any Person, any and all present and future shares, units, trust units, partnership, membership or other interests, participations or other equivalent rights in the Person's equity or capital, however designated and whether voting or non-voting, and warrants, options or other rights to acquire any of the foregoing and securities convertible into or exchangeable for any of the foregoing;
- (y) **Event of Default** has the meaning ascribed thereto in Section 8.1;
- (z) **Extraordinary Resolution** means a resolution or instrument in writing passed or signed by the affirmative vote of the holders of not less than 66-2/3% of the principal amount of the Debentures of such series then outstanding voted on the resolution;
- (aa) **Governmental Entity** means any domestic or foreign legislative, regulatory, executive, judicial or administrative or quasi-governmental body or Person, including any applicable stock exchange and the Securities Regulators, having or purporting to have jurisdiction in the relevant circumstances.
- (bb) **IFRS** means, at any given date, International Financial Reporting Standards, which include standards and interpretations adopted by the International Accounting Standards Board, applied on a consistent basis;
- (cc) **Initial Debentures** means the Debentures designated as 8.00% Second Lien Secured Convertible Debentures and described in Section 2.4;
- (dd) **Interest Payment Date** means a date specified in a Debenture as the date on which interest on such Debenture shall become due and payable which, in the case of the

Initial Debentures, shall be September 1 and March 1 in each year commencing on September 1, 2020;

- (ee) **Interest Obligation** means the obligation of the Corporation to pay interest on the Debentures, as and when the same becomes due;
- (ff) **Liquidity Event** means:
  - (i) the Corporation (A) completing a bona-fide public offering of Common Shares under a prospectus filed with securities regulatory authorities in Canada, or under a registration statement filed with securities regulatory authorities in the United States (**Public Offering Transaction**);
  - (ii) the Corporation becoming a “reporting issuer” (as such term is defined under Applicable Law) in any province of Canada by reason of filing a non-offering prospectus (**Public Non-Offering Transaction**); or
  - (iii) the consummation of any transaction including, without limitation, any consolidation, amalgamation, merger or issue of voting shares the result of which is that any person or group of persons acting jointly or in concert for purposes of such transaction (other than the Corporation and its subsidiaries) becomes the beneficial owner, directly or indirectly, of more than 50% of the voting shares of the Corporation, measured by voting power rather than number of shares (but shall not include the creation of a holding company or similar transaction that does not involve a change in the beneficial ownership of the Corporation) (**RTO/Merger Transaction**).
- (gg) **Liquidity Event Price** means:
  - (i) in the event of a Public Offering Transaction, the price at which the shares of the Corporation are issued and sold to the public;
  - (ii) in the event of a Public Non-Offering Transaction, the price determined by dividing the number Common Shares of the Corporation issued and outstanding on the date the Corporation becomes a reporting issuer into the equity value of the Corporation at such time, as determined by the Board; or
  - (iii) in the event of an RTO/Merger Transaction, the issue price or deemed issue price of the shares of the Corporation issued to the person or group of persons acting jointly or in concert that becomes the beneficial owner, directly or indirectly, of more than 50% of the voting shares of the Corporation pursuant to the RTO/Merger Transaction.
- (hh) **Lien** means, in relation to any asset or property or right, any mortgage, debenture, deed of trust, lien, pledge, hypothec, hypothecation, encumbrance, charge, assignment by way of security, consignment, security interest, royalty interest, adverse claim, defect of title or right to set off in, on or of the asset, property or right, including any other arrangement having the effect of providing security;
- (ii) **Material** means with reference to the matter described as Material, that it would reasonably be considered to be a factor by a prudent creditor in its assessment of credit extended or to be extended to a borrower, and Materially has a corresponding meaning;

- (jj) **Material Adverse Effect** means, with respect to an event or circumstance, that it would reasonably be expected to have a material adverse effect on (a) the business, operations, property, liabilities, business prospects, financial position or operating results of the Corporation, taken as a whole, (b) the ability of the Corporation, taken as a whole, to comply with this Indenture or the Debentures, or (c) the validity or enforceability of a Material provision of this Indenture or the Debentures;
- (kk) **Maturity Account** means an account or accounts established by the Corporation for each series of Debentures issued pursuant to and in accordance with this Indenture;
- (ll) **Maturity Date** means the date specified for maturity of any Debentures;
- (mm) **Obligations** means all debts, liabilities and obligations of the Corporation to the Debentureholders, under, arising from or in connection with this Indenture and the Debentures, whether present or future, direct or indirect, absolute or contingent, matured or not, at any time owing or remaining unpaid by the Corporation in any currency, including all interest, fees, commissions and legal and other costs, charges and expenses owing or remaining unpaid by the Corporation to the Debentureholders.
- (nn) **Offering** means the private placement offering of the Initial Debentures, which may occur in one or multiple closings;
- (oo) **Officer's Certificate** means a certificate of the Corporation signed by any one authorized officer or director of the Corporation, in his or her capacity as officer or director of the Corporation, as applicable, and not in his or her personal capacity;
- (pp) **Ordinary Course** means, with respect to an action taken by a Person, that the action is consistent with the past practices of the Person and is taken in the usual course of the normal day-to-day operations of the Person, but dealing with new customers or suppliers or adopting new business methods does not, in itself, constitute a departure from past practice;
- (qq) **Periodic Offering** means an offering of Debentures of a series from time to time, the specific terms of which Debentures, including, the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Corporation upon the issuance of such Debentures from time to time;
- (rr) **Person** includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (ss) **Redemption Date** has the meaning ascribed thereto in Section 4.3, except for the Initial Debentures in which case such term will have the meaning set out in Section 2.4(m);
- (tt) **Redemption Notice** has the meaning ascribed thereto in Section 4.3;
- (uu) **Redemption Price** means, in respect of a Debenture, the amount payable on the Redemption Date;
- (vv) **Spinoff Securities** has the meaning ascribed thereto in Section 6.5(e);
- (ww) **Securities Regulators** means the Canadian Securities Authorities.

- (xx) **Security Interest** means the mortgage, charge, lien and security interest granted by the Corporation to the Debentureholders in the Collateral pursuant to the terms and conditions of this Indenture;
- (yy) **Subsidiary** has the meaning ascribed thereto in the *Securities Act* (Ontario);
- (zz) **Tax Act** means the *Income Tax Act* (Canada);
- (aaa) **Taxes** means all tax, duty, rate, levy, assessment reassessment, withholding, deduction, fee, due and other charges, together with all penalties, interest and fines with respect thereto, payable to any Governmental Entity, including those referred to as, or with respect to, income, sales, use, transfer, goods and services, capital, capital gains, value added, real property, personal property, excise, customs, registration, payroll, employment, education, business, school, property, and local improvement;
- (bbb) **Time of Expiry** means the time of expiry of certain rights with respect to the conversion of Debentures under Article 6 or under Section 2.4 with respect to the Initial Debentures, which is to be set forth separately in the form and terms for each series of Debentures which by their terms are to be convertible;
- (ccc) **Withholding Taxes** has the meaning ascribed thereto in Section 2.9; and
- (ddd) **Written Direction of the Corporation** means an instrument in writing signed by any one officer or director of the Corporation.

## 1.2 Interpretation

In this Indenture:

- (a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (b) all references to Articles and Schedules refer, unless otherwise specified, to articles of and schedules to this Indenture;
- (c) all references to Sections refer, unless otherwise specified, to Sections, subsections or clauses of this Indenture;
- (d) words and terms denoting inclusiveness (such as include or includes or including), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them;
- (e) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time;
- (f) unless otherwise indicated, reference to a statute shall be deemed to be a reference to such statute as amended, re-enacted or replaced from time to time; and
- (g) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated by excluding the day on which the period commences and including the day on which the period ends.

### **1.3 Headings, Etc.**

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Debentures.

### **1.4 Time of Essence**

Time shall be of the essence of this Indenture.

### **1.5 Monetary References**

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

### **1.6 Language**

Each of the parties hereto hereby acknowledges that it has consented to and requested that this Indenture and all documents relating thereto, including the form of Debenture attached hereto as Schedule A, be drawn up in the English language only. *Chacune des parties aux présentes reconnaît avoir accepté et demandé que cette acte de fiducie et tous les documents y reliés, y compris le modèle de debenture joint aux présentes à titre d'Annexe a « A », soient rédigés en anglais seulement.*

### **1.7 Successors and Assigns**

All covenants and agreements of the Corporation in this Indenture and the Debentures shall bind its successors and assigns, whether so expressed or not.

### **1.8 Severability**

In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, such provision shall be deemed to be severed herefrom or therefrom (but only to the extent of such invalidity, illegality or unenforceability) and the validity, legality and enforceability of the remaining provisions shall not in any way be affected, prejudiced or impaired thereby.

### **1.9 Entire Agreement**

This Indenture and all supplemental indentures and Schedules hereto and thereto, and the Debentures issued hereunder and thereunder, together constitute the entire agreement between the parties hereto with respect to the indebtedness created hereunder and thereunder and under the Debentures and supersedes as of the date hereof all prior memoranda, agreements, negotiations, discussions and term sheets, whether oral or written, with respect to the indebtedness created hereunder or thereunder and under the Debentures.

### **1.10 Applicable Law and Attornment**

This Indenture, any supplemental indenture and the Debentures shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts. With respect to any suit, action or proceedings relating to this Indenture, any supplemental indenture or any Debenture, the Corporation and each holder irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario. The parties hereto hereby waive any right they may have to require a trial by jury of any proceeding commenced in connection herewith.

### **1.11 Currency of Payment**

Unless otherwise indicated herein or in a supplemental indenture with respect to any particular series of Debentures, all payments to be made under this Indenture or a supplemental indenture shall be made in Canadian dollars.

### **1.12 Non-Business Days**

Whenever any payment to be made hereunder shall be due, any period of time would begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such payment shall be made, such period of time shall begin or end, such calculation shall be made and such other action shall be taken, as the case may be, unless otherwise specifically provided herein, on or as of the next succeeding Business Day without any additional interest, cost or charge to the Corporation.

### **1.13 Accounting Terms**

Except as hereinafter provided or as otherwise indicated in this Indenture, all calculations required or permitted to be made hereunder pursuant to the terms of this Indenture shall be made in accordance with IFRS.

### **1.14 Calculations**

The Corporation shall be responsible for making all calculations called for hereunder including calculations of Current Market Price. The Corporation shall make such calculations in good faith and, absent manifest error, the Corporation's calculations shall be final and binding on holders.

### **1.15 Schedules**

The following Schedules are incorporated into and form part of this Indenture:

Schedule "A-1"	-	Holders of Initial Debentures
Schedule "A"	-	Form of Initial Debenture
Schedule "B"	-	Form of Notice of Conversion
Schedule "C"	-	Common Share Legends
Schedule "D"	-	Form of Declaration for Removal of Legend

In the event of any inconsistency between the provisions of any Section of this Indenture and the provisions of the Schedules which form a part hereof, the provisions of this Indenture shall prevail to the extent of the inconsistency.

## **Article 2 THE DEBENTURES**

### **2.1 Limit of Debentures**

Subject to the limitation in respect of the Initial Debentures set out in Section 2.4(a), the aggregate principal amount of Debentures authorized to be issued under this Indenture is limited to \$6,000,000. The Debentures may be issued only upon and subject to the conditions and limitations herein set forth.

## 2.2 Terms of Debentures of any Series

The Debentures may be issued in one or more series. There shall be established herein or in or pursuant to one or more indentures supplemental hereto, prior to the initial issuance of Debentures of any particular series:

- (a) the designation of the Debentures of the series (which need not include the term Debentures), which shall distinguish the Debentures of the series from the Debentures of all other series;
- (b) any limit upon the aggregate principal amount of the Debentures of the series that may be certified and delivered under this Indenture;
- (c) the date or dates on which the principal of the Debentures of the series is payable;
- (d) the rate or rates at which the Debentures of the series shall bear interest, if any, the date or dates from which such interest shall accrue, on which such interest shall be payable and on which record date, if any, shall be taken for the determination of holders to whom such interest shall be payable and/or the method or methods by which such rate or rates or date or dates shall be determined;
- (e) the place or places where the principal of and any interest on Debentures of the series shall be payable or where any Debentures of the series may be surrendered for registration of transfer or exchange;
- (f) the right, if any, of the Corporation to redeem Debentures of the series, in whole or in part, at its option and the period or periods within which, the price or prices at which and any terms and conditions upon which, Debentures of the series may be so redeemed;
- (g) the obligation, if any, of the Corporation to redeem, purchase or repay Debentures of the series pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a holder thereof and the price or prices at which, the period or periods within which, the date or dates on which, and any terms and conditions upon which, Debentures of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligations;
- (h) if other than denominations of \$100 and any integral multiple thereof, the denominations in which Debentures of the series shall be issuable;
- (i) subject to the provisions of this Indenture, any trustee, Depositories, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the Debentures of the series;
- (j) any other events of default or covenants with respect to the Debentures of the series;
- (k) whether and under what circumstances the Debentures of the series will be convertible into or exchangeable for securities of any Person;
- (l) the form and terms of the Debentures of the series;
- (m) if other than Canadian dollars, the currency in which the Debentures of the series are issuable; and



- (n) any other terms of the Debentures of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Debentures of any one series shall be substantially identical, except as may otherwise be established herein or by or pursuant to a resolution of the Board of Directors, Officer's Certificate or in an indenture supplemental hereto. All Debentures of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided herein, by or pursuant to such resolution of the Board of Directors, Officer's Certificate or in an indenture supplemental hereto.

### 2.3 Form of Debentures

Except in respect of the Initial Debentures, the form of which is provided for herein, the Debentures of each series shall be substantially in such form or forms (not inconsistent with this Indenture) as shall be established herein or by or pursuant to one or more resolutions of the Board of Directors (or to the extent established pursuant to, rather than set forth in, a resolution of the Board of Directors, in an Officer's Certificate detailing such establishment) or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform to general usage, all as may be determined by the directors or officers of the Corporation executing such Debentures on behalf of the Corporation, as conclusively evidenced by their execution of such Debentures.

### 2.4 Form and Terms of Initial Debentures

- (a) The first series of Debentures (the **Initial Debentures**) authorized for issue immediately is limited to an aggregate principal amount of \$3,040,100 and shall be designated as 8.00% Second-Lien Secured Convertible Debentures, which consists of the Debentures offered in the Offering.
- (b) The Initial Debentures shall be dated as of March 1, 2020 and shall mature on March 1, 2023 (the **Maturity Date**).
- (c) The Initial Debentures shall bear interest from the date of issue at the rate of 8.00% per annum (based on a year of 365 days and the actual number of days in the relevant interest period), calculated annually and payable in arrears in equal semi-annual payments on September 1 and March 1 in each year, the first such payment to fall due on September 1, 2020 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date of the Initial Debentures) to fall due on the Maturity Date (provided that the Debentures have not been redeemed or converted before such date), payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate. Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day. The record dates for the payment of interest on the Initial Debentures will be the tenth Business Day prior to the applicable Interest Payment Date.
- (d) Each holder shall have the right, from time to time (including following conversion, at the time of redemption or at the time of maturity), to make a Common Share Interest Payment Election in respect of any Interest Obligation by delivering a Common Share Interest Payment Election Notice to the Corporation no later than the day which is 15 Business Days prior to the Interest Payment Date to which the Common Share Interest Payment Election relates. Such Common Share Interest Payment Election Notice shall provide that all or a portion of the Interest Obligation shall be paid by the Corporation in Common Shares, and if only a portion of the Interest Obligation is to be paid in

Common Shares, the Common Share Interest Payment Election shall state such portion to be paid in Common Shares and such portion to be paid in cash. No fractional Common Shares will be issued in satisfaction of interest but in lieu thereof the Corporation will satisfy such fractional interest by a cash payment equal to the market price of such fractional interest (less any tax required to be deducted, if any).

- (e) Upon the occurrence of a Liquidity Event, Debentureholders shall have the opportunity to (i) elect to have its Initial Debentures redeemed in accordance with Article 4 and the terms of the Initial Debentures; or (ii) elect to have the principal balance outstanding of its Initial Debentures converted into Common Shares at the Liquidity Price in accordance with Article 6 and the terms Initial Debentures.
- (f) No later than 21 days prior to the occurrence of a Liquidity Event and no earlier than 45 days prior to the occurrence of a Liquidity Event, the Corporation shall send to Debentureholders of Initial Debentures at the registration address of the Initial Debentures a Liquidity Event Notice in the form set out in Schedule B. Debentureholders must complete and execute the Liquidity Notice by indicating whether the Debentureholder wishes to have its Initial Debenture redeemed or converted into Common Shares upon the occurrence of a Liquidity Event. A completed and executed Liquidity Event Notice must be delivered by the Debentureholder to the Corporation no later than 5:00 p.m. (Eastern time) on the 5<sup>th</sup> day prior to the date of the Liquidity Event indicated in the Liquidity Event Notice. Initial Debentures in respect of which a completed and executed Notice of Liquidity Event has not been received by the Corporation in accordance with this Section 2.4(f), the principal amount outstanding of such Initial Debentures shall be automatically converted into Common Shares at the Liquidity Price upon the occurrence of a Liquidity Event.
- (g) The principal amount outstanding under the Initial Debentures shall be automatically converted into Common Shares at the Conversion Price (subject to adjustment) without any further act on the part of the holder upon the occurrence of the following (each, a "**Liquidity Event**"):
  - (i) The Corporation completing a bona-fide public offering of Common Shares under a prospectus filed with securities regulatory authorities in Canada, or under a registration statement filed with securities regulatory authorities in the United States; or
  - (ii) the consummation of any transaction including, without limitation, any consolidation, amalgamation, merger or issue of voting shares the result of which is that any person or group of persons acting jointly or in concert for purposes of such transaction (other than the Corporation and its subsidiaries) becomes the beneficial owner, directly or indirectly, of more than 50% of the voting shares of the Corporation, measured by voting power rather than number of shares (but shall not include the creation of a holding company or similar transaction that does not involve a change in the beneficial ownership of the Corporation).
- (h) The date on which a Liquidity Event occurs shall be the "**Date of Conversion**" for the purposes of Initial Debentures that convert into Common Shares upon the occurrence of a Liquidity Event. The Corporation shall, within 10 Business Days of the Date of Conversion, deliver to each Debentureholder whose Initial Debentures have been converted into Common Shares a certificate evidencing the number of Common Shares into which the principal outstanding amount of the Initial Debenture has been converted. The Common Shares issued upon conversion shall rank equally only in respect of dividends declared in favour of holders of record of Common Shares on or after the Date of Conversion, from which applicable date they will for all purposes be

and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

- (i) The Conversion Price will be determined on the Conversion Date based on Liquidity Event Price. As such, the Conversion Price for the Initial Debentures will not be subject to the adjustment provisions contained in Article 6. No fractional Common Shares will be issued, and holders will receive a cash payment in satisfaction of any fractional interest in such Common Shares based on the Conversion Price, provided, however, that the Corporation shall not be required to make any payment of less than \$5.00.
- (j) Holders converting Initial Debentures upon the occurrence of a Liquidity Event shall receive accrued and unpaid interest thereon from and including the later of (i) the date of issuance and (ii) the last Interest Payment Date up to but excluding the Date of Conversion in cash. In the event that conversion of any Initial Debentures occurs after the record date for the payment of interest on the Initial Debentures but on or prior to the next Interest Payment Date, interest on such Initial Debentures will be payable to the holder of record of the Debentures on the relevant record date.
- (k) Upon the occurrence of a Liquidity Event, the Initial Debentures converted into Common Shares shall be automatically cancelled and the certificates evidencing Initial Debentures shall not confer any rights on the Debentureholder (including the right to receive interest on the amount outstanding after the Date of Conversion and to be repaid principal), except that it shall only confer the right upon the holder to receive that number of Common Shares that the Initial Debenture is convertible into.
- (l) The Initial Debentures may not be redeemed in accordance with Section 4.1 or 4.2.
- (m) Section 4.3 shall not apply to the Initial Debentures and, in respect of the Initial Debentures, **Redemption Date** shall mean the date of the Liquidity Event in respect of Initial Debentures whose Debentureholders have elected to have the Corporation redeem their Initial Debentures in accordance with the terms hereof and the Initial Debentures.
- (n) The Initial Debentures shall be issued in denominations of \$100 and integral multiples of \$100. Each Initial Debenture shall be issued in substantially the form set out in Schedule A, with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the officer or director executing such Initial Debenture, as conclusively evidenced by their execution of an Initial Debenture. Notwithstanding the foregoing, an Initial Debenture may be in such other form or forms as may, from time to time, be approved by a resolution of the Board of Directors, or as specified in an Officer's Certificate.
- (o) The Initial Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.
- (p) The Initial Debentures shall be issued in the form of one or more Definitive Debentures at the option of the Corporation.
- (q) The Definitive Debentures will be registered in the names of each holder thereof as provided in Section 3.1. A Definitive Debenture may be exchanged, or transferred to

and registered in the name of a person other than the registered holder thereof, as provided in Article 3.

## **2.5 Execution of Debentures**

All Debentures shall, if certificated, be manually or electronically signed by any one authorized director or officer of the Corporation holding office at the time of signing or, if uncertificated, be issued in an electronic format as directed by the Corporation and any Debentures issued in electronic form in accordance with the foregoing shall be deemed to be duly executed by the Corporation.

Notwithstanding that any person whose signature appears on a Debenture as a director or officer may no longer hold such office at the date of the Debenture or at the date of the certification and delivery thereof, such Debenture shall be valid and binding upon the Corporation and entitled to the benefits of this Indenture.

## **2.6 Concerning Interest**

- (a) All Debentures issued hereunder, whether originally or upon exchange or in substitution for previously issued Debentures which are interest bearing, shall bear interest (i) from and including their issue date, or (ii) from and including the last Interest Payment Date to which interest shall have been paid or made available for payment on the outstanding Debentures of that series, whichever shall be the later, or, in respect of Debentures subject to a Periodic Offering, from and including their issue date or from and including the last Interest Payment Date to which interest shall have been paid or made available for payment on such Debentures, in all cases, to and excluding the next Interest Payment Date.
- (b) Unless otherwise specifically provided in the terms of the Debentures of any series, interest for any period shall be computed on the basis of a year of 365 days and the actual number of days elapsed in such period. With respect to any series of Debentures, for the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed on the basis of a year (the deemed year) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

## **2.7 Rank**

The Debentures will be direct obligations of the Corporation and will be secured by the Security Interest granted under this Indenture. Each Debenture of the same series of Debentures will rank *pari passu* with each other Debenture of the same series (regardless of their actual date or terms of issue).

## **2.8 Payments of Amounts Due on Maturity**

Except as may otherwise be provided herein or in any supplemental indenture in respect of any series of Debentures, payments of amounts due upon maturity of the Debentures will be made in the following manner. On or before 11:00 a.m. (Toronto time) on the Business Day immediately prior to each Maturity Date for Debentures outstanding from time to time under this Indenture, the Corporation will deliver to the holders a certified cheque in an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon).

## 2.9 Withholding Tax

- (a) Payments made by or on behalf of the Corporation under or with respect to the Debentures (including, any penalties, interest and other liabilities related thereto) may be subject to withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) imposed or levied by or on behalf of any Canadian federal or provincial taxing authority having power to tax, including without limitation any such charges or taxes imposed under Part XIII of the *Tax Act* (or any successor legislation of similar effect) (Withholding Taxes). If the Corporation is required by law or the interpretation or administration thereof, to withhold or deduct any amount for or on account of Withholding Taxes from any payment made under or with respect to the Debentures, such payment shall be deemed paid in full if the Corporation pays the amount of such payment less any applicable amount the Corporation is required to withhold or deduct as aforesaid and the Corporation shall have no obligation to gross up such payments in respect of any such withholding or deduction.
- (b) Where at any particular time the Corporation issues Common Shares under or with respect to Debentures, including on conversion of such Debentures in accordance with their terms, and the Corporation is required to deduct or withhold an amount in respect of Withholding Taxes in connection with such issuance, if the amount of cash payable at that time to a holder of Debentures, if any, is insufficient to satisfy such requirement, the Corporation, shall sell, or cause to be sold, through such investment banks, brokers or dealers selected by the Corporation, out of the Common Shares issued by the Corporation at such time, such number of Common Shares that, together with any cash amount being concurrently paid by the Corporation under or with respect to the Debentures, is sufficient to yield net proceeds (after payment of all costs) to cover the amount of the applicable Withholding Taxes, and shall remit same to the proper tax authorities within the period of time prescribed for this purpose under applicable laws. Any amount of net proceeds (after payment of all costs) in excess of the amount required to cover applicable tax required by applicable law to be withheld will be remitted to the Debentureholder.

## 2.10 Payment of Interest

The following provisions shall apply to Debentures, except as otherwise provided in Section 2.4(c) or specified in a resolution of the Board of Directors, an Officer's Certificate or a supplemental indenture relating to a particular series of Additional Debentures:

- (a) As interest becomes due on each Debenture (except, subject to certain exceptions set forth herein including in Section 2.4, on conversion or on redemption, when interest may at the option of the Corporation be paid upon surrender of such Debenture), the Corporation shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as determined by the Corporation, payment of such interest to the order of the registered holder of such Debenture appearing on the registers maintained by the Corporation at the close of business on the tenth Business Day prior to the applicable Interest Payment Date and addressed to the holder at the holder's last address appearing on the register, unless such holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three Business Days prior to each date on which interest becomes due and if payment is made by other means, such payment shall be made in a manner whereby the holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld in accordance with law, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of

non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner determined by the Corporation, acting reasonably, with the same effect as though payment had been made in the manner provided above.

### **Article 3**

## **REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP**

### **3.1 Definitive Debentures**

- (a) With respect to each series of Debentures issuable as Definitive Debentures, the Corporation shall cause to be kept by and at the principal office of the Corporation, a register in which shall be entered the names and addresses of the holders of Definitive Debentures and particulars of the Debentures held by them respectively and of all transfers of Definitive Debentures.
- (b) No transfer of a Definitive Debenture shall be valid unless made on such register referred to in Section 3.1 by the registered holder or such holder's executors, administrators or other legal representatives or an attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Corporation or other registrar upon surrender of the Debentures together with a duly executed form of transfer or assignment acceptable to the Corporation and upon compliance with such other reasonable requirements as the Corporation or other registrar may prescribe, or unless the name of the transferee shall have been noted on the Debenture by the Corporation or other registrar.

### **3.2 Transferee Entitled to Registration**

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Corporation or other registrar and upon compliance with all other conditions in that regard required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

### **3.3 No Notice of Trusts**

Neither the Corporation nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the person registered as the holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

### **3.4 Registers Open for Inspection**

The registers referred to in Sections 3.1 shall at all reasonable times be open for inspection by the any Debentureholder.

### **3.5 Exchanges of Debentures**

- (a) Subject to Sections 3.1 and 3.6, Debentures in any authorized form or denomination may be exchanged for Debentures in any other authorized form or denomination, of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Debentures so exchanged.
- (b) In respect of exchanges of Debentures permitted by Section 3.5(a), Debentures of any series may be exchanged only at the principal office of the Corporation or at such other place or places, if any, as may be specified in the Debentures of such series and at such other place or places as may from time to time be designated by the Corporation. Any Debentures tendered for exchange shall be surrendered to the Corporation. The Corporation shall execute all Debentures necessary to carry out exchanges as aforesaid. All Debentures surrendered for exchange shall be cancelled.
- (c) Debentures issued in exchange for Debentures which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

### **3.6 Closing of Registers**

- (a) Neither the Corporation nor any registrar shall be required to:
  - (i) make transfers or exchanges of, or convert any Debentures on (A) any Interest Payment Date (other than the Maturity Date) for such Debentures or during the ten preceding Business Days or (B) on the Maturity Date;
  - (ii) make transfers or exchanges of, or convert any Debentures on the day of any selection by the Corporation of Debentures to be redeemed; or
  - (iii) make exchanges of any Debentures which will have been selected or called for redemption unless upon due presentation thereof for redemption such Debentures shall not be redeemed.

### **3.7 Charges for Registration, Transfer and Exchange**

For each Debenture exchanged, registered, transferred or discharged from registration, the Corporation or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued, and payment of such charges and reimbursement of the Corporation or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration as a condition precedent thereto. Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder for any exchange of any Debenture resulting from a partial redemption under Section 4.2 or 2.4

### **3.8 Ownership of Debentures**

- (a) Unless otherwise required by law, the person in whose name any registered Debenture is registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered holder.
- (b) The registered holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments,



respectively, free from all equities or rights of set-off or counterclaim between the Corporation and the original or any intermediate holder thereof and all persons may act accordingly and the receipt of any such registered holder for any such principal, premium, if any, or interest shall be a good discharge to the Corporation and any registrar for the same and none shall be bound to inquire into the title of any such registered holder.

- (c) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof may be paid to the order of all such holders, failing written instructions from them to the contrary, and the receipt of any one of such holders therefor shall be a valid discharge, to the Corporation, any registrar and to the Corporation.
- (d) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Corporation and any registrar and to the Corporation.

## Article 4 REDEMPTION AND PURCHASE OF DEBENTURES

### 4.1 Applicability of Article

Subject to regulatory approval and Section 2.4, the Corporation shall have the right at its option to redeem, either in whole at any time or in part from time to time before maturity, by payment of money or to Common Shares in accordance with the provisions hereof, any Debentures issued hereunder of any series which by their terms are made so redeemable (subject, however, to any applicable restriction on the redemption of Debentures of such series) at such rate or rates of premium, if any, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debentures and as shall have been expressed in this Indenture, in the Debentures, in an Officer's Certificate, or in a supplemental indenture authorizing or providing for the issue thereof, or in the case of Additional Debentures issued pursuant to a Periodic Offering, in the Written Direction of the Corporation requesting the certification and delivery thereof.

### 4.2 Partial Redemption

If less than all the Debentures of any series for the time being outstanding are at any time to be redeemed, the Debentures to be so redeemed shall be selected by the Corporation on a pro rata basis to the nearest multiple of \$100 in accordance with the principal amount of the Debentures registered in the name of each holder or in such other manner as the Corporation deems equitable, subject to any required regulatory approvals, including any required approvals of the applicable stock exchange. Unless otherwise specifically provided in the terms of any series of Debentures, no Debenture shall be redeemed in part unless the principal amount redeemed is \$100 or a multiple thereof.

### 4.3 Notice of Redemption

Unless otherwise provided for in the terms of any series of Debentures and except in the case of the Initial Debentures, notice of redemption (the **Redemption Notice**) of any series of Debentures shall be given to the holders of the Debentures so to be redeemed not more than 60 days nor less than 30 days prior to the date fixed for redemption (the **Redemption Date**) in the manner provided in Section 11.2. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the Redemption Price and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the

Redemption Date. In addition, unless all the outstanding Debentures are to be redeemed, the Redemption Notice shall specify:

- (a) the distinguishing letters and numbers of the registered Debentures which are to be redeemed (or of such thereof as are registered in the name of such Debentureholder);
- (b) in the case of a published notice, the distinguishing letters and numbers of the Debentures which are to be redeemed or, if such Debentures are selected by terminal digit or other similar system, such particulars as may be sufficient to identify the Debentures so selected; and
- (c) in all cases, the principal amounts of such Debentures or, if any such Debenture is to be redeemed in part only, the principal amount of such part.

In the event that all Debentures to be redeemed are registered Debentures, publication shall not be required.

#### **4.4 Debentures Due on Redemption Dates**

Notice having been given as aforesaid, all the Debentures so called for redemption or Debentureholders electing to have Initial Debentures redeemed pursuant to Section 2.4(j) shall thereupon be and become due and payable at the Redemption Price, together with accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after such Redemption Date, if the monies necessary to redeem such Debentures shall have been deposited as provided in Section 4.5, interest upon the Debentures shall cease.

#### **4.5 Deposit of Redemption Monies**

Redemption of Debentures shall be provided for by the Corporation depositing with a paying agent on or before 11:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date specified in such notice, such sums of money as may be sufficient to pay the Redemption Price of the Debentures so called for redemption, plus accrued and unpaid interest thereon up to but excluding the Redemption Date, provided the Corporation may elect to satisfy this requirement by providing the Debentureholders with a certified cheque or wire transfer for such amounts required under this Section 4.5.

#### **4.6 Cancellation of Debentures Redeemed**

Subject to the provisions of Section 4.2 as to Debentures redeemed or purchased in part, all Debentures redeemed and paid under this Article 4 shall forthwith cancelled and no Debentures shall be issued in substitution for those redeemed.

#### **4.7 Purchase of Debentures by the Corporation**

Unless otherwise specifically provided with respect to a particular series of Debentures, the Corporation may, if it is not at the time in default hereunder, at any time and from time to time, purchase Debentures by tender or by contract, at any price. All Debentures so purchased shall be cancelled and no Debentures shall be issued in substitution therefor.

#### **4.8 Deposit of Maturity Monies**

Payment on maturity of Debentures shall be provided for by the Corporation depositing with a paying agent on or before 11:00 a.m. (Toronto time) on the Business Day immediately prior to the Maturity Date

such sums of money as may be sufficient to pay the principal amount of the Debentures, together with a sum of money sufficient to pay all accrued and unpaid interest thereon up to but excluding the Maturity Date, provided the Corporation may elect to satisfy this requirement by providing the Debentureholders with one or more certified cheques or with funds by electronic transfer, for such amounts required under this Section 4.8.

## Article 5 SECURITY

### 5.1 Security

As security for the Obligations from time to time payable by the Corporation hereunder, and as security for the due performance of such Obligations, the Corporation hereby mortgages and charges to the benefit of the Debentureholders, and grants to the Debentureholders, (i) a second ranking charge/mortgage over the lands owned by the Corporation located in Bracebridge, Ontario, as more particularly described in a collateral debenture (the "**Collateral Debenture**") granted by the Corporation to the Debentureholders concurrently with this Indenture (the Mortgaged Lands); and (ii) a security interest in:

- (a) all its present and after acquired goods and equipment, including without limitation, all machinery, tools and furniture now or hereafter owned or acquired;
- (b) all its present and after acquired inventory, including without limitation, all raw materials, goods in process, finished goods and packaging material and goods acquired or held for sale or furnished or to be furnished under contracts of rental or service;
- (c) all its present and after acquired investment property and intangibles, including without limitation, all its present and after acquired securities, security entitlements, book debts, accounts and other amounts receivable, all contract rights and choses in action of every kind or nature and insurance rights arising from or out of the property referred to in subsections (a) or (b) above, goodwill, chattel paper, instruments, documents of title, investments and money;
- (d) all of its other present and after acquired personal property, and undertaking, tangible and intangible, legal and equitable, of whatsoever nature and kind; and
- (e) the proceeds arising from any dealing with the property referred to in this Section 5.1 in the form of any of the following: goods, investment property, instruments, chattel paper, intangibles or money,

all as more particularly described in the Collateral Debenture.

For the purposes of this Indenture, the Mortgaged Lands and present and after acquired personal property and undertaking of the Corporation referred to in this Section 5.1 and subject to the Security Interest is hereinafter collectively called the "**Collateral**".

**TO HAVE AND TO HOLD** the Collateral and the Security Interest and all rights hereby conferred unto the Debentureholders, subject to the terms and conditions herein set forth.

The Debentureholders acknowledge and agree that notwithstanding the timing of the registration of the Collateral Debenture, the Collateral shall be subject to certain permitted liens which are set out in the Collateral Debenture and the Debentureholders agree to execute any subordination or postponement agreements that may be required by such first lien holder to give effect to the agreed upon priorities.

## **5.2 Attachment**

The Corporation acknowledges that the Corporation and the Debentureholders, intend the Security Interest to attach immediately upon the execution of this Indenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case the Security Interest shall attach at the same time that the Corporation acquires rights therein without the need for any further or other deed, act or consideration: provided however, the Corporation shall from time to time and at the cost of the Corporation, execute and deliver all such agreements, supplemental debentures and other documents and instruments as may be reasonably requested by the Debentureholders, to confirm or perfect the Security Interest insofar as it relates to any such after-acquired Collateral. The Security Interest shall be effective and shall attach as of the date of execution hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Indenture. The Corporation acknowledges conclusively that value has been given.

## **5.3 Leases**

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Security Interest and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Debentureholders shall direct.

## **5.4 Contractual Rights**

In the event the validity and effectiveness of the Security Interest is dependent upon obtaining the consent, approval or waiver of another Person, the Security Interest shall not be effective in relation to such other Person until the applicable consent, approval or waiver is obtained or is no longer necessary for the purposes of the validity and effectiveness of the Security Interest, whereupon the Security Interest shall immediately become effective over any such Collateral. Until such consent, approval or waiver is obtained, or the same is no longer necessary, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign the same to the Debentureholders, or otherwise subject the same to the Security Interest, as the Debentureholders shall direct, forthwith upon obtaining such consent, waiver or approval or upon the same no longer being necessary.

## **5.5 Release of Security Interest**

Following due payment and performance in full of all Obligations of the Corporation hereunder or conversion of all of the Debentures in accordance with the terms of this Indenture, the the Debentureholders will release and discharge the right and interest of the Debentureholders in the Collateral.

# **Article 6 CONVERSION OF DEBENTURES**

## **6.1 Applicability of Article**

Any Debentures issued hereunder of any series which by their terms are convertible (subject, however, to any applicable restriction of the conversion of Debentures of such series) will be convertible into Common Shares of the Corporation, at such conversion rate or rates, and on such date or dates and in accordance with such other provisions as shall have been determined at the time of issue of such Debentures and shall have been expressed in this Indenture, in such Debentures, in an Officer's Certificate, or in a supplemental indenture authorizing or providing for the issue thereof.

Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of the Debenture or Debentures surrendered for conversion at any one

time by the holder thereof may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 6.6.

## 6.2 Automatic/Mandatory Conversion

If a series of Debentures provides for an automatic or mandatory conversion, such Debentures shall automatically convert into Common Shares in accordance with the terms of the relevant series of Debentures. Upon such mandatory or automatic conversion, the certificates representing the Debentures so converted shall cease to confer any rights upon the Debentureholder other than the right to receive certificates for the Common Shares that such Debenture has been converted into.

## 6.3 Revival of Right to Convert

If the redemption of any Debenture called for redemption by the Corporation is not made or the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made, in the case of a redemption upon due surrender of such Debenture or in the case of a purchase on the date on which such purchase is required to be made, as the case may be, then the right to convert such Debentures shall revive and continue as if such Debenture had not been called for redemption or tendered in acceptance of the Corporation's offer, respectively.

## 6.4 Manner of Exercise of Right to Convert

- (a) The holder of a Debenture desiring to convert such Debenture in whole or in part into Common Shares shall surrender such Debenture to the Corporation together with the conversion notice attached hereto as Schedule C, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Corporation, exercising his right to convert such Debenture in accordance with the provisions of this Article 6. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Corporation, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Section 6.4(b)) as the holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article 6 and, as soon as practicable thereafter, the Corporation shall deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Common Shares.
- (b) For the purposes of this Article, a Debenture shall be deemed to be surrendered for conversion on the date (herein called the **Date of Conversion**) on which it is so surrendered when the register of the Corporation is open and in accordance with the provisions of this Article 6 and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Corporation at its registered office; provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares or Debentures is closed, the person or persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the date on which such registers are next reopened.
- (c) Any part, being \$100 or an integral multiple thereof, of a Debenture in a denomination in excess of \$100 may be converted as provided in this Article 6 and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

- (d) The holder of any Debenture of which only a part is converted shall, upon the exercise of his right of conversion surrender such Debenture to the Corporation in accordance with Section 6.4(a), and the Corporation shall cancel the same and shall without charge forthwith certify and deliver to the holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered.
- (e) Holders converting Debentures shall receive accrued and unpaid interest thereon from the period of the last Interest Payment Date prior to the Date of Conversion to the date that is one Business Day prior to the Date of Conversion. The Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 6.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

### **6.5 Adjustment of Conversion Price**

The Conversion Price, in effect at any date shall be subject to adjustment from time to time as set forth below. For the purposes of this Section 6.5, the Conversion Price shall be referred to as the **Adjusted Conversion Price**.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide or redivide the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares, or securities exchangeable or convertible into Common Shares, to the holders of all or substantially all of the outstanding Common Shares by way of a dividend in the ordinary course, distribution (other than the issue of Common Shares to holders of Common Shares who have elected to receive dividends or distributions in the form of Common Shares in lieu of cash dividends or cash distributions paid in the ordinary course on the Common Shares), or otherwise, the Adjusted Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares or such securities by way of a dividend or distribution, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, redivision or dividend, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 6.5(a) shall occur. Any such issue of Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (c) and (d) of this Section 6.5.
- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any Applicable Period, the Adjusted Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the Current Market Price per Common Share on such record date and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Common Shares. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Adjusted

Conversion Price shall be re-adjusted to the Adjusted Conversion Price which would then be in effect if such record date had not been fixed.

- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) at a price per share (or having a conversion or exchange price per share) that is less than 95% of the Current Market Price of a Common Share on such record date, the Adjusted Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Adjusted Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible or exchangeable). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Adjusted Conversion Price shall be re-adjusted to the Adjusted Conversion Price which would then be in effect if such record date had not been fixed or to the Adjusted Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into Common Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.
- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 6.5(a) or a consolidation, amalgamation, arrangement, binding share exchange, merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired for cash, securities or other property; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person (other than a direct or indirect wholly-owned subsidiary of the Corporation) or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of a Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall, subject to the immediately following paragraph, be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, such amount of cash or the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation, arrangement, acquisition, combination or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common



Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the Board of Directors, to give effect to or to evidence the provisions of this Section 6.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the holder of Debentures to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a holder of Debentures is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 6.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, share exchanges, acquisitions, combinations, sales or conveyances.

- (e) If the Corporation shall make a distribution to all or substantially all of the holders of Common Shares of shares in the capital of the Corporation, other than Common Shares, or evidences of indebtedness or other assets of the Corporation, including securities (but excluding (i) any issuance of rights or warrants for which an adjustment was made pursuant to Section 6.5(c) and (ii) any dividend or distribution paid exclusively in cash for which an adjustment was made pursuant to Section 6.5(b)) (the **Distributed Securities**), then in each such case (unless the Corporation at its option chooses to distribute such Distributed Securities to the holders of Debentures on such dividend or distribution date (as if each holder had converted such Debenture into Common Shares immediately preceding the record date with respect to such distribution)) the Adjusted Conversion Price in effect immediately preceding the record date fixed for the dividend or distribution shall be adjusted so that the same shall equal the price determined by multiplying the Adjusted Conversion Price in effect immediately preceding such record date by a fraction of which the denominator shall be the Current Market Price for the Common Shares immediately prior to the record date and of which the numerator shall be the Current Market Price per Common Share on such record date less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officer's Certificate, all subject to any required regulatory approvals, including any required approvals of the applicable stock exchange) on such record date of the portion of the Distributed Securities so distributed applicable to one Common Share (determined on the basis of the number of Common Shares outstanding at the close of business on such record date). Such adjustment shall be made successively whenever any such distribution is made and shall become effective immediately after the record date. In the event that such dividend or distribution is not so paid or made, the Adjusted Conversion Price shall again be adjusted to be the Adjusted Conversion Price that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the **Spinoff Securities**), the Adjusted Conversion Price shall be adjusted, unless the Corporation at its option chooses to make an equivalent distribution to the holders of Debentures, so that the same shall be equal to the rate determined by multiplying the Adjusted Conversion Price in effect on the record date fixed for the determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of (A) the volume weighted average

trading price of one Common Share over the 20 consecutive trading day period (the **Spinoff Valuation Period**) commencing on and including the fifth trading day after the date on which dividend trading commences for such distribution on the TSXV, or such other national or regional exchange or market on which the Common Shares are then listed or quoted and (B) the product of (i) the volume weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of the Spinoff Securities or, if no such prices are available, the fair market value of the Spinoff Securities as reasonably determined by the Board of Directors (which determination shall be conclusive and shall be evidenced by an Officer's Certificate but shall be subject to any required regulatory approvals, including any required approvals of the applicable stock exchange) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the weighted average trading price of one Common Share over the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that each holder of Debentures shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that such holder of Debentures would have received if such Debentures had been converted on the record date with respect to such distribution.

- (f) In any case in which this Section 6.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such holder would, but for the provisions of this Section 6.5(f), have become the holder of record of such additional Common Shares pursuant to Section 6.4(b).
- (g) The adjustments provided for in this Section 6.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section 6.5, provided that, notwithstanding any other provision of this Section 6.5, no adjustment of the Adjusted Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Adjusted Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 6.5(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (h) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.
- (i) In the event of any question arising with respect to the adjustments provided in this Section 6.5, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation (who may be the Auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation and the Debentureholders.

- (j) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 6.5, which in the opinion of the Board of Directors, would materially affect the rights of Debentureholders, the Adjusted Conversion Price shall be adjusted in such manner and at such time, by action of the Board of Directors, subject to any required regulatory approvals, including any required approvals of the applicable stock exchange, as the Board of Directors in its sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.
- (k) Subject to any required regulatory approvals, including any required approvals of the applicable stock exchange, no adjustment in the Adjusted Conversion Price shall be made in respect of any event described in Sections 6.5(a), 6.5(b), 6.5(c) or 6.5(d) other than the events described in Section 6.5(a) or (a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms mutatis mutandis as if they had converted their Debentures prior to the effective date or record date, as the case may be, of such event.
- (l) Except as stated above in this Section 6.5, no adjustment will be made in the Adjusted Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Adjusted Conversion Price.

#### **6.6 No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of whole Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the holder of such Debenture of an amount equal to the fractional interest which would have been issuable multiplied by the Current Market Price, provided, however, that the Corporation shall not be required to make any payment of less than \$5.00.

#### **6.7 Corporation to Reserve Common Shares**

The Corporation covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures pursuant to Section 2.4 or this Article 6 provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of all outstanding Debentures. The Corporation covenants that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

#### **6.8 Cancellation of Converted Debentures**

Subject to the provisions of Section 6.4 as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article 6 shall be forthwith cancelled by the Corporation and no Debenture shall be issued in substitution for those converted.

## **6.9 Certificate as to Adjustment**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 6.5, deliver an Officer's Certificate to the Debentureholders specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 11.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price, Mandatory Conversion Price or Share Repayment Price, as the case may be; provided that, if the Corporation has given notice under this Section 6.9 covering all the relevant facts in respect of such event no such notice need be given under this Section 6.9.

## **6.10 Notice of Special Matters**

The Corporation covenants that so long as any Debenture remains outstanding, it will give notice to the Debentureholders in the manner provided in Section 11.2, of its intention to fix a record date for any event referred to in Sections 6.5(a), 6.5(b), 6.5(c) or 6.5(d) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, Mandatory Conversion Price or Share Repayment Price, as the case may be, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days in each case prior to such applicable record date.

In addition, the Corporation covenants that so long as any Debenture remains outstanding, it will give notice to the Debentureholders in the manner provided in Section 11.2, at least 40 days prior to the effective date of any transaction referred to in Section 6.5(d) stating the consideration into which the Debentures will be convertible after the effective date of such transaction.

# **Article 7 COVENANTS OF THE CORPORATION**

## **7.1 Positive Covenants**

During the term of this Indenture, the Corporation shall:

- (a) duly and punctually pay or cause to be paid to every Debentureholder all amounts due from the Corporation hereunder, including the principal of, premium (if any) and interest accrued on the Debentures held by the holder on the dates, at the places and in the manner mentioned herein and in the Debentures.
- (b) notify the Debentureholders immediately upon obtaining knowledge of any Event of Default hereunder;
- (c) subject to the express provisions hereof, carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect the corporate existence and good standing of the Corporation and any material Subsidiaries and the registration, authorization and qualification of the Corporation and its Subsidiaries, as applicable required to carry on business in each

jurisdiction in which the Corporation or its Subsidiaries, as applicable, carries on business;

- (d) keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation and its Subsidiaries in accordance with IFRS;
- (e) do the following:
  - (i) at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged, delivered, filed and refiled all such acts, deeds, mortgages, hypothecs, transfers, assignments and assurances in law (including consents, approvals or waivers from third parties under applicable documents or applicable legislation) as may be necessary or desirable to ensure that the Debentureholders have a perfected security interest upon the Collateral;
  - (ii) cause all necessary and proper steps to be taken diligently to protect and defend the Collateral and the proceeds thereof against any adverse claims or demands, including the employment or use of counsel for the prosecution or defence of litigation and the contest, settlement, release or discharge of any such claim or demand; and
  - (iii) if the Security Interests shall have become enforceable and the Debentureholders shall have become bound to enforce or have commenced enforcing the same, it shall from time to time execute and do all such assurances and things as the Debentureholders may reasonably require for facilitating the realization of the Security Interests and for exercising all the powers, authorities and discretions conferred upon them under this Indenture and for confirming to any purchaser of the Collateral, whether sold hereunder or by judicial proceedings, the title to the Collateral so sold, and shall give all notices and directions as the Debentureholders may consider expedient;
- (f) in respect of the Corporation and each Subsidiary, ensure the filing of all income tax returns which are required to be filed, and ensure the payment or provision for payment (in accordance with IFRS) of all Taxes which are due and payable, or to provide adequate reserves (in accordance with IFRS) for the payment of any Tax, the payment of which is being contested in good faith;
- (g) maintain, protect and defend title to all property and assets held by the Corporation and its Subsidiaries in their own capacity or on behalf of others, and take all such acts and steps as are necessary or advisable at any time and from time to time to maintain their property and assets in good standing;
- (h) provide the Debentureholders with prompt written notice of:
  - (i) the occurrence of any Event of Default;
  - (ii) any event that, with or without the giving of notice, lapse of time or any other condition subsequent, would be an Event of Default or would otherwise allow the termination of any Material contract or Material permit or the imposition of any Material sanction on any person to a Material contract or Material permit;
  - (iii) any Material dispute affecting the Corporation or any of its Subsidiaries, and of any other circumstance affecting any Corporation or any of its Subsidiaries, the

result of which has had or could reasonably be expected to have a Material Adverse Effect; or

- (iv) any Liquidity Event.

## **7.2 Negative Covenants**

The Corporation covenants that it shall not declare or pay any dividend to the holders of its issued and outstanding Common Shares, and shall not permit any Subsidiary to declare or pay a dividend (except for dividends in favour of the Corporation or any Subsidiary) unless no Event of Default has occurred or is continuing or would result from such declaration or payment, and the Corporation is in full compliance with its obligations under this Indenture and the Debentures and the declaration and payment of such dividend would not result in a breach of any such obligations.

# **Article 8 DEFAULT**

## **8.1 Events of Default**

Each of the following events constitutes, and is herein sometimes referred to as, an Event of Default:

- (a) failure for 10 days to pay interest on the Debentures when due;
- (b) failure to pay principal or premium, if any, when due on the Debentures whether at maturity or upon redemption;
- (c) default in the delivery, when due, of all cash and any Common Shares or other consideration, if any, payable on conversion with respect to the Debentures, which default continues for 10 days;
- (d) default in the observance or performance of any covenant or condition contained in the Indenture or any Debentures by the Corporation and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given from holders of not less than 66-2/3% in aggregate principal amount of the outstanding Debentures, to the Corporation specifying such default and requiring the Corporation to rectify such default or obtain a waiver for same;
- (e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation, a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation, or ordering the winding-up or liquidation of the Corporation, and any such decree or order continues unstayed and in effect for a period of 60 days;
- (f) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws of any jurisdiction, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation, or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

- (g) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed;
- (h) the Corporation fails to comply with Article 11 in any material respect;

then in each and every such event listed above, the Debentureholders holding not less than 66-2/3% in principal amount of the Debentures then outstanding, subject to the provisions of Section 8.2, may by notice in writing to the Corporation declare the principal of and interest and premium, if any, on all Debentures then outstanding and all other monies outstanding hereunder to be due and payable and the same shall thereupon forthwith become immediately due and payable to the Debentureholders, and upon such amounts becoming due and payable, the Corporation shall forthwith pay to the Debentureholders such principal, accrued and unpaid interest and premium, if any, and interest on amounts in default on such Debenture and all other monies outstanding hereunder, together with subsequent interest at the rate borne by the Debentures on such principal, interest, premium and such other monies from the date of such declaration or event until payment is received by the Debentureholders, such subsequent interest to be payable at the times and places and in the manner mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Debentureholders shall be applied in the manner provided in Section 8.4.

For greater certainty, for the purposes of this Section 8.1, a series of Debentures shall be in default in respect of an Event of Default if such Event of Default relates to a default in the payment of principal, premium, if any, or interest on the Debentures of such series in which case references to Debentures in this Section 8.1 refer to Debentures of that particular series.

For purposes of this Article 9, where the Event of Default refers to an Event of Default with respect to a particular series of Debentures as described in this Section 8.1, then this Article 9 shall apply mutatis mutandis to the Debentures of such series and references in this Article 9 to the Debentures shall mean Debentures of the particular series and references to the Debentureholders shall refer to the Debentureholders of the particular series, as applicable.

## **8.2 Waiver of Default**

Upon the occurrence of any Event of Default hereunder the holders of the Debentures shall have the power (in addition to the other powers exercisable by Extraordinary Resolution as hereinafter provided) exercisable by Extraordinary Resolution, waive any Event of Default and to cancel any declaration made pursuant to Section 8.1 upon such terms and conditions as shall be prescribed in such requisition; provided that notwithstanding the foregoing if the Event of Default has occurred by reason of the non-observance or non-performance by the Corporation of any covenant applicable only to one or more series of Debentures, then such power shall be exercisable by Extraordinary Resolution of the holders of the outstanding Debentures of that series and it shall not be necessary to obtain a waiver from the holders of any other series of Debentures.

## **8.3 Enforcement by the Debentureholders**

- (a) Subject to the provisions of Section 8.2 and to the provisions of any Extraordinary Resolution that may be passed by the Debentureholders, if the Corporation shall fail to pay to the Debentureholders, forthwith after the same shall have been declared (or have been deemed to be declared) to be due and payable under Section 8.1, the principal of and premium (if any) and interest on all Debentures then outstanding,



together with any other amounts due hereunder, holders of at least 66-2/3% in principal amount of the Debentures then outstanding may proceed to obtain or enforce payment of such principal of and premium (if any) and interest on all the Debentures then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity including, without limitation, enforcement of Security Interest pursuant to the *Personal Property Security Act* (Ontario) or otherwise by Applicable Law.

- (b) The Debentureholders shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Debentures allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.
- (c) The Debentureholders shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as may be necessary or advisable to preserve and protect the interests of the Debentureholders.

#### **8.4 Application of Monies**

Except as herein otherwise expressly provided, any monies received from the Corporation pursuant to the foregoing provisions of this Article 8, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation, shall be applied as follows:

- (a) first, in payment of all Senior Indebtedness or debt otherwise ranking in priority to the Obligations;
- (b) second, but subject as hereinafter in this Section 8.4 provided, in payment, rateably and proportionately to the holders of Debentures, of the principal of and premium (if any) and accrued and unpaid interest and interest on amounts in default on the Debentures which shall then be outstanding in the priority of principal first and then premium and then accrued and unpaid interest and interest on amounts in default unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal, premium (if any) and interest as may be directed by such resolution; and
- (c) fourth, in payment of the amount owing on any indebtedness ranking subordinate to the indebtedness under the Debentures; and
- (d) fifth, in payment of the surplus, if any, of such monies to the Corporation or its assigns;

provided, however, that no payment shall be made pursuant to Section 8.4(b) above in respect of the principal, premium, if any, or interest on any Debenture held, directly or indirectly, by or for the benefit of the Corporation or any Subsidiary (other than any Debenture pledged for value and in good faith to a person other than the Corporation or any Subsidiary but only to the extent of such person's interest therein) except subject to the prior payment in full of the principal, premium (if any) and interest (if any) on all Debentures which are not so held.

#### **8.5 Remedies Cumulative**

No remedy herein conferred upon or reserved to the holders of Debentures under this Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

## **8.6 Immunity of Directors, Officers and Others**

The Debentureholders hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer, director or employee of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of the Debentures or on any covenant, agreement, representation or warranty by the Corporation contained herein or in the Debentures.

## **Article 9 SATISFACTION AND DISCHARGE**

### **9.1 Cancellation and Destruction**

All Debentures shall forthwith after payment thereof be delivered to the Corporation and cancelled by it. All Debentures cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Corporation

### **9.2 Discharge**

The Debentureholders shall at the written request and expense of the Corporation release and discharge this Indenture and the Security Interests created thereby and registrations made in any offices of public record in connection therewith and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants contained in this Indenture and the Debentures upon proof being given that the principal of, premium (if any) and interest (including interest on amounts in default, if any), on all the Debentures and all other monies payable hereunder have been paid, satisfied or delivered or that all the Debentures having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on such Debentures and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

### **9.3 Satisfaction**

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged all of the outstanding Debentures of any series and the Debentureholders, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Debentures, when, with respect to all of the outstanding Debentures or all of the outstanding Debentures of any series, as applicable:
  - (i) the Corporation has deposited or caused to be deposited with a paying agent as trust funds or property in trust for the purpose of making payment on such Debentures, an amount in money or Common Shares, if applicable, sufficient to pay, satisfy and discharge the entire amount of principal of, premium, if any, and interest, if any, to maturity, or any repayment date or Redemption Dates, or upon conversion or otherwise as the case may be, of such Debentures;
  - (ii) the Corporation has deposited or caused to be deposited with a paying agent as trust property in trust for the purpose of making payment on such Debentures:
    - (A) if the Debentures are issued in Canadian dollars, such amount in Canadian dollars of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada; or
    - (B) if the Debentures are issued in a currency or currency unit other than Canadian dollars, cash in the currency or currency unit in which the

Debentures are payable and/or such amount in such currency or currency unit of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or the government that issued the currency or currency unit in which the Debentures are payable,

as will, together with the income to accrue thereon and reinvestment thereof, be sufficient to pay and discharge the entire amount of principal of, premium, if any, and accrued and unpaid interest to maturity or any repayment date, as the case may be, of all such Debentures; or

- (iii) all Debentures authenticated and delivered have been delivered to the Corporation for cancellation.

Any deposits with a paying agent referred to in this Section 9.3 shall be irrevocable and shall be made under the terms of an escrow and/or trust agreement which provides for the due and punctual payment of the principal of, premium, if any, and interest on the Debentures being satisfied.

- (b) Upon the satisfaction of the conditions set forth in this Section 9.3 with respect to all the outstanding Debentures, or all the outstanding Debentures of any series, as applicable, the terms and conditions of the Debentures, including the terms and conditions with respect thereto set forth in this Indenture (other than those contained in Article 2 and Article 4 and the provisions of Article 1 pertaining to Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.
- (c) Any funds or obligations deposited with a paying agent pursuant to this Section 9.3 shall be denominated in the currency or denomination of the Debentures in respect of which such deposit is made.
- (d) If a paying agent is unable to apply any money or securities in accordance with this Section 9.3 by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Debentures shall be revived and reinstated as though no money or securities had been deposited pursuant to this Section 9.3 until such time as the paying agent is permitted to apply all such money or securities in accordance with this Section 9.3, provided that if the Corporation has made any payment in respect of principal of, premium, if any, or interest on Debentures or, as applicable, other amounts because of the reinstatement of its obligations, the Corporation shall be subrogated to the rights of the holders of such Debentures to receive such payment from the money or securities held by the paying agent.

## Article 10 SUCCESSORS

### 10.1 Corporation may Consolidate, Etc., Only on Certain Terms

- (a) The Corporation may not, without the consent of the holders, consolidate with or amalgamate or merge with or into any Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) or sell, convey, transfer or lease all or substantially all of the properties and assets of the Corporation to another Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) (herein called a **Successor**) unless:

- (i) the Successor expressly assumes, by an indenture supplemental hereto, the obligations of the Corporation under the Debentures and this Indenture and the performance or observance of every covenant and provision of this Indenture and the Debentures required on the part of the Corporation to be performed or observed and the conversion rights shall be provided for in accordance with Article 6;
  - (ii) after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and
  - (iii) the Corporation or the Successor shall have, at or prior to the effective date of such consolidation, amalgamation, merger or sale, conveyance, transfer or lease, delivered to the Debentureholders an Officer's Certificate and an opinion of Counsel, each stating that such consolidation, merger or transfer complies with this Article and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for relating to such transaction have been complied with.
- (b) For purposes of the foregoing, the sale, conveyance, transfer or lease (in a single transaction or a series of related transactions) of the properties or assets of one or more Subsidiaries of the Corporation (other than to the Corporation or another wholly-owned Subsidiary of the Corporation), which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

## **Article 11**

### **NOTICES**

#### **11.1 Notice to Corporation**

Any notice to the Corporation under the provisions of this Indenture shall be valid and effective if delivered to the Corporation at: 440 Eccelstone Drive, Unit C5, Bracebridge, Ontario, Attention: Chief Financial Officer, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Debentureholders in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Indenture.

#### **11.2 Notice to Debentureholders**

All notices to be given hereunder with respect to the Debentures shall be deemed to be validly given to the holders thereof if sent by first class mail, postage prepaid, by letter or circular addressed to such holders at their post office addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given three days following the day of mailing. Accidental error or omission in giving notice or accidental failure to mail notice to any Debentureholder or the inability of the Corporation to give or mail any notice due to anything beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Debentureholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by

publication at least once in the city of Toronto, Ontario and each such publication to be made in a daily newspaper of general circulation in the designated city.

Any notice given to Debentureholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

All notices with respect to any Debenture may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of any persons interested in such Debenture.

## **Article 12**

### **EXECUTION AND FORMAL DATE**

#### **12.1 Execution**

This Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

#### **12.2 Formal Date**

For the purpose of convenience this Indenture may be referred to as bearing the formal date of March 1, 2020 irrespective of the actual date of execution hereof.

*[The remainder of this page is intentionally blank]*

**IN WITNESS WHEREOF** the Corporation has executed this Convertible Debenture Indenture by the hands of its proper officers in that behalf and each of the Debentureholders on Schedule A-1 has executed a subscription agreement and paid the applicable purchase price for its Debentures.

**MUSKOKA GROWN LIMITED**

By: 

Name: David Grand

Title: Chief Executive Officer

**SCHEDULE A-1  
DEBENTUREHOLDERS**

<b>Debentureholder Name</b>	<b>Investment</b>
Dr. Arthur Paul and Carol Monk	\$5,000.00
Marcia Gammon	\$10,000.00
Rob & Sue Quigg	\$5,100.00
Rob Cross	\$5,000.00
Tim Griffioen	\$50,000.00
Tonder n Holding (Donna Colson)	\$30,000.00
Bill O'Dwyer	\$500,000.00
Jodi Wright Ritchie & Neil Ritchie	\$100,000.00
Peter Topp	\$5,000.00
Vivian McGuire	\$5,000.00
Mark and Christine Olds	\$10,000.00
Roger Rowan	\$100,000.00
Phil Garrat	\$50,000.00
Liz Rondelet	\$750,000.00
Roman Iwasjuk	\$50,000.00
Jennifer Tory	\$50,000.00
Alarm Pro	\$100,000.00
Kevin Dann	\$400,000.00
Mark Rosenhek	\$175,000.00
Paul Cohen (169893 Canada Inc.)	\$150,000.00
Tom Wright	\$15,000.00
Gillian Grand	\$25,000.00
Leslie Ann Gallagher	\$450,000.00



## SCHEDULE A FORM OF INITIAL DEBENTURE

### MUSKOKA GROWN LIMITED

#### *8.00% Second Lien Secured Convertible Debenture*

No. ●

\$●

**MUSKOKA GROWN LIMITED** (the **Corporation**), an Ontario corporation, for value received, hereby acknowledges itself indebted and, subject to the provisions of the Second Lien Secured Convertible Debenture Indenture dated effective as of ●, 2020 (the **Indenture**), between the Corporation and the holders set forth on Schedule A-1 thereto from time to time, promises to pay to the registered holder hereof, **[INSERT REGISTRATION NAME AND ADDRESS]** (the **Holder**) on March 1, 2023, or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture (any such date, the **Maturity Date**) the principal sum of ● Dollars (**\$●**) in lawful money of Canada on presentation and surrender of this 8.00% Second Lien Secured Convertible Debenture (this **Debenture**) at the registered office of the Corporation in Bracebridge, Ontario, in accordance with the terms of the Indenture and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof at the rate of 8.00% per annum (based on a 365-day or 366-day year, as the case may be, and the actual number of days elapsed in that period), in like money, calculated annually and payable in arrears semi-annually on the first Business Day of March and September with the first interest payment to fall due on September 1, 2020 the last payment to fall due on the Maturity Date (provided that this Debenture has not been redeemed or converted before such date) and, should the Corporation at any time default in the payment of any principal, premium, if any, or interest, to pay interest on the amount in default at the same rate. For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed under this Debenture on the basis of a year (the **deemed year**) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

Capitalized words or expressions used in this Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture, provided that to the extent of any inconsistency as between the meaning as ascribed in the Indenture and in the Supplemental Indenture, the latter meaning shall prevail. All references to "\$" are references to the lawful money of Canada. In the event of any conflict or inconsistency between the terms of this Debenture and the Indenture, the terms of the Indenture shall prevail.

#### Initial Debentures

This Debenture is one of the Initial Debentures of the Corporation, (referred to herein as the **Debentures**). The Debentures authorized for issue are limited to an aggregate principal amount of \$3,040,100 in lawful money of Canada. Reference is hereby expressly made to the Indenture for a description of the terms and conditions upon which the Debentures are or are to be issued and held and the rights and remedies of the holders of the Debentures and of the Corporation, all to the same effect as if the provisions of the Indenture were herein set forth and to all of which provisions the holder of this Debenture by acceptance hereof assents.

The Debentures are issuable only in denominations of \$100 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Debentures of any denomination may be exchanged

for an equal aggregate principal amount of Debentures in any other authorized denomination or denominations.

While this Debenture is outstanding and except in respect of Additional Debentures, the Corporation shall be prohibited from (i) incurring any other indebtedness ranking *pari passu* with or senior to the Debentures' right to payment; and (iii) granting security over any of its assets that ranks senior or *pari passu* to the security interests granted as security for the Obligations under the Debentures, without the prior consent of the holders of the Debentures expressed by an Extraordinary Resolution.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

### **Redemption Rights**

The Corporation shall be obligated to repay on account of the principal and accrued interest on this Debenture on the Redemption Date, provided that the Holder has elected to require the Corporation to redeem its Debenture upon the occurrence of a Liquidity Event in accordance with the terms of the Indenture and has completed, executed and returned the Liquidity Event Notice on or before the 5<sup>th</sup> day prior to date of the Liquidity Event set out in the Liquidity Event Notice sent to the Holder by the Corporation.

The indebtedness evidenced by this Debenture, and by all Debentures now or hereafter certified and delivered under the Indenture, is and will be a direct obligation of the Corporation. The Debentures will be direct obligations of the Corporation and are secured by a (a) a second-lien mortgage over the lands and building owned by the Corporation located at Bracebridge, Ontario; and (b) second-lien mortgage, charge, lien and security interest in all present and after acquired personal property of the Corporation and proceeds thereof. Each Debenture of the same series of Debentures, except as provided otherwise herein, will rank *pari passu* with each other Debenture of the same series (regardless of their actual date or terms of issue).

### **Automatic Conversion**

If the Holder does not elect to require the Corporation to redeem this Debenture in accordance with the terms hereof and the Indenture, including but not limited to, delivering a completed and executed Notice of Liquidity Event on or before the 5<sup>th</sup> day prior to the date of the Liquidity Event as set out in the Liquidity Event Notice, the principal amount hereof shall be automatically converted into Common Shares at a conversion price equal to the Liquidity Event Price on the date of the date the Liquidity Event occurs without any further action on the part of the Holder.

### **Optional Conversion Right**

At any time before this Debenture has been fully repaid and before the Corporation has sent out a Liquidity Event Notice, upon and subject to the terms and conditions hereof and the Indenture, the Holder shall have the right (the **Conversion Right**), at its option, to convert all or part of the Principal Amount into Common Shares at the Conversion Price.

To exercise the Conversion Right, the Holder shall surrender this Debenture at the office of the Corporation in the City of Bracebridge together with written notice (which shall be irrevocable) in a form satisfactory to the Corporation, acting reasonably, duly executed by the Holder, stating that the Holder elects to convert and specifying the portion of the Principal Amount (and any accrued interest, if any) which the Holder has elected to so convert. In the case of an exercise of the Conversion Right, the surrender of this Debenture, accompanied by the written notice referred to in Article 6 of the Indenture (**Notice of Conversion**), shall be deemed to constitute a contract between the Holder and the Corporation whereby: (i) the Holder subscribes for the number of Common Shares which the Holder shall be entitled to receive on such conversion and the Corporation shall issue such Common

Shares to the Holder as fully paid and non-assessable shares in the capital of the Corporation; (ii) in the case of the conversion of the full Principal Amount outstanding and any accrued interest, if any, the Holder will, at the Corporation's request in writing and at the cost and expense of the Corporation, release the Corporation from all liability to pay the Principal Amount of this Debenture and any accrued interest; (iii) in the case of only a partial conversion of the Principal Amount upon the exercise of the Conversion Right, the Corporation shall issue the number of Common Shares which the Holder shall be entitled to receive on such partial conversion as fully paid and non-assessable shares in the capital of the Corporation and a new form of debenture, substantially in the form of this Debenture, representing the balance of the Principal Amount thereafter outstanding and any accrued and unpaid interest, if any, that has not been converted; and (iv) the Corporation agrees that the surrender of this Debenture (in whole or in part) for conversion constitutes full payment of the subscription price for the Common Shares issuable upon such conversion. The Holder will be entitled to be entered in the books of the Corporation as at the applicable Date of Conversion as the holder of the number of Common Shares into which this Debenture has been converted in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation will deliver to the Holder a certificate or certificates for such Common Shares entered.

### **General Provisions**

The Indenture contains provisions making binding upon all holders of Debentures outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding, which resolutions or instruments may have the effect of amending the terms of this Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Common Shares and officers, directors and employees of the Corporation in respect of any obligation or claim arising out of the Indenture or this Debenture.

This Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in the register to be kept at the principal office of the Corporation in the City of Bracebridge, Ontario and in such other place or places and/or by such other registrars (if any) as the Corporation may designate. No transfer of this Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Corporation or other registrar, and upon compliance with such reasonable requirements as the Corporation and/or other registrar may prescribe and upon surrender of this Debenture for cancellation. Thereupon a new Debenture in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

This Debenture, the Indenture and any subsequent supplemental indenture shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts. With respect to any suit, action or proceedings relating to this Debenture, the Indenture and any subsequent supplemental indenture, the Corporation and the holder hereof each irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario. The parties hereto hereby waive any right they may have to require a trial by jury of any proceeding commenced in connection herewith.

**MUSKOKA GROWN LIMITED.** has caused this Debenture to be signed by its authorized representative as of the • day of •, 2020.

**MUSKOKA GROWN LIMITED****By:** \_\_\_\_\_*David Grand, President & CEO*

## SCHEDULE B - FORM OF LIQUIDITY EVENT NOTICE

### LIQUIDITY EVENT NOTICE

**TO:** *[INSERT NAME OF DEBENTUREHOLDER]*

**RE:** 8% 3-year Second Lien Secured Convertible Debentures (the “**Debentures**”)

**Note:** All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

**Muskoka Grown Limited** (the “**Corporation**”) is hereby giving you notice that a Liquidity Event is proposed to occur on or about *[Insert Closing Date of proposed Liquidity Event]*. *[Inset Summary of terms of proposed Liquidity Event]*

In accordance with the terms the Indenture, you have the right to elect to have your Initial Debenture redeemed or the outstanding principal converted into common shares of the Corporation (“**Common Shares**”). If you elect to have your Debenture redeemed, the principal amount of your Debenture and all accrued but unpaid interest will be paid to you on the completion of the proposed Liquidity Event. If you elect to have the principal of your Debenture converted into Common Shares, the principal of your Debenture will be converted into Common Shares at a conversion price of \$● per Common Share on the completion of the Proposed Liquidity Event and you will receive all accrued but unpaid interest. Fractional Common Shares will not be issued.

In order to elect to elect to have your Debenture redeemed or the principal of your Debenture converted into Common Shares, you must complete and execute the Appendix to this Liquidity Event Notice and deliver it to the Corporation at the address provided in the Appendix no later than 5:00 p.m. (Eastern Time) on *[Insert 5<sup>th</sup> day before the date of proposed Liquidity Event]* (the “**Election Deadline**”). If you do not deliver the signed Appendix to this Liquidity Event Notice by the Election Deadline, the principal of your Debenture will automatically be converted into Common Shares on the completion of the proposed Liquidity Event at a conversion price of \$●.

**If the proposed Liquidity event is not completed within 45 days of the date of this Liquidity Event Notice, this notice shall be null and void**

Dated: ●

**MUSKOKA GROWN LIMITED**

Per: “*David Grand*”, Chief Executive Officer

# **APPENDIX TO LIQUIDITY EVENT NOTICE ELECTION FORM**

**TO:** MUSKOKA GROWN LIMITED.

**RE:** 8% 3-year Second Lien Secured Convertible Debentures (the “**Debentures**”)

**Note:** All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

The undersigned registered holder of Debentures irrevocably elects upon the occurrence of the completion of the Liquidity Event referred to in the Liquidity Event Notice dated ●:

- ☐ to have the undersigned's Debenture redeemed upon the completion of such Liquidity Event; OR
- ☐ to have the principal of the undersigned's Debenture converted into common shares of the Corporation at a conversion price of \$● per common share upon the completion of such Liquidity Event

**Please send this completed Election Form to the Corporation by not later than 5:00 p.m. (Eastern Time) on *[Insert 5<sup>th</sup> day before completion of Liquidity Event]* at the address below (the “*Election Deadline*”). *If the Corporation does not receive your completed Election Form by the Election Deadline, the principal of your Debentures will automatically be converted into common shares of the Corporation*>**

**Please send your completed Election Form to:**

●

Facsimile No: ●

Attention: ●

Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Registered holder)

*(Print name in which Common Shares are to be issued, delivered and registered)*

Name \_\_\_\_\_

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, Province and Postal Code)

## SCHEDULE C - FORM OF NOTICE OF CONVERSION

### CONVERSION NOTICE

**TO:** MUSKOKA GROWN LIMITED.

**Note:** All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

The undersigned registered holder of Initial Debentures irrevocably elects to convert such Debentures (or \$[●] principal amount thereof) in accordance with the terms of the Indenture and such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Common Shares of MUSKOKA GROWN LIMITED issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

The undersigned hereby acknowledges that the undersigned is aware that the Common Shares received on conversion may be subject to restrictions on resale under applicable securities legislation.

Date: \_\_\_\_\_  
(Signature of Registered holder)

*\*If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must be \$100 or integral multiples thereof).*

*(Print name in which Common Shares are to be issued, delivered and registered)*

Name \_\_\_\_\_

\_\_\_\_\_  
*(Address)*

\_\_\_\_\_  
*(City, Province and Postal Code)*



## SCHEDULE D - COMMON SHARE LEGENDS

**A Legend for all Certificates while the Corporation is not a reporting issuer as that term is used in Canadian securities laws**

UNLESS OTHERWISE PERMITTED BY SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST TRADE THIS SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND ONE DAY AFTER THE LATER OF (i) *[INSERT DATE OF ISSUE OF DEBENTURE]* AND (ii) THE DATE THE ISSUER BECOME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

**B Legend for all Certificates if the Corporation is a Reporting Issuer and Less than Four Months Have Elapsed since the Date the Relevant Debenture was Issued**

UNLESS OTHERWISE PERMITTED BY SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST TRADE THIS SECURITY BEFORE *[INSERT DATE THAT IS FOUR MONTHS AND ONE DAY AFTER THE ISSUE DATE OF THE DEBENTURE]*.

*This is Exhibit* “S” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

---

**A COMMISSIONER FOR TAKING AFFIDAVITS**  
*Aiden Nelms*

## **DEBENTURE**

**CAD\$3,040,100.00**

**Due: March 1, 2023**

**THIS DEBENTURE** is issued effective as of the 1st day of March, 2020 by the corporation set out on Schedule “B” attached hereto (the “**Chargor**”), whose principal office or place of business is set out on Schedule “B” across from its name, to each of the registered debentureholders under the Indenture and each of their respective successors and assigns from time to time (collectively, the “**Holder**”).

**FOR VALUABLE CONSIDERATION** and the sum of \$10.00 paid by the Holder to the Chargor (the receipt and sufficiency of which are hereby acknowledged), the Chargor covenants, acknowledges, represents and warrants to and in favour of the Holder as follows:

### **ARTICLE 1 INTERPRETATION**

#### **1.1 Definitions**

Each word and phrase defined or given an extended meaning in Schedule “A” is used in this Debenture with the respective defined or extended meaning assigned to it in Schedule “A”. Words and phrases defined in the PPSA and used without initial capitals in this Debenture (including in Schedule “A”) have the respective defined meanings assigned to them in the PPSA, unless the context otherwise requires. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

#### **1.2 Statutes**

Each reference in this Debenture to any code, statute, regulation, official interpretation, directive or other legislative enactment of any Canadian or foreign jurisdiction (including any political subdivision of any thereof) at any time shall be construed so as to include such code, statute, regulation, official interpretation, directive or enactment and each change thereto made at or before that time.

#### **1.3 Agreements**

Each reference in this Debenture to any agreement (including this Debenture and any other term defined in Schedule “A” that is an agreement), document or instrument at any time shall be construed so as to include such agreement (including any attached schedules, appendices and exhibits, future amendments and/or restatements), document or instrument and each change thereto at or before that time.

## **1.4 Headings**

The division of this Debenture 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 Debenture. The article and section headings in this Debenture are included solely for convenience, are not intended to be full or accurate descriptions of the article or section to which they pertain and shall not be considered part of this Debenture.

## **1.5 Number and Gender**

In this Debenture, words (including defined terms) in the singular include the plural and vice-versa (the necessary changes being made to fit the context) and words in one gender include all genders.

## **1.6 Severable**

Wherever possible, each provision of this Debenture shall be interpreted in such a manner as to be effective and valid under Applicable Law, but if any provision of this Debenture or any party thereof shall be prohibited by or invalid under Applicable Law, such provision or part thereof shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or part thereof or the remaining provisions of this Debenture.

# **ARTICLE 2 PROMISE TO PAY**

**2.1** The Chargor hereby acknowledges itself indebted and promises to pay to or to the order of the Holder, on the Maturity Date in accordance with the terms of the Indenture and hereof, or on such earlier date as the principal monies hereby secured may become payable in accordance with the terms of the Indenture, the Secured Obligations limited to the principal sum of THREE MILLION FORTY THOUSAND AND ONE HUNDRED DOLLARS (\$3,040,100.00) in lawful currency of Canada and all other amounts now or hereafter payable hereunder as and when they become due and payable (the “**Principal Sum**”) at the office of the Holder described at the commencement of this Debenture, or at such other place as the Holder may designate at any time and from time to time by notice to the Chargor, and shall pay interest thereon from the date hereof at the rate set out in the Indenture, or, if there is no set rate in the Indenture, at twenty-five per cent (25%) per annum calculated yearly not in advance both before and after maturity, default or judgment together with interest on overdue interest at the same rate.

# **ARTICLE 3 SECURITY**

## **3.1 Security Interest**

As general and continuing collateral security, without novation, for the due payment and performance of the Secured Obligations, and subject to the Permitted Liens and exceptions in Section 3.6 and Section 3.7, the Chargor hereby:

- (a) grants, creates a security interest in, assigns, pledges, conveys, hypothecates, mortgages and charges as and by way of a fixed and specific mortgage and charge to and in favour of the Holder:
- (i) its estate and interest in the Lands together with all buildings, erections and fixtures now or hereafter constructed, erected or installed thereon;
  - (ii) any and all existing or future leases or subleases relating to the whole or any part or parts of the Lands and all existing or future licenses or concessions whereby any person, is given the right by the Chargor (other than an easement or a right in the nature of an easement) to use or occupy the whole or any part or parts of the Lands and all extensions, amendments, renewals or substitutions thereof or therefor which may hereafter be effected or entered into, and all benefits, powers and advantages of the Chargor to be derived therefrom and all covenants, obligations and agreements of the tenants or subtenants thereunder;
  - (iii) all rents and other moneys now due and payable or hereafter to become due and payable under any and all leases relating to the whole or any part or parts of the Lands, and each guarantee of or indemnity in respect of the obligations of the tenants thereunder with full power to demand, sue for recovery, receive and give receipts for all such rents and other moneys and otherwise to enforce the rights of the Chargor thereto in the name of the Chargor;
  - (iv) any and all existing or future agreements, contracts, licences, permits, plans and specifications, bonds, letters of credit, letters of guarantee or other documents or instruments affecting or relating to the Lands or any part or parts thereof and all extensions, amendments, renewals or substitutions thereof or therefore which may hereafter be effected or entered into and all benefit, power and advantage of the Chargor to be derived therefrom;
  - (v) any and all existing or future agreements of purchase and sale, options to purchase in favour of the Chargor and mortgages in favour of the Chargor, affecting or relating to the Lands or any part or parts thereof and all proceeds and other moneys now due and payable or hereafter to become due and payable thereunder and all benefit, power and advantage of the Chargor to be derived therefrom;
  - (vi) any and all existing or future insurance policies pertaining to the Lands or any part or parts thereof and the proceeds therefrom and all proceeds of expropriation or similar taking of the Lands or any part or parts thereof and all benefit, power and advantage of the Chargor to be derived therefrom;

- (vii) all Rights to the property referred to in clauses (i) through (vi) inclusive above and related benefits, easements, franchises, immunities, licenses, privileges, rights-of-way, undersurface rights, servitudes, and other interests appertaining thereto or connected therewith; and
  - (viii) all Proceeds and Replacements of or to property referred to in clauses (i) through (vii) inclusive above, including all Rights thereto;
- (b) assigns, pledges, conveys, hypothecates, mortgages, charges and grants a security interest in the business, undertaking and goodwill of the Chargor and all present and after acquired personal property of the Chargor including, without limitation, all personal property, tangible and intangible, of whatever nature and kind in which the Chargor now or hereafter has Rights, including, without limitation, the following property to and in favour of the Holder:
  - (i) Accounts;
  - (ii) Chattel Paper;
  - (iii) Documents of Title;
  - (iv) Equipment;
  - (v) Instruments;
  - (vi) Intangibles;
  - (vii) Intellectual Property;
  - (viii) Inventory;
  - (ix) Money;
  - (x) Records;
  - (xi) Securities;
  - (xii) all Rights of the Chargor to the property referred to in clauses (i) to (xi) inclusive above; and
  - (xiii) all Proceeds and Replacements of or to property referred to in clauses (i) to (xii) inclusive above, including all Rights thereto;
- (c) and for better securing to the Holder the repayment as set out herein of the Secured Obligations, interest thereon and all other amounts hereby secured, the Chargor hereby mortgages to the Holder all its estate and interest in the Lands and other Charged Property.

### **3.2 Habendum**

The Holder shall have and hold the Charged Property for its benefit but subject to the provisions of this Debenture.

### **3.3 Attachment**

The Chargor acknowledges that value has been given, that the Chargor and the Holder have not agreed to postpone the time for attachment of the Security and that the Security is intended to attach, as to all of the Charged Property in which the Chargor now has Rights, when the Chargor executes this Debenture, and, as to all Charged Property in which the Chargor only has Rights after the execution of this Debenture, when the Chargor first has such Rights. For certainty, the Chargor confirms and agrees that the Security is intended to attach to all present and future Charged Property of the Chargor and its successors.

### **3.4 Proceeds Held in Trust**

At any time during the continuance of a Default, the Chargor shall receive and hold all Proceeds in trust, separate and apart from other monies, instruments or property, and shall forthwith endorse as necessary and pay over or deliver them to the Holder to be held by the Holder in accordance with the terms and conditions of this Debenture.

### **3.5 Account Debtor**

At any time during the continuance of a Default, the Holder may require any account debtor of the Chargor to make payment directly to the Holder and the Holder may hold all amounts acquired from any such account debtor or debtors and any Proceeds as part of the Charged Property in accordance with the terms and conditions of this Debenture.

### **3.6 Leases**

- (a) The last day of the term of any lease, oral or written, or any agreement therefor (including without limitation the leases referred to in Section 3.1(a)(ii)), now held or hereafter acquired by the Chargor shall be excepted from the Security and shall not form part of the Charged Property but the Chargor shall stand possessed of such last day remaining and shall hold it in trust to assign and dispose of the same as the Holder directs. If any such lease or agreement therefor contains a provision which provides in effect that such lease or agreement may not be assigned, sub-leased, charged or made the subject of any Security Interest without the consent of the lessor, the application of the Security to any such lease or agreement shall be conditional upon such consent being obtained. The Chargor shall forthwith use commercially reasonable efforts to obtain, as soon as reasonably practicable, such consent.
- (b) Upon any sale by the Holder or any Receiver of any leasehold interest pursuant to this Debenture, the Holder or any Receiver, for the purpose of vesting the one day residue of the term or renewal thereof in any purchaser or purchasers, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other



Person or Persons as new trustee or trustees of the aforesaid residue of any such term or renewal thereof in the place and stead of the Chargor and to vest the same accordingly in the new trustee or trustees so appointed free from any obligation respecting the same.

### 3.7 **Excluded Property and Excluded Rights**

- (a) To the extent the grant of Security by the Chargor in any real property or related personal property comprised in the Charged Property is prohibited by, or requires a consent which has not been obtained under, a Mortgage Lien, and as a result thereof such grant of Security would constitute a default under such Mortgage Lien resulting in the acceleration, or which would permit the holder thereof to accelerate, the obligations secured thereby, or exercise any remedies thereunder, then such property (the “**Excluded Property**”) shall not be subject to the Security (save to the extent provided below) unless and until such waiver, consent or other approval as may be required to permit such grant of Security has been obtained. To the extent permitted by the terms of such Mortgage Lien, the Chargor will hold in trust for the Holder, and provide the Holder with the benefits of, all its rights and interests in the Excluded Property and the Security shall nonetheless immediately attach to all Proceeds and Replacements of the Excluded Property if and to the extent such attachment would not constitute a default under such Mortgage Lien. Provided that, for greater certainty, Excluded Property shall not include any interest in any of the Lands or any personal property of the Chargor located at, used in connection with, arising from or otherwise relating to any of the Lands.
- (b) To the extent the grant of Security by the Chargor in any agreement, Right or License comprised in the Charged Property is prohibited by, or requires a consent which has not been obtained under, the agreement, Right or License, and as a result thereof such grant of Security would constitute a default under such agreement, Right or License resulting in the acceleration, or which would permit the other party thereto to accelerate, the obligations of the Chargor thereunder, or to terminate such agreement, Right or License, then that agreement, Right or License (the “**Excluded Rights**”) shall not be subject to the Security (save to the extent provided below) unless and until such waiver, consent or other approval as may be required to permit such grant of Security has been obtained. To the extent permitted by the terms of the Excluded Rights, the Chargor will hold in trust for the Holder, and provide the Holder with the benefits of, all its rights and interests in and with respect to the Excluded Rights and the Security shall nonetheless immediately attach to all Proceeds and Replacements of the Excluded Rights if and to the extent such attachment would not constitute a default under the Excluded Rights.
- (c) The Chargor shall forthwith use commercially reasonable efforts to obtain, as soon as reasonably practicable, all waivers, consents and approvals of the nature referred to in Section 3.7(a) and Section 3.7(b) above.

### **3.8 Consumer Goods**

The Charged Property shall not include any goods used or acquired for use by the Chargor as consumer goods as such term is defined in the PPSA.

### **3.9 After-Acquired Property**

The Chargor covenants and agrees that all Replacements acquired by the Chargor after the date hereof (all such property, improvements, extensions and additions being hereinafter referred to as "**After-Acquired Property**") shall, upon the acquisition thereof by the Chargor without any further conveyance, mortgage, pledge, charge, assignment, grant of a security interest or act on the part of the Chargor or the Holder, become and be subject to the Security as fully and completely as though now owned by the Chargor and specifically described or referred to herein.

## **ARTICLE 4 DEFAULT**

### **4.1 Default**

Whenever any Default referred to in Section 4.2 occurs, the Security shall become immediately enforceable upon the Holder giving written notice to such effect to the Chargor.

### **4.2 Events of Default**

The occurrence of any event which constitutes an "**Event of Default**" as defined in the Indenture shall constitute a "**Default**" hereunder.

### **4.3 Waiver**

The Holder may waive any Default or any breach by the Chargor of any of the provisions of this Debenture. No waiver, however, shall be deemed to extend to a subsequent breach or Default, whether or not the same as or similar to the breach or Default waived, and no act or omission by the Holder shall extend to, or be taken in any manner whatsoever to affect, any subsequent breach or Default or the Rights of the Holder arising therefrom. Any such waiver must be in writing and signed by the Holder to be effective. No failure on the part of the Holder to exercise, and no delay by the Holder in exercising, any Right under this Debenture shall operate as a waiver of such Right. No single or partial exercise of any such Right shall preclude any other or further exercise of such Right or the exercise of any other Right.

## **ARTICLE 5 REMEDIES ON DEFAULT**

### **5.1 Remedies of Holder**

If the Security becomes enforceable in accordance with Article 4, the Holder shall have the Rights set out in this Article 5.

## 5.2 Right to Appoint a Receiver

At any time during the continuance of a Default past any cure periods set out in the Indenture, the Holder may appoint by instrument in writing one or more Receivers of any Charged Property. Any such Receiver shall have the Rights set out in this Article 5. In exercising such Rights, any Receiver shall act as and for all purposes shall be deemed to be the agent of the Chargor and the Holder shall not be responsible for any act or default of any Receiver. The Holder may remove any Receiver and appoint another from time to time. An officer or employee of the Holder may be appointed as a Receiver. No Receiver appointed by the Holder need be appointed by, nor need its appointment be ratified by, or its actions in any way supervised by, a court. If two or more Receivers are appointed to act concurrently, they shall, unless otherwise expressly provided in the instrument appointing them, so act severally and not jointly and severally. The appointment of any Receiver or anything done by a Receiver or the removal or termination of any Receiver shall not have the effect of constituting the Holder a mortgagee in possession in respect of the Charged Property.

## 5.3 Rights of a Receiver

Any Receiver appointed by the Holder shall have the following Rights:

- (a) *Power of Entry.* The Chargor shall forthwith upon demand deliver to a Receiver possession of any Charged Property at the place specified by the Receiver. Any Receiver may at any time enter upon any premises owned, leased or otherwise occupied by the Chargor or where any Charged Property is located to take possession of, disable or remove any Charged Property, and may use whatever lawful means the Receiver considers advisable to do so.
- (b) *Sale.* Any Receiver may sell, lease, consign, license, assign or otherwise dispose of any Charged Property by power of sale, public auction, private tender, private contract or by any other means permitted by Applicable Law, with or without notice, advertising or any other formality, subject always to Applicable Law, all of which are hereby waived by the Chargor to the extent permitted by Applicable Law. Any Receiver may, at its discretion, establish the terms of such disposition, including terms and conditions as to credit, upset, reserve bid or price. All payments made pursuant to such dispositions shall be credited against the Secured Obligations only as they are actually received. Any Receiver may buy in, rescind or vary any contract for the disposition of any Charged Property and may dispose of any Charged Property again without being answerable for any loss occasioned thereby subject to Applicable Law. Any such disposition may take place whether or not the Receiver has taken possession of the Charged Property. The exercise by the Receiver of any power of sale does not preclude the Receiver from further exercise of its power of sale in accordance with this clause.
- (c) *Carrying on Business.* Any Receiver may carry on, or concur in the carrying on of, any of the business or undertaking of the Chargor and may, subject to Applicable Law and the rights of any tenants, to the exclusion of all others, including the Chargor, enter upon, occupy and use any of the premises, buildings,

plant and undertaking of or occupied or used by the Chargor and may use any of the Equipment and Intangibles of the Chargor for such time and such purposes as the Receiver sees fit. No Receiver shall be liable to the Chargor for any negligence, other than gross negligence or wilful misconduct, in so doing or in respect of any rent, charges, costs, depreciation or damages in connection with any such action.

- (d) *Discharge of Security Interest.* Any Receiver may pay any liability secured by any actual or threatened Security Interest against any Charged Property. A Receiver may borrow money for the maintenance, preservation or protection of any Charged Property or for carrying on any of the business or undertaking of the Chargor and may grant Security Interests in any Charged Property in priority to the Security as security for the money so borrowed. The Chargor will forthwith on demand reimburse the Receiver for all such payments and borrowings, together with interest thereon as provided for in Section 6.18.
- (e) *Dealing with Charged Property.* Any Receiver may seize, collect, realize, dispose of, enforce, release to third parties or otherwise deal with any Charged Property in such manner, upon such terms and conditions and at such time as it deems advisable without notice to the Chargor (except as otherwise required by Applicable Law), and may charge on its own behalf and pay to others its reasonable costs and expenses (including legal, Receiver's and accounting fees and expenses on a full indemnity basis) incurred in connection with such actions. The Chargor will forthwith upon demand reimburse the Receiver for all such costs or expenses.
- (f) *Retain Services.* Any Receiver may retain the services of such real estate brokers and agents, lawyers, accountants, appraisers and other consultants as the Receiver may deem reasonably necessary or desirable in connection with anything done or to be done by the Receiver or with any of the Rights of the Receiver set out herein and pay their reasonable commissions, fees and disbursements (which payment shall constitute part of the Receiver's disbursements reimbursable by the Chargor hereunder). The Chargor shall forthwith on demand reimburse the Receiver for all such payments.

#### **5.4 Right to have Court Appoint a Receiver**

The Holder may, at any time, apply to a court of competent jurisdiction for the appointment of a Receiver, or other official, who may have powers the same as, greater or lesser than, or otherwise different from, those capable of being granted to a Receiver appointed by the Holder pursuant to this Debenture.

#### **5.5 Holder may exercise Rights of a Receiver**

In lieu of, or in addition to, exercising its Rights under Section 5.3 and Section 5.4, the Holder has, and may exercise, any of the Rights which are capable of being granted to a Receiver appointed by the Holder pursuant to this Debenture.

## **5.6 Retention of Charged Property**

If the Security becomes enforceable, the Holder may elect to retain any Charged Property in satisfaction of the Secured Obligations. The Holder may designate any part of the Secured Obligations to be satisfied by the retention of particular Charged Property which the Holder considers to have a net realizable value approximating the amount of the designated part of the Secured Obligations, in which case only the designated part of the Secured Obligations shall be deemed to be satisfied by the retention of the particular Charged Property.

## **5.7 Limitation of Liability**

Except for gross negligence, neither the Holder nor any Receiver shall be liable or accountable for any failure of the Holder or any Receiver to seize, collect, realize, dispose of, enforce or otherwise deal with any Charged Property nor shall any of them be bound to institute Litigation for any such purposes or for the purpose of preserving any Rights of the Holder, the Chargor or any other Person in respect of any Charged Property. Neither the Holder nor any Receiver shall be liable or responsible for any loss and expense which may accrue in consequence of any such failure resulting from any negligence of the Holder, any Receiver or any of their respective Representatives or otherwise, except to the extent determined by a final judgment to have been directly caused by the gross negligence or wilful misconduct of any Receiver, the Holder or their respective Representatives. If any Receiver or the Holder takes possession of any Charged Property, neither the Holder nor any Receiver shall have any liability as a mortgagee in possession or be accountable for anything except actual receipts.

## **5.8 Extensions of Time**

The Holder and any Receiver may grant renewals, extensions of time and other indulgences, take and give up Security Interests, accept compositions, grant releases and discharges, perfect or fail to perfect any Security Interests, release any Charged Property to third parties and otherwise deal or fail to deal with the Chargor, debtors of the Chargor, guarantors, sureties and others and with any Charged Property and other Security Interests as the Holder may see fit, all, subject to the terms of the Indenture, without prejudice to the liability of the Chargor to the Holder or the Rights of the Holder and any Receiver under this Debenture.

## **5.9 Application of Payments against Secured Obligations**

Any Recovery received by the Holder in respect of the Secured Obligations from time to time and any Recovery realized by the Holder on any Charged Property shall be appropriated and applied by the Holder in accordance with the terms of the Indenture.

## **5.10 Validity of Sale**

No Person dealing with the Holder or any Receiver or with any Representative of the Holder or any Receiver shall be concerned to inquire whether the Security has become enforceable, whether any Right of the Holder or any Receiver has become exercisable, whether any Secured Obligations remain outstanding or otherwise as to the propriety or regularity of any dealing by the Holder or any Receiver with any Charged Property or to see to the application of any money paid to the Holder or any Receiver, and in the absence of fraud on the part of such

Person such dealings shall be deemed, as regards such Person, to be within the Rights hereby conferred and to be valid and effective accordingly.

#### **5.11 Holder Not Obligated to Preserve Third Party Interests**

To the extent that any Charged Property constitutes an Instrument or Chattel Paper, neither the Holder nor any Receiver shall be obliged to take any steps to preserve Rights against prior parties in respect of any such Instrument or Chattel Paper.

#### **5.12 Effect of Appointment of Receiver**

As soon as the Holder takes possession of any Charged Property or appoints a Receiver over any Charged Property, all Rights of each of the Representatives of the Chargor with respect to that Charged Property shall cease, unless specifically continued by the written consent of the Holder or the Receiver.

#### **5.13 Rights in Addition**

The Rights conferred by this Article 5 are in addition to, and not in substitution for, any other Rights the Holder may have under this Debenture, the Indenture, at law, in equity or by or under Applicable Law. The Holder may proceed by way of any action, suit or other proceeding at law or in equity including (a) the Right to take proceedings in any court of competent jurisdiction for the sale or foreclosure of the Charged Property and (b) filing proofs of claim and other documentation to establish the claims of the Holder in any Litigation relating to the Chargor. No Right of the Holder or any Receiver shall be exclusive of or dependent on any other. Any such Right may be exercised separately or in combination, and at any time. The exercise by the Holder or any Receiver of any Right hereunder does not preclude the Holder or any Receiver from further exercise of such Right in accordance with this Debenture.

### **ARTICLE 6 GENERAL**

#### **6.1 Security in Addition**

The Security does not replace or otherwise affect any existing or future Security Interest held by the Holder. Neither the taking of any Litigation, judicial or extra-judicial action, nor the refraining from so doing, nor any dealing with any other security for any Secured Obligations, shall release or affect the Security except in the case of Payment in Full. Neither the taking of any Litigation, judicial or extra-judicial, pursuant to this Debenture, nor the refraining from so doing, nor any dealing with any Charged Property shall release or affect any of the other Security Interests held by the Holder for the payment or performance of the Secured Obligations.

#### **6.2 Demand**

The Holder will not demand payment under, and enforce, this Debenture until occurrence and the continuance of a Default past any cure periods set out in the Indenture.

### **6.3 No Merger**

This Debenture shall not operate by way of a merger of the Secured Obligations or of any guarantee or agreement or other document or Instrument by which the Secured Obligations now or at any time hereafter may be represented or evidenced. Neither the taking of any judgment nor the exercise of any power of seizure or disposition shall extinguish the liability of the Chargor to pay and perform the Secured Obligations nor shall the acceptance of any payment or alternate security constitute or create any novation. No covenant, representation or warranty of the Chargor herein shall merge in any judgment.

### **6.4 Notices**

Any notices other than communication which may be or is required to be given or made pursuant to this Debenture shall be deemed to have been sufficiently and effectively given in accordance with the terms of the Indenture.

### **6.5 Time of the Essence**

Time is and shall remain of the essence with respect to this Debenture and each of its provisions.

### **6.6 Governing Law**

This Debenture shall be governed by, and interpreted in accordance with, the laws in force in the province wherein the Charged Property is located, including the federal laws of Canada applicable therein (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction).

### **6.7 Security Effective Immediately**

The Security shall take effect forthwith upon the issuance of this Debenture by the Chargor with respect to Charged Property in which the Chargor has Rights as of the date hereof.

### **6.8 Invalidity**

If any provision of this Debenture is found to be invalid or unenforceable, by a court of competent jurisdiction from which no further appeal Right lies, that provision shall be deemed to be severed herefrom and the remaining provisions of this Debenture shall not be affected thereby but shall remain valid and enforceable.

### **6.9 Successors and Assigns**

This Debenture shall enure to the benefit of the Holder and any Receiver and their respective successors and permitted assigns and any subsequent holder of this Debenture in accordance with the Indenture and shall be binding on the Chargor, their legal representatives (including Receivers) and their respective successors. Each reference to the Chargor in this Debenture shall be construed so as to include the successors of the Chargor to the extent the context so admits.



#### **6.10 Currency**

All references in this Debenture to monetary amounts, unless specifically provided, are to lawful currency of Canada. All sums of money payable under this Debenture shall be paid in the currency in which such sums are incurred or expressed as due hereunder.

#### **6.11 Amendment**

No agreement purporting to change this Debenture shall be binding upon the Chargor or the Holder unless that agreement is in writing and signed by the Chargor or the Holder, respectively.

#### **6.12 Receipt of Copy**

The Chargor acknowledges receipt of a copy of this Debenture and copies of the verification statements pertaining to the financing statements filed under the PPSA and under the personal property security statutes of other provinces by the Holder in respect of this Debenture.

#### **6.13 Information**

Subject to the confidentiality provisions of the Indenture at any time the Holder may provide to any Person that claims an interest in Charged Property copies of this Debenture or information about it or about the Charged Property or the Secured Obligations.

#### **6.14 Collateral Security**

This Debenture has been issued and delivered by the Chargor to the Holder, and is held by the Holder, as continuing collateral security for the Payment in Full of the Secured Obligations and this Debenture shall not be deemed to have been discharged or redeemed or the amounts payable hereunder to have been satisfied or reduced by reason of the account of the Chargor or Borrower having ceased to be in debit at any time while this Debenture remained so held.

#### **6.15 Further Assurances**

The Chargor shall at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, transfers, mortgages, pledges and charges, security agreements, assignments, agreements, debentures and assurances as the Holder may reasonably require in order to give effect to the provisions of this Debenture and for the better securing or perfecting of the Security and the priority accorded to the Security intended under this Debenture.

#### **6.16 Reimbursements as Secured Obligations**

All amounts for which the Chargor is required hereunder to reimburse the Holder or any Receiver shall, from the date of disbursement until the date the Holder or such Receiver receives reimbursement, be deemed advanced to the Chargor by the Holder or such Receiver, as

the case may be, on the faith and security of this Debenture shall be deemed to be Secured Obligations secured by the Security.

**6.17 Discharge of Security**

The Holder shall promptly deliver a discharge of this Debenture on the satisfaction of all Secured Obligations.

**6.18 Paramountcy**

In the event of any conflict between the terms of this Debenture and the terms of the Indenture, the terms of the Indenture shall prevail to the extent of such conflict.


**6.19 Counterparts and Electronic Execution**

This Debenture may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument. This Debenture or counterparts hereof may be executed by fax or email PDF, and the parties shall adopt any signatures provided or received by fax or email PDF as original signatures of the applicable party or parties.

*[Remainder of Page Intentionally Left Blank]*

**IN WITNESS WHEREOF** the Chargor has executed this Debenture effective as of the date and year first above written.

**MUSKOKA GROWN LIMITED**

By:   
Name: DAVID GRAW  
Title: CEO

By: \_\_\_\_\_  
Name:  
Title:

I/We have authority to bind the Corporation.

## SCHEDULE “A”

### DEFINITIONS

Unless the context otherwise requires, in this Debenture the following terms are used with their corresponding defined meanings:

**“Accounts”** means all accounts, and (where the context so admits) any item or part thereof, including Rights to receive royalties or license fees, which are now owned by or are due, owing or accruing due to a Chargor or which may hereafter be owned by or become due, owing or accruing due to a Chargor or in which a Chargor now or hereafter has any other Rights, including all debts, claims and demands of any kind whatever, claims against the Crown and claims under insurance policies.

**“Applicable Law”** means (a) any statute, law, treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise), (b) any judgment, order, writ, injunction, decision, ruling, decree or award, (c) any regulatory policy, practice, guideline or directive, or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law.

**“Award”** means any judgment, decree, injunction, rule, award or order of any Governmental Authority, arbitrator or other decision-making authority of competent jurisdiction.

**“Charged Property”** means the Lands and all personal property made subject to security interests created under Section 3.1, wherever located, now or hereafter owned by the Chargor or in or to which the Chargor now or hereafter have Rights, including all such Rights, and (as the context so admits) any item or part thereof.

**“Chattel Paper”** means all chattel paper in which the Chargor now or hereafter has Rights, and (as the context so admits) any item or part thereof.

**“Indenture”** means the secured convertible debenture indenture dated effective as of March 1, 2020 between the Chargor as borrower and the holders party thereto, as may be amended, restated, supplemented, replaced, superseded or otherwise modified from time to time.

**“Debenture”** means this debenture. The terms **“this Debenture”**, **“hereof”**, **“hereunder”** and similar expressions refer to this Debenture and not to any particular Article, Section, Subsection, paragraph, clause or other portion of this Debenture. Each reference to a “Schedule” in this Debenture is a reference to a Schedule attached to this Debenture which shall form an integral part hereof.

**“Default”** has the meaning ascribed thereto in Section 4.2.

**“Documents of Title”** means all documents of title, whether negotiable or non-negotiable, including all warehouse receipts and bills of lading, in which the Chargor now or hereafter has Rights, and (as the context so admits) any item or part thereof.

**“Equipment”** means all goods in which the Chargor now or hereafter has Rights, other than Inventory or consumer goods, and (as the context so admits) any item or part thereof, including all tools, apparatus, plant, furniture, fixtures, equipment, machinery, vehicles.

**“Governmental Authority”** means the government of Canada and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**“Holder”** is used with the defined meaning given to it in the introduction to this Debenture.

**“Instruments”** means all letters of credit, advices of credit and all other instruments in which the Chargor now or hereafter has Rights, and (as the context so admits) any item or part thereof.

**“Intangibles”** means all intangibles, all IP Licenses and (as the context so admits) any item or part thereof, including all of the Chargor's choses in action, contractual Rights, goodwill and Intellectual Property.

**“Intellectual Property”** means all trade secrets, confidential information and know-how, Software, patents, trade marks, patent or trade mark rights, registrations and applications, designs, logos, indicia, trade names, corporate names, company names, business names, trade styles, business identifiers, fictitious business names or characters, copyrights and copyright registrations and applications, goodwill, letters patent and other industrial or intellectual property of whatever kind in which the Chargor now or hereafter has Rights.

**“Inventory”** means all inventory of whatever kind in which the Chargor now or hereafter has Rights, and (as the context so admits) any item or part thereof, including all goods, wares, merchandise, materials, supplies, raw materials, goods in process, finished goods and other tangible personal property, including all goods, wares, materials and merchandise used or procured for packing or storing thereof, now or hereafter held for sale, lease, resale or exchange or that are to be furnished or have been furnished under a contract of service or that are used or consumed in the business of the Chargor.

**“IP License”** means any license agreement pursuant to which the Chargor is granted a Right to use Intellectual Property or the Chargor grants a Right to use Intellectual Property.

**“Lands”** means the lands and premises described in Schedule “C”.

**“Leased Premises”** means the premises leased by the Chargor as tenant, as more particularly described in Schedule “D”.

**“License”** means (i) any authorization from any Governmental Authority having jurisdiction with respect to the Chargor, (ii) any authorization from any Person granting any license with respect to any real or immovable property and (iii) any IP License.

**“Litigation”** means any grievance, investigation, litigation, legal action, lawsuit, mediation, alternative dispute resolution proceeding or other proceeding (whether civil, administrative, quasi-criminal or criminal) by or before any Governmental Authority, arbitrator or other decision-making authority.

**"Maturity Date"** means March 1, 2023.

**“Money”** means all money in which the Chargor now or hereafter has Rights, and (as the context so admits) any item or part thereof.

**“Mortgage Lien”** means any mortgage, charge, hypothec or other Lien (including in respect of upfinancings) granted on real property of the Chargor and any personal property primarily relating to such real property to secure monies borrowed or advanced on the security of such real property.

**“Order”** means any order, directive, direction or request of any Governmental Authority, arbitrator or other decision-making authority of competent jurisdiction.

**“Payment in Full”** in relation to any Secured Obligations owing to the Holder means permanent, indefeasible and irrevocable payment to the Holder in full of all Secured Obligations, without regard to any compromise, reduction or disallowance of all or any item or part thereof by virtue of the application of any bankruptcy, insolvency or other similar such laws, any law affecting creditors’ rights generally or general principles of equity and the cancellation or expiry of all commitments by the Holder to lend or otherwise extend credit pursuant to or under the terms of the Indenture and **“Paid in Full”** and **“Pay in Full”** shall (to the extent the context so admits) be construed in like manner.

**"Permitted Liens"** means

- (i) any: (A) lien, charge, mortgage, pledge, security interest or conditional sale agreement; (B) assignment, lease, consignment, trust or deemed trust that secures payment or performance of an obligation; (C) garnishment; (D) other encumbrance of any kind; and (E) any commitment or agreement to enter into or grant any of the foregoing (each individually, a **"Lien"**), in respect of any property or assets of the Chargor created by or arising pursuant to any applicable legislation in favour of any Person (such as but not limited to a governmental authority), including, without limitation, a Lien for the purpose of securing the Chargor’s obligation to deduct and remit employee source deductions and goods and services tax pursuant to the *Income Tax Act* (Canada), the *Excise Tax Act* (Canada), the *Canada Pension Plan* (Canada), the *Employment Insurance Act* (Canada) and any legislation in any jurisdiction similar to or enacted in replacement of the foregoing from time to time (each individually a **"Statutory Lien"**) in respect of any amount which is not at the time due;

- (ii) Statutory Liens in respect of any amount which may be due but the validity of which is being contested in good faith;
- (iii) in respect of the Lands: (A) registered agreements (or unregistered agreements that are required in connection with the Lands) with any municipal, provincial or federal governments or authorities and any public utilities or private suppliers of services, including (without limitation) site plan agreements, subdivision agreements, development agreements, engineering, grading or landscaping agreements and similar agreements which do not and will not in the aggregate materially and adversely affect the value or use of the Lands; (B) registered easements for the supply of utilities or telephone services to the Lands and for drainage, storm or sanitary sewers, public utility lines, telephone lines, cable television lines or other services and all licences, easements, rights-of-way, rights in the nature of easements and agreements with respect thereto not registered on title to the Lands, including without limitation, agreements, easements, licences, rights-of-way and interests in the nature of easements for sidewalks, public ways, sewers, drains, utilities, gas, steam and water mains or electric light and power, or telephone telegraphic conduits, poles, wires and cables which do not and will not in the aggregate materially and adversely affect the value or use of the Lands; (C) registered easements or rights-of-way for the passage, ingress and egress of persons and vehicles over parts of the Lands; (D) any registered or unregistered easement, rights-of-way, agreements or other unregistered interest or claims not disclosed by registered title which do not and will not in the aggregate materially and adversely affect the value or use of the Lands; (E) zoning, land use and building restrictions, bylaws, regulations and ordinances of federal, provincial, municipal or other governmental bodies or regulatory authorities, including municipal by-laws and regulations and airport zoning regulations; (F) obligations with respect to any permit required in connection with the construction and use of the Lands; (G) any minor defects in title which do not and will not in the aggregate materially and adversely affect the value or use of the Lands;
- (iv) the reservations, limitations, provisos, conditions, restrictions and exceptions (including royalties, reservation of mines, mineral rights, access to navigable waters and similar rights) expressed in the letters patent or grant from the Crown, as varied by statute, of the Lands of which the Lands form a part and any statutory limitations, exceptions, reservations and qualifications, provided same have been complied with in all material respects;
- (v) security given to a public utility or any governmental authority to secure obligations incurred to such utility, municipality, government or other authority in the ordinary course of business and not at the time overdue;
- (vi) any inchoate Lien (statutory or otherwise) arising in connection with the construction or improvement of the Lands or arising out of the furnishing of materials or supplies therefor, provided that such Lien secures moneys not at the time overdue (or if overdue, the validity of which is being contested in good faith);



- (vii) any present and future leases, offers to lease, subleases, concessions, licences or other contracts or agreements by which the use, enjoyment or occupancy of the Lands or any portion thereof;
- (viii) all Liens registered against title to the Lands in priority to this Debenture; and
- (ix) any other Liens consented to in writing by the Holder.

**“Person”** means any individual, corporation, partnership, joint venture, limited liability company, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

**“PPSA”** means the *Personal Property Security Act* of the Province of Ontario.

**“Proceeds”** means all proceeds and real or personal property in any form derived directly or indirectly from any disposal of or other dealing with any Charged Property, or that indemnifies or compensates for such Charged Property stolen, lost, destroyed or damaged, and proceeds of Proceeds whether or not of the same type, class or kind as the original Proceeds, and (as the context so admits) any item or part thereof.

**“Receiver”** means any receiver for the Charged Property or any of the business, undertakings, property and assets of the Chargor appointed by the Holder pursuant to this Debenture or by a court on application by the Holder and shall be construed to include a privately appointed or court appointed receiver or receiver and manager, interim receiver, liquidator, trustee-in-bankruptcy, administrator, administrative receiver and any other like or similar official.

**“Records”** means all books, accounts, invoices, letters, papers, security certificates, documents and other records in any form evidencing or relating in any way to any item or part of the Charged Property and all agreements, Licenses and other Rights and benefits in respect thereof, and (as the context so admits) any item or part thereof.

**“Recovery”** means any monies received or recovered by the Holder pursuant to this Debenture on account of the Secured Obligations, whether pursuant to any enforcement of the Security, any Litigation, any settlement thereof or otherwise.

**“Replacements”** means all increases, additions and accessions to, and all substitutions for and replacements of, any item or part of the Charged Property, and any item or part thereof.

**“Representative”** of any Person means any director, officer, employee, agent, legal counsel, accountant, financial advisor, expert, manager, consultant or other representative appointed, engaged or employed by such Person.

**“Rights”** shall be construed as rights, titles, benefits, interests, powers, authorities, discretions, privileges, immunities and remedies (actual or contingent, direct or indirect,

matured or unmatured, now existing or arising hereafter), whether arising by agreement or statute, at law, in equity or otherwise, and **“Right”** shall be construed in like manner.

**“Secured Obligations”** means any and all obligations, indebtedness and liability of the Chargor to the Holder and the debentureholders under the Indenture, or any of them, and their respective successors and assigns from time to time, (including interest thereon and all fees, costs and expenses) present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again, and whether the Chargor be bound alone or with another or others and whether as principal or surety, howsoever arising or incurred under or in connection with or by virtue of this Debenture, the Indenture or any other security documents delivered by the Chargor to the Holder, including without limitation, the Obligations (as defined in the Indenture).

**“Securities”** means all shares, stock, warrants, bonds, debentures, debenture stock, bills, notes and other securities in which the Chargor now or hereafter has Rights, and (as the context so admits) any item or part thereof.

**“Security”** means any and all Security Interests granted by the Chargor to the Holder in this Debenture.

**“Security Interest”** means any mortgage, charge, lien, hypothec or encumbrance, whether fixed or floating on, or any security interest in, any property, whether real, personal or mixed, tangible or intangible, any pledge or hypothecation of any property, any deposit arrangement, priority agreement, conditional sale agreement, other title retention agreement or equipment trust, any capital lease or similar arrangement or other security arrangement of any kind.

**“Set-off”** means any Right or Obligation of set-off, compensation, offset, combination of accounts, netting, retention, withholding, reduction, deduction or any similar Right or Obligation, or (as the context requires) any exercise of any such Right or performance of such Obligation.

**“Software”** means all computer programs and databases owned by or licensed to the Chargor in whatever form and on whatever medium those programs or databases might be expressed, fixed, embodied or stored from time to time, including the object code and source code versions thereof and all corrections, updates, enhancements, translations, modifications, derivations and new versions thereof together with both the media upon or in which such software and databases are expressed, fixed, embodied or stored (such as disks, diskettes, tapes and semiconductor chips) and all flow charts, manuals, instructions, documentation and other material relating thereto.

**SCHEDULE “B”****CHARGOR AND ADDRESS OF CHARGOR'S OFFICE**

<b>Chargor</b>	<b>Registered Office</b>
Muskoka Grown Limited	440 Eccelstone Drive, Unit C5, Bracebridge, Ontario

## SCHEDULE “C”

### LANDS

The lands and premises legally described as:

**PIN 48053-0801(LT)**

PART LOTS 1 & 2 CONCESSION 13 DRAPER BEING PARTS 2 & 3 ON 35R-25226, TOWN OF BRACEBRIDGE, THE DISTRICT MUNICIPALITY OF MUSKOKA; SUBJECT TO AN EASEMENT OVER PART 3 ON 35R-25226 IN FAVOUR OF PART LOT 2 CONCESSION 12 DRAPER AS IN DM38412, AS IN MT179269; TOGETHER WITH AN EASEMENT OVER PART 4 ON 35R-25226 AS IN MT179270; SUBJECT TO AN EASEMENT OVER PART 3, 35R-25226 IN FAVOUR OF PART LOT 1 CON 12 DRAPER DESIGNATED AS PARTS 1, 2, 3, 35R-25379 AS IN MT192298

**PIN 48053-0802(LT)**

PART LOTS 1 & 2 CONCESSION 13 DRAPER, BEING PART 1 ON 35R-25226; TOWN OF BRACEBRIDGE; THE DISTRICT MUNICIPALITY OF MUSKOKA

**PIN 48053-0802(LT)**

PART LOT 1 CONCESSION 12 DRAPER PARTS 1, 2 & 3 35R25379; SUBJECT TO AN EASEMENT OVER PART 3 35R25379 IN FAVOUR OF PART LOT 1 CONCESSION 12 AS IN DM226261, EXCEPT PART 2 35R17003, PARTS 1 TO 5, 8 TO 11 35R21146, PARTS 1 TO 10 35R24393, PARTS 1, 2 & 3 35R25379 AS IN MT185935; TOGETHER WITH AN EASEMENT OVER PART 3, 35R-25226 AS IN MT192298; TOWN OF BRACEBRIDGE

**SCHEDULE “D”**  
**LEASED PREMISES**

Nil.

*This is Exhibit* “T” *referred to in the*  
*affidavit of* David Ascott  
*sworn before me, this* 5th  
*day of* May, 2020

**A COMMISSIONER FOR TAKING AFFIDAVITS**

*Aiden Nelms*

**Up to CAD\$4,000,000  
INTERIM FINANCING TERM  
SHEET**

**May 5, 2020**

WHEREAS the Borrower (as defined below) intends to file a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”);

AND WHEREAS the Borrower has requested that the Interim Lender (as defined below) provide financing in accordance with the terms and conditions set forth herein to fund certain of the Borrower’s cash requirements during the pendency of the Borrower’s proceedings under the BIA (such proceedings being referred to as the “**NOI Proceedings**”);

AND WHEREAS the Borrower will make a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to, among other things, seek approval of this Interim Financing Term Sheet;

NOW THEREFORE, the parties, for good and valuable consideration (the receipt and sufficiency of which are hereby irrevocably acknowledged), agree as follows:

- 1. BORROWER** Muskoka Grown Limited (the “**Borrower**”)
- 2. LENDER** Arthur Zwingenberger (in his capacity as lender under the Interim Facility, the “**Interim Lender**”)
- 3. DEFINED TERMS** Capitalized terms used in this Interim Financing Term Sheet have the meanings given thereto in Schedule A.
- 4. PURPOSE**

The Borrower shall use the proceeds of the Interim Facility solely for the following purposes and in the following order, in each case during and for the purposes of the Borrower’s pursuit of the NOI Proceedings:

  - (a) To fund professional fees (including fees of the Proposal Trustee, the Chief Restructuring Officer and the legal fees of counsel to the Interim Lender, the Borrower and the Proposal Trustee). It is agreed to and acknowledged by the Borrower and the Interim Lender that those fees and expenses incurred to the date hereof and those provided for in the Agreed Budget as of the date hereof are reasonable.
  - (b) To fund the payment of interest and other amounts payable under the Interim Facility under this Interim Financing Term Sheet in accordance with the terms



hereof.

- (c) To finance operating expenses, restructuring costs in the NOI Proceedings, and for general corporate purposes of the Borrower, all in accordance with the Agreed Budget.
- (d) To fund such other costs and expenses as agreed to by the Interim Lender in advance, in writing.

For greater certainty, the Borrower may not use the proceeds of the Interim Facility to pay any pre-filing obligations of the Borrower without the prior written consent of the Interim Lender and the Proposal Trustee; it being agreed by the Interim Lender that such consent is not required for the Borrower to pay (i) legal fees and disbursements for the pre-filing period owing to counsel to the Borrower, (ii) taxes, accrued payroll and other ordinary course liabilities, provided that such amounts are included in the Agreed Budget or the DIP Order, or (iii) any other amounts owing by the Borrower to the extent specifically identified in the Agreed Budget or the DIP Order.

#### 5. INTERIM FACILITY MAXIMUM AMOUNT

A super-priority, debtor-in-possession interim, revolving credit facility (the “**Interim Facility**”) up to a maximum principal amount of \$4,000,000 (the “**Maximum Amount**”), subject to the terms and conditions contained herein.

Advances under the Interim Facility (the “**Interim Advances**”) shall be deposited into the Deposit Account and utilized by the Borrower in accordance with the terms hereof.

#### 6. CONDITIONS PRECEDENT TO EFFECTIVENESS

The effectiveness of this Interim Financing Term Sheet shall be subject to the satisfaction of the following conditions precedent, as determined by the Interim Lender:

- (a) The Interim Lender shall have had a reasonable opportunity to review advance copies of, and shall be reasonably satisfied with, all materials to be filed with the Court in respect of the DIP Order (as defined below).
- (b) The Court shall have issued an order in the NOI Proceedings (the “**DIP Order**”) on or before May 6, 2020 (the “**Outside Date**”), satisfactory to the Interim Lender and substantially in the form contained in the draft bankruptcy process order attached hereto as Schedule B, on notice to such parties as are acceptable to the Interim Lender, which shall: (i) approve this

Interim Financing Term Sheet and the Interim Facility; (ii) grant the Interim Lender a charge (the “**Interim Lender Charge**”) securing all obligations owing by the Borrower to the Interim Lender under this Interim Financing Term Sheet and the Interim Financing Credit Documentation (collectively, the “**Interim Financing Obligations**”), including, without limitation, all principal amount of the outstanding Interim Advances, interest thereon and Interim Financing Fees and Expenses, which shall have priority over all Liens other than the Permitted Priority Liens; and (iii) treat the Interim Lender as an unaffected creditor in the NOI Proceedings.

- (c) The Interim Lender shall have received and approved the Agreed Budget.
- (d) The Interim Lender shall have received a list of the key individuals designated by the Borrower as of the date of the DIP Order pursuant to the *Cannabis Act* (Canada) (the “**Cannabis Act**”), including, without limitation, the Responsible Person, the Head of Security, the Master Grower and the Quality Assurance Person (as such terms are defined in the Cannabis Act), as well as any and all designated alternates and including the Chief Financial Officer (collectively, the “**Key Individuals**”).
- (e) The Interim Financing Credit Documentation shall be satisfactory to the Interim Lender, acting reasonably, and shall have been executed by the Borrower and the Interim Lender.
- (f) The Interim Lender shall be satisfied, acting reasonably, that the Borrower have complied with and are continuing to comply in all material respects with all applicable laws, regulations, policies and Licenses applicable to the Borrower’s business, other than as may be permitted under a Court Order or as to which any enforcement in respect of non-compliance is stayed by a Court Order, provided the issuance of such Court Order does not result in the occurrence of an Event of Default.
- (g) The Borrower shall have paid all statutory liens, trusts and other claims, in each case in favour of the government, to the extent due and payable (it being

understood that to the extent the payment of any such claim has been extended pursuant to government relief provided related to COVID-19, such claim shall be deemed not to be due and payable until the applicable due date as extended).

- (h) All of the representations and warranties of the Borrower as set forth herein shall be true and accurate in all material respects.

**7. CONDITIONS  
PRECEDENT TO  
INTERIM ADVANCES**

Making of each Interim Advance shall be subject to the satisfaction of the following conditions precedent (collectively, the “**Funding Conditions**”), as determined by the Interim Lender:

- (a) The DIP Order shall not have been stayed, vacated or otherwise caused to be ineffective or materially amended, restated or modified, without the consent of the Interim Lender.
- (b) The Upfront Fee and all Interim Financing Fees and Expenses for which invoices have been provided to the Borrower shall have been paid, or arrangements satisfactory to the Interim Lender acting reasonably shall have been made to pay such amounts.
- (c) The Borrower shall be in compliance with the: (i) DIP Order and any amendments thereto; and (ii) all other orders issued in the Borrower’s NOI proceedings;
- (d) The Interim Lender shall be satisfied that the Borrower has complied with and are continuing to comply in all material respects with all Licenses, including, for certainty, those issued to the Borrower under the Cannabis Act and the Excise Act, other than as may be permitted under a Court Order or as to which any enforcement in respect of non- compliance is stayed by a Court Order, provided the issuance of such Court Order does not result in the occurrence of an Event of Default.
- (e) The Borrower shall have paid all statutory liens, trust and other government claims including, without limitation, source deductions, except, in each case, for any such amounts that are not yet due and payable or which are in dispute in which case appropriate reserves have been made.

- (f) All of the representations and warranties of the Borrower as set forth herein shall be true and accurate in all material respects.
- (g) No Default or Event of Default shall have occurred or, if applicable, shall occur as a result of the requested Interim Advance.
- (h) No Material Adverse Change shall have occurred after the date of the issuance of the DIP Order.
- (i) There shall be no Liens ranking in priority to the Interim Lender Charge, other than the Permitted Priority Liens.
- (j) The Interim Lender shall have received a written request for an Interim Advance from the Borrower, substantially in the form attached hereto as Schedule C, which shall be executed by a director or officer of the Borrower, and shall certify, *inter alia*, that (i) the requested Interim Advance is within the Maximum Amount and is consistent with the Agreed Budget, and (ii) the Borrower is in compliance with this Interim Financing Term Sheet and the Court Orders.
- (k) The requested Interim Advance shall not cause the aggregate amount of all outstanding Interim Advances to exceed the Maximum Amount or be greater than the amount shown on the Agreed Budget as at the date of such Interim Advance.

For greater certainty, the Interim Lender shall not be obligated to make any Interim Advance or otherwise make available funds pursuant to this Interim Financing Term Sheet unless and until all the foregoing applicable conditions have been satisfied and all the foregoing applicable documentation and confirmations have been obtained (for certainty, each of the same, as applicable, as a condition precedent to each Interim Advance), each in form and content satisfactory to the Interim Lender in its sole discretion (unless specified otherwise).

## **8. COSTS AND EXPENSES**

The Borrower shall pay all of the Interim Lender's reasonable and documented legal fees (on a solicitor-client, full indemnity basis), out-of-pocket disbursements and any costs of realization or enforcement, in each case in connection with or otherwise related to the Interim Facility, the Interim Lender Charge, the Interim Financing Credit Documentation, or the

NOI Proceedings (collectively, the “**Interim Financing Fees and Expenses**”).

**9. INTERIM FACILITY  
SECURITY AND  
PRIORITY**

All Interim Financing Obligations shall be secured by the Interim Lender Charge, which shall be a super-priority Lien over all Collateral, subordinate only to the Permitted Priority Liens. The Interim Lender Charge shall be approved by the Court on terms and conditions satisfactory to the Interim Lender.

All Collateral will be free and clear of all Liens, except for the Permitted Liens.

Notwithstanding the foregoing, and subject to the concluding sentence of this paragraph, no proceeds of any Interim Advance may be used to (a) investigate, object to or challenge in any way any claims of the Interim Lender against any of the Borrower in respect of the Interim Facility or of the Pre-Filing Creditor under the Pre-Filing Secured Loan Agreement, or (b) investigate, object to or challenge in any way the validity, perfection or enforceability of the Liens created pursuant to the Interim Lender Charge. Nothing in this paragraph shall restrict the Borrower or the Proposal Trustee, including the engagement by the Proposal Trustee of independent legal counsel, from: (i) assessing the validity and enforceability of the Liens in respect of advances under the Pre-Filing Secured Loan Agreement if required pursuant to applicable laws, and (ii) conducting a claims process in accordance with any Court Order.

Subject to the Agreed Budget and other limitations set forth herein, the Borrower may only request and apply Interim Advances through the accounts as agreed to with the Interim Lender. Except as set out in the Agreed Budget, the Borrower shall not effect, and shall not permit to occur, any distribution of funds (whether from proceeds of the Interim Facility or otherwise) from Borrower to any subsidiary or affiliate.

**10. PROPOSAL TRUSTEE**

The trustee in the NOI Proceedings shall be A. Farber & Partners Inc., LIT (the “**Proposal Trustee**”). The Proposal Trustee shall be authorized to have direct discussions with the Interim Lender, and the Interim Lender shall be entitled to receive information from the Proposal Trustee from time to time. Any replacement of the Proposal Trustee without the written consent of the Interim Lender, acting reasonably, other than as a result of the Proposal Trustee’s resignation, shall

constitute an Event of Default hereunder.

## 11. TERM AND MATURITY

The Interim Facility shall be repayable in full on the earlier of: (i) demand by the Interim Lender following the occurrence of any Event of Default hereunder which is continuing and has not been cured at the time the Interim Lender delivers its demand; (ii) the implementation of a proposal within the NOI Proceedings (a “**Proposal**”) which has been approved by the requisite majorities of the Borrower’s creditors and by an order entered by the Court; (iii) the closing of a Bankruptcy Sale within the NOI Proceedings which has been approved by orders entered by the Court; (iv) conversion of the NOI Proceedings into a bankruptcy proceeding or a proceeding that is subject to the *Companies’ Creditors Arrangement Act* (Canada) and for which the Interim Lender has not given its prior approval with respect to; and (v) November 6, 2020 (the earliest of such dates being the “**Maturity Date**”).

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date, without the Interim Lender being required to make demand upon the Borrower or to give notice that the Interim Facility has expired and the obligations are due and payable. The order of the Court sanctioning any Proposal shall not discharge or otherwise affect in any way any of the obligations of the Borrower to the Interim Lender under the Interim Facility, other than after the permanent and indefeasible payment in cash to the Interim Lender of all obligations under the Interim Facility on or before the date the Proposal is implemented.

## 12. AGREED BUDGET, REVISED BUDGETS, AND OTHER REPORTING

The Borrower has delivered or will deliver prior to this Interim Financing Term Sheet becoming effective, and the Interim Lender has accepted or will accept prior to this Interim Financing Term Sheet becoming effective, a current weekly line item budget covering the period of at least 60 days following the date of this Interim Financing Term Sheet (together with all updates thereto approved by the Interim Lender in its sole and absolute discretion, including the Revised Budget, the “**Agreed Budget**”). A summarized version of the Agreed Budget is attached hereto as Schedule D. The Agreed Budget sets forth expected receipts and the expected operating and other expenditures to be made during each calendar week and in the aggregate for the period of time covered by the Agreed Budget.

On Wednesday of each week by 5:00 p.m. (Toronto time), commencing on the Wednesday of the calendar week following the Outside Date, the Borrower shall deliver to the Interim Lender: (a) a report showing actual cash receipts and actual expenditures for each line item in the Agreed Budget covering the previous week and comparing the foregoing amounts with the budgeted cash receipts and budgeted expenditures, respectively, set forth in the Agreed Budget for such line item during such one week period, and (b) a one week roll-forward of the Agreed Budget (the “**Revised Budget**”), which shall reflect the Borrower’s good faith projections and be in form and detail consistent with the initial Agreed Budget and subject to the approval of the Interim Lender in its sole discretion.

The Borrower shall, on each Variance Testing Date, explain variances exceeding 10% of the Agreed Budget for each material variable line-item of the financial statements that impact the overall consolidated financial results (the “**Budget Variance Report**”).

In addition to reporting required pursuant to the Pre-Filing Mortgage Secured Loan Agreement, which reporting the Borrower will continue to provide throughout the pendency of the NOI Proceedings, the Borrower shall provide the Interim Lender with non-consolidated income statements and balance sheets on a monthly basis (it being understood that such statements shall be drafts with estimates for inventory and biological asset valuation), no later than 5 days following the prior month-end.

### **13. AVAILABILITY UNDER INTERIM FACILITY**

Provided that the Funding Conditions are satisfied, as determined by the Interim Lender, acting reasonably, each Interim Advance shall be made by the Interim Lender’s solicitor to the Borrower or the Proposal Trustee within four (4) Business Days of delivery by the Borrower to the Interim Lender of a written request for an Interim Advance, substantially in the form attached hereto as Schedule C, with a copy provided to the Interim Lender’s solicitor; provided that, (i) if the DIP Order is obtained on or before 3:00pm (EDT), the initial Interim Advance shall be made on the same Business Day that the Borrower delivers to the Interim Lender a written request for such Interim Advance, and (ii) if the DIP Order is obtained after 3:00pm (EDT), the initial Interim Advance shall be made on the following Business Day that the Borrower delivers to the Interim Lender a written request for such Interim Advance, in each case substantially in the form attached hereto as Schedule C, and in the case of both (i) and (ii) of this

proviso, the initial Interim Advance shall be initiated by the Interim Lender as soon as practicable following confirmation that the DIP Order is obtained and delivery by the Borrower to the Interim Lender of a written request for such Interim Advance, substantially in the form attached hereto as Schedule C.

Interim Advances shall be available to the Borrower in Canadian dollars. Each Interim Advance shall be in a minimum aggregate amount that is no less than \$250,000 and in excess thereof in integral multiples of \$50,000.

To the extent the Interim Lender makes an Interim Advance to the Proposal Trustee, such funds shall be (i) transferred by the Interim Lender to a segregated trust account of the Proposal Trustee, pursuant to a written direction of the Proposal Trustee, and (ii) for the use of the Borrower in accordance with this Interim Financing Term Sheet and the Agreed Budget. The Interim Lender and the Borrower each acknowledges that such funds shall be released by the Proposal Trustee to the Borrower to be disbursed directly by the Borrower in accordance with this Interim Financing Term Sheet subject to any one of the following conditions having been satisfied: (A) the Borrower has delivered to the Proposal Trustee a list of the payments to be made with such funds which is consistent with the Agreed Budget (together with such additional supporting documents as may be requested by the Proposal Trustee, acting reasonably), as determined by the Proposal Trustee, (B) the Interim Lender has provided its written consent to the payment(s) requested by the Borrower, or (C) the Court has ordered that the funds be released for the purpose of making the payment(s) requested by the Borrower. The Interim Lender and the Borrower each acknowledges that such funds shall be released by the Proposal Trustee to the Interim Lender where the Interim Lender has demanded payment of the Interim Facility following the occurrence of an Event of Default.

All proceeds of Interim Advances shall be deposited into the Deposit Account. The Deposit Account shall be subject to the Interim Lender Charge.

The initial Interim Advance shall be in an amount not in excess of \$1,500,000.

#### **14. EVIDENCE OF**

The Interim Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the



**INDEBTEDNESS**

indebtedness of the Borrower to the Interim Lender pursuant to the Interim Facility.

**15. VOLUNTARY  
PREPAYMENTS**

Provided the Proposal Trustee is satisfied that there are sufficient cash reserves in the Borrower's bank accounts to satisfy amounts secured by the Permitted Priority Liens and amounts anticipated on the date of the voluntary prepayment under the Agreed Budget in respect of which Interim Advances were made that have not yet been incurred or paid the Borrower may prepay any amounts outstanding or any portion of any amounts outstanding under the Interim Facility at any time prior to the Maturity Date, without any prepayment fee or penalty.

**16. FEES AND INTEREST  
RATE**

An upfront fee in the amount of \$80,000 shall be payable to the Interim Lender in connection with the establishment of the Interim Facility (the "**Upfront Fee**"). The Upfront Fee shall be held back from the initial Interim Advance.

The Interim Advances shall bear interest at a rate per annum equal to 10.00%. Such interest shall accrue daily and shall be payable monthly in arrears on each Interest Payment Date for each Interim Advance for the period from and including the date upon which the Interim Lender advances such Interim Advance to the Borrower to and including the day such Interim Advance is repaid or paid, as the case may be, to the Interim Lender, and shall be calculated on the principal amount of each Interim Advance outstanding during such period and on the basis of the actual number of days elapsed in a year of 365 or 366 days, as the case may be.

Interest shall continue to accrue on amounts outstanding under the Pre-Filing Secured Loan Agreement(s) pursuant to the terms of the Pre-Filing Secured Loan Agreement(s).

**17. CURRENCY**

Unless otherwise stated, all monetary denominations in this Interim Financing Term Sheet shall be in Canadian dollars.

**18. REPRESENTATIONS  
AND WARRANTIES**

The Borrower represents and warrants to the Interim Lender, which representations and warranties shall be deemed to be repeated at each request for an Interim Advance, and upon which the Interim Lender relies on entering into this Interim Financing Term Sheet and the other Interim Financing Credit Documentation, that:

- (a) Subject to the granting of the DIP Order, the execution and delivery of, and transactions contemplated by, this

Interim Financing Term Sheet and the other Interim Financing Credit Documentation:

- (i) are within the powers of each of the Borrower;
  - (ii) have been duly authorized by all necessary corporate and, if required, shareholder approval of the Borrower;
  - (iii) have been duly executed and delivered by or on behalf of the Borrower;
  - (iv) constitute legal, valid and binding obligations of the Borrower;
  - (v) do not require the consent or approval of, registration or filing with, or any other action by, any Governmental Authority, other than filings which may be made to register or otherwise record the Interim Lender Charge.
- (b) The activities of the Borrower have been conducted in material compliance with all applicable provincial, state and federal laws, subject to the provisions of the BIA and any Court Order, unless: (i) otherwise ordered by the Court, or (ii) the sanctions for non-compliance are stayed by a Court Order.
- (c) The Borrower has retained and continues to employ sufficient number of the Key Individuals identified as of the date of the DIP Order as are necessary to maintain the Licenses in good standing, or such alternates as are necessary to maintain the Licenses in good standing and which are approved by the party responsible for issuing the relevant License from time to time.
- (d) The Borrower has maintained its obligations for payroll, source deductions, goods and services tax and harmonized sales tax, as applicable, and is not in arrears in respect of payment of these obligations.
- (e) The Borrower has obtained and maintains in good standing each of the Licenses required from the Governmental Authorities, including, without limitation, pursuant to the Cannabis Act, the Excise Act and the Licenses which are necessary to conduct its

business.

- (f) The Agreed Budget is reasonable and prepared in good faith.
- (g) No Default or Event of Default has occurred and is continuing.
- (h) All of the representations and warranties made in the following sections of the Pre-Filing Mortgage Secured Loan Agreement are true and correct in all material respects as if fully set out in this Interim Financing Term Sheet:
  - (i) 4.1(a) (Incorporation and Status);
  - (ii) 4.1(b) (Power);
  - (iii) 4.1(d) (Authorization of Documents);
  - (iv) 4.1(e) (Binding Agreements);
  - (v) 4.1(h) (Approvals);
  - (vi) 4.1(i) (Compliance);
  - (vii) 4.1(j) (Environmental Laws);
  - (viii) 4.1(k) (Financial Statements);
  - (ix) 4.1(l) (Financial Information);
  - (x) 4.1(m) (No Undisclosed Liabilities);
  - (xi) 4.1(n) (Tax Returns);
  - (xii) 4.1(o) (Deemed Trusts and Statutory Liens);
  - (xiii) 4.1(q) (Ownership of Assets) and 4.1(r) (Encumbrances);
  - (xiv) 4.1(s) (Insurance);
  - (xv) 4.1(t) (Pension Plans);
  - (xvi) 4.1(u) (Location of Assets);
  - (xvii) 4.1(x) (Non-Arm's Length Transactions);

(xviii) 4.1(z) (Construction Liens), save for those liens registered as of April 23, 2020; and

(xix) 4.1(aa) (Taxes and Rates);

(i) All of the representations and warranties made in the following sections of the general security agreement dated May 29, 2019 securing the Pre-Filing PPSA Secured Loan Agreement are true and correct in all material respects as if fully set out in this Interim Financing Term Sheet:

(i) 3(b) (Intellectual Property); and

(ii) 3(c) (Account Debtors).

(j) Materials Contracts, as defined in Schedule A, sets forth all Material Contracts (as defined therein) of the Borrower, true, complete and correct copies of which have been provided to the Interim Lender. All such Material Contracts are unamended.

(k) 2634436 Ontario Limited, a wholly owned subsidiary of the Borrower, does not currently have any assets or liabilities, and the Borrower covenants that 2634436 Ontario Limited will not have any assets or liabilities at any time.

## **19. AFFIRMATIVE COVENANTS**

The Borrower covenants and agrees to perform and do each of the following until the Interim Financing Obligations are permanently and indefeasibly repaid in full and the Interim Facility is terminated:

(a) (i) Allow the Interim Lender or its respective agents and advisors, on reasonable notice during regular business hours, to enter on and inspect each of the Borrower's assets and properties; (ii) provide the Interim Lender or its respective agents or advisors, on reasonable notice and during normal business hours, full access to the books and records of the Borrower; and (iii) cause management of the Borrower to fully co-operate with the Interim Lender and the Proposal Trustee or their respective agents and advisors, as applicable.

(b) Keep the Interim Lender and the Proposal Trustee apprised on a timely basis of all material developments with respect to the business and affairs of the Borrower, including (without limitation) the development of a

Proposal or a Restructuring Option.

- (c) Deliver to the Interim Lender and keep the Interim Lender apprised on a timely basis of all material correspondence sent to or received from any Governmental Authority, including Health Canada. For greater certainty, all correspondence regarding any of the Licenses is deemed to be material.
- (d) Deliver to the Interim Lender the following reporting packages: (i) documents referred to in Section 12 above, on the dates and times specified in Section 12; (ii) copies of all pleadings, motions, applications, judicial or financial information and other documents to be filed by or on behalf of the Borrower with the Court, in each case in a reasonable period of time prior to filing such documents with the Court to the extent practicable in the circumstances; (iii) prompt notice of material events, including, without limitation, defaults, new material litigation or changes in status of ongoing material litigation, regulatory and other filings; (iv) other reasonable information requested by the Interim Lender from time to time, (v) prompt notice of any event that could reasonably be expected to result in a Material Adverse Change (vi) copies of all material communications received from existing or prospective clients, and (vii) without limiting the foregoing, in a timely manner and prior to effecting or incurring such transaction or expense, the Borrower shall deliver to the Proposal Trustee and the Interim Lender copies of any financial reporting which shows a material transaction or material expense, or a materially adverse financial position of the Borrower, which is not reflected in the Agreed Budget, and shall forthwith provide any reports or commentary received from the Proposal Trustee in respect of same.
- (e) Use the proceeds of the Interim Facility only for the purposes described in Section 4, and in a manner consistent with the restrictions set out herein.
- (f) Comply with the provisions of the court orders made in the NOI Proceedings applicable to the Borrower (collectively, the “**Court Orders**” and each a “**Court Order**”); provided that if any such Court Order contravenes this Interim Financing Term Sheet or any of the Interim Financing Credit Documentation so as to

materially adversely impact the rights or interests of the Interim Lender, as determined by the Interim Lender, the same shall be an Event of Default hereunder.

- (g) Preserve, renew and keep in full force and good standing its respective corporate existence and its respective material licenses, permits, approvals, and other authorizations required in respect of its business, properties, assets or any activities or operations carried out therein, including, without limitation, the Licenses, unless otherwise agreed by the Interim Lender.
- (h) Preserve and maintain the security of all regulated inventory (including cannabis) in accordance with the requirements of the Licenses, the Cannabis Act, the Excise Act and other applicable laws.
- (i) Continue to employ some or all of the Key Individuals identified as of the date of the DIP Order as are necessary to maintain the Licenses in good standing, or employ such alternate persons in the roles prescribed by the Cannabis Act as are necessary to maintain the Licenses in good standing and which are approved by the responsible government authorities (i.e., Minister of Health for the Health Canada Licenses) from time to time.
- (j) Conduct all activities in a manner materially consistent with the Agreed Budget.
- (k) Forthwith notify the Interim Lender of the occurrence of any Default or Event of Default, including an Updated Budget Default.
- (l) Provide to the Interim Lender regular updates regarding the status of the NOI Proceedings including, without limitation, reports on the progress of any Proposal or Restructuring Option and any information which may otherwise be confidential, subject to same being maintained as confidential by the Interim Lender; provided however, in no event shall any information subject to privilege be required to be provided to the Interim Lender.
- (m) Comply with the covenants set forth in the following sections of the Pre-Filing Mortgage Secured Loan Agreement: 5.1(b) (Preservation of Corporate

Existence), (c) (Payment of Taxes, etc.), (d) (Maintenance of Insurance), (e) (Compliance with Laws), (f) (Maintenance of Properties), (g) (Keeping of Books), (h) (Inspection), (i) (Compliance with Agreements) – provided that a breach of a Material Contract resulting from the insolvency of the Borrower shall be deemed not to be a breach of this covenant, (j) (Notice), 5.2(a) (Disposition of Assets), (b) (Corporate Changes), (c) (Related Party Transactions), (d) (Additional Debt), (e) (Encumbrances), (f) (Guarantees), (g) (Loans and Investments), (h) (Distributions), (i) (Subsidiaries), (j) (Change in Business), (k) (Material Contracts) (provided that an amendment or supplement to a Material Contract shall be permitted if prior written notice is given to the Interim Lender of same and same is required to maintain such Material Contract in good standing).

- (n) Comply with the covenants set forth in the following sections of the Pre-Filing PPSA Secured Loan Agreement: General Covenants (c) (tax returns), (d) (notice), (e) (compliance with applicable law), (g) (reporting), (i) (insurance), (j) (no further encumbrances), (k) (prior approval of dispositions), (l) (no guarantees), (m) (no reorganizations), (n) (inspections) and (o) (use of proceeds by third parties prohibited).
- (o) Within 14 days hereof, deliver insurance certificates to the Interim Lender naming the Interim Lender as mortgagee and loss payee on all property insurance and an additional insured on all liability insurance, which insurance certificates and its terms shall be satisfactory to the Interim Lender, acting reasonably.
- (p) Upon reasonable request by the Interim Lender, the Borrower shall deliver to the Interim Lender, in form and substance satisfactory to the Interim Lender acting reasonably, a general security agreement and charges in respect of any real property for the purposes of permitting the Interim Lender to better perfect the Interim Lender Charge.
- (q) Borrower shall retain a chief restructuring officer recommended by the Interim Lender (with the prior written consent of the Borrower, not to be unreasonably

withheld or delayed) following good faith consultation between the Borrower and Interim Lender on the appropriate person for such position (which consultation shall include the opportunity for the Borrower to interview such person) on terms mutually satisfactory to the Borrower and Interim Lender acting reasonably. Upon the retention of such chief restructuring officer, the parties agree to amend the Agreed Budget to take into account the cost of the Chief Restructuring Officer.

- (r) The Borrower shall maintain the OCS Listings in good standing.
- (s) The Borrower shall, upon request of the Lender, comply with its obligations as set out in Section 2.13 of the Pre-Filing Mortgage Secured Loan Agreement;

## **20. NEGATIVE COVENANTS**

The Borrower covenants and agrees not to do the following, other than with the prior written consent of the Interim Lender:

- (a) Transfer, lease, farm-out or otherwise dispose of all or any part of its property, assets or undertaking, except for Permitted Dispositions, without the prior written consent of the Interim Lender.
- (b) Make any investments or acquisitions of any kind, direct or indirect, in any business or otherwise other than as expressly provided for, or permitted to be incurred, in the Agreed Budget and the Court Orders.
- (c) Make any payments or distributions of any kind, including payments of principal and interest in respect of existing (pre-filing) debt or obligation, other than as may be permitted by a Court Order and that does not result in an Event of Default and is provided for in the Agreed Budget.
- (d) Create or permit to exist indebtedness (including guarantees thereof or indemnities or other financial assistance in respect thereof) other than (i) existing (pre-filing) debt, (ii) debt contemplated by this Interim Financing Term Sheet, (iii) post-filing trade payables or other post-filing unsecured obligations incurred in the ordinary course of business in accordance with the Agreed Budget and any Court Order, and (iv) obligations or indebtedness expressly provided for, or



permitted to be incurred, in the Agreed Budget and the Court Orders.

- (e) Make or give any additional financial assurances, in the form of bonds, letters of credit, guarantees or otherwise, to any person (including, without limitation, any Governmental Authority), except for the bond required in connection with the Borrower's excise tax stamp required pursuant to the *Excise Tax Act* (Canada).
- (f) Create, permit to exist or seek or support a motion by another party to provide to any third party a Lien on the Collateral, other than the Permitted Liens.
- (g) Change its name, amalgamate, consolidate with or merge into, or enter into any similar transaction with any other entity.
- (h) Cease (or threaten to cease) to carry on their business or activities as currently being conducted or modify or alter in any material manner the nature and type of their operations, business or the manner in which such business is conducted.
- (i) Amend, replace or modify the Agreed Budget other than in accordance with the terms of this Interim Financing Term Sheet.
- (j) Apply for, or consent to, any Court Orders or any change or amendment to any Court Order which affects the Interim Lender, without the prior consent of the Interim Lender.
- (k) Commence, continue or seek court approval of any other restructuring transaction that will not repay the Interim Lender in full without the prior written consent of the Interim Lender, in its sole discretion.
- (l) Make a capital expenditure in excess of \$30,000 without the prior written consent of the Interim Lender; provided that to the extent such a capital expenditure is contained in the Agreed Budget but there exists an occurrence of a negative variance in excess of 30% against the forecast cumulative net cash flow at the time, then the prior written consent of the Interim Lender shall be required again at the time of the proposed capital expenditure notwithstanding that such

capital expenditure is contained in the Agreed Budget.

- (m) In the event that any members of the Borrower's board of directors resigns, neither the Borrower nor its offices or directors shall nominate anyone to replace such resigned director without the prior approval of the Lender;

## 21. INDEMNITY AND RELEASE

The Borrower agrees to indemnify and hold harmless the Interim Lender, the Pre-Filing Creditors and their respective directors, officers, employees, agents, attorneys, advisors and affiliates (all such persons and entities being referred to herein as "**Indemnified Persons**") from and against any and all actions, suits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever (excluding indirect or consequential damages and claims for lost profits) which may be incurred by or asserted against or involve any Indemnified Person (collectively, "**Claims**") as a result of or arising out of or in any way related to or resulting from the Interim Facility, this Interim Financing Term Sheet, any other Interim Financing Credit Documentation (regardless of whether such Claim is made in the NOI Proceedings or any other proceeding, including a bankruptcy or insolvency proceeding) or the Pre-Filing Secured Loan Agreements (provided that the Borrower's indemnification pursuant to the Pre-Filing Secured Loan Agreements shall not extend beyond the indemnification provisions already set out therein) and, upon demand, to pay and reimburse any Indemnified Person for any legal or other out-of-pocket expenses incurred in connection with investigating, defending or preparing to defend any such action, suit, proceeding (including, without limitation, any inquiry or investigation) or claim (whether or not any Indemnified Person is a party to any action or proceeding out of which any such expenses arise); provided, however, the Borrower shall not be obligated to indemnify pursuant to this paragraph any Indemnified Person against any loss, claim, damage, expense or liability (a) to the extent it resulted from the gross negligence, bad faith or willful misconduct of such Indemnified Person as finally determined by a court of competent jurisdiction, or (b) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Borrower. The Borrower shall not be responsible or liable to any Indemnified Person or any other person for consequential or punitive damages. Each of the Indemnified Persons undertakes to repay any and all amounts paid to such

Indemnified Person in accordance with this Section 21 if it is ultimately determined that such Indemnified Person is not entitled to be indemnified therefor.

The indemnities granted under this Interim Financing Term Sheet shall survive any termination of the Interim Facility.

**22. EVENTS OF DEFAULT** The occurrence of any one or more of the following events without the Interim Lender's written consent shall constitute an event of default ("**Event of Default**") under this Interim Financing Term Sheet:

- (a) the issuance of an order of the Court (including any Court Order) or any other court of competent jurisdiction:
  - (i) dismissing the NOI Proceedings, or lifting the stay in the NOI Proceedings to permit (A) the enforcement of any Lien against the Borrower, or a material portion of their respective property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official, or substituting the Proposal Trustee or enhancing any trustee's powers, or the making of a bankruptcy order against the Borrower;
  - (ii) granting any Lien which is senior to or *pari passu* with the Interim Lender Charge, other than the Priority Charges;
  - (iii) staying, reversing, vacating or otherwise modifying any Interim Financing Credit Documentation or any Court Order in a manner materially adverse to the interests of the Interim Lender, as determined by the Interim Lender acting reasonably; or
  - (iv) directing the Borrower to pay any post-employment benefits;
- (b) the filing of any pleading by the Borrower seeking any of the matters set forth in paragraph (a) above, or failure of the Borrower to diligently oppose any party that brings an application or motion for the relief set out in paragraph (a) above;
- (c) failure of the Borrower to comply with any of the

negative covenants in this Interim Financing Term Sheet or in any other Interim Financing Credit Documentation, and to the extent such Default is capable of being remedied, such Default shall continue unremedied for a period of three (3) Business Days;

- (d) (i) any update in the Revised Budget or Budget Variance Report contemplates or forecasts an adverse change or changes from the then-existing Agreed Budget, and such change(s) constitute a Material Adverse Change, or (ii) the occurrence of a negative variance in excess of 30% against the forecast cumulative net cash flow as of such week in the Agreed Budget for three consecutive weeks (each, an “**Updated Budget Default**”);
- (e) the occurrence of a Material Adverse Change;
- (f) any representation or warranty by the Borrower in this Interim Financing Term Sheet or in any other Interim Financing Credit Documentation is incorrect or misleading in any material respect;
- (g) the aggregate amount of the outstanding Interim Advances under the Interim Facility exceeds the Maximum Amount;
- (h) any material violation or breach of any Court Order;
- (i) any proceeding, motion or application is commenced or filed by the Borrower, or if commenced by another party, supported or otherwise consented to by the Borrower, (i) seeking the invalidation, subordination or other challenging of the terms of the Interim Facility, the Interim Lender Charge, this Interim Financing Term Sheet or any of the other Interim Financing Credit Documentation; (ii) challenging the validity, priority, perfection or enforceability of the Liens created pursuant to the Interim Lender Charge; or (iii) unless the Proposal or Restructuring Option provides for repayment in full of the Interim Facility, seeking the approval of any Proposal or Restructuring Option (including, for greater certainty, the conversion of the NOI Proceedings into a proceeding under the Companies Creditors Arrangement Act) which does not have the prior written consent of the Interim Lender;

- (j) the priority of the Liens created pursuant to the Interim Lender Charge is varied without the consent of the Interim Lender;
- (k) any Proposal is sanctioned or any Restructuring Option is consummated by any of the Borrower that is not consistent with or contravenes any provision of this Interim Financing Term Sheet or any of the other Interim Financing Credit Documentation, in a manner that is materially adverse to the interests of the Interim Lender, as determined by the Interim Lender, or would reasonably be expected to materially adversely affect the interests of the Interim Lender, as determined by the Interim Lender, unless the Interim Lender has consented thereto;
- (l) the failure of the Borrower to maintain in good standing each of the Health Canada Licenses and such Default shall remain unremedied for a period of five (5) Business Days;
- (m) the failure of the Borrower to continue to employ the Key Individuals identified as of the date of the DIP Order on terms sufficient to maintain the Licenses in good standing, or to employ such alternate persons in the roles prescribed by the Cannabis Act as are necessary to maintain the Licenses in good standing and which are approved by the responsible government authorities from time to time;
- (n) the failure of the Borrower to make expenditures or pay damages, fines, claims, costs or expenses to remediate, in respect of any Environmental Liabilities, required by any Governmental Authority, except as set out in the Agreed Budget, or as otherwise agreed to in writing by the Interim Lender, and such Default shall remain unremedied for a period of three (3) Business Days after such amount is due;
- (o) failure of the Borrower to pay any principal amount owing under this Interim Financing Term Sheet when due;
- (p) failure of the Borrower to pay any interest or fees or any portion thereof owing under this Term Sheet or any other Interim Financing Credit Documentation when due and such Default shall remain unremedied for a

period of three (3) Business Days after written notice from the Interim Lender to the Borrower that such amount is overdue;

- (q) failure of the Borrower to perform or comply with any other term or covenant under this Interim Financing Term Sheet or any other Interim Financing Credit Documentation, and such Default shall continue unremedied for a period of five (5) Business Days; and
- (r) the Borrower commences an action or takes any other proceeding to obtain any form of relief against the Interim Lender, the Pre-Filing Creditor or any of their affiliates, including, without limitation, a proceeding to recover damages or to obtain payment of any amounts purported to be owing by the Interim Lender, the Pre-Filing Creditor or any of their affiliates to the Borrower or any affiliate thereof, if the Interim Lender, the Pre-Filing Creditor or any of their affiliates disputes any of the same.

## **23. REMEDIES**

Upon the occurrence of an Event of Default, and subject to the Court Orders, the Interim Lender may, in its sole and absolute discretion, elect to terminate its commitment to make Interim Advances to the Borrower hereunder and declare the obligations in respect of this Interim Financing Credit Documentation to be immediately due and payable and cease making any further Interim Advances. Without limiting the foregoing remedies, upon the occurrence of an Event of Default, the Interim Lender may, in its sole and absolute discretion, elect to permanently reduce the Maximum Amount. In addition, upon the occurrence of an Event of Default, the Interim Lender may, in its sole and absolute discretion, subject to any Court Order:

- (a) apply to a court for the appointment of a receiver, an interim receiver or a receiver and manager over the Collateral to substitute the Proposal Trustee and/or enhance any powers of the Proposal Trustee, or for the appointment of a trustee in bankruptcy of the Borrower;
- (b) set-off or combine any amounts then owing by the Interim Lender to the Borrower against the obligations of the Borrower to the Interim Lender hereunder or under any other Interim Financing Credit Documentation;

- (c) apply to the Court for an order or orders, on terms satisfactory to the Proposal Trustee and the Interim Lender, providing the Proposal Trustee with the power, in the name of and on behalf of the Borrower, to take all necessary steps in the NOI Proceedings;
- (d) subject to obtaining prior approval from the Court, exercise the powers and rights of a secured party under the *Personal Property Security Act* (Ontario), or any legislation of similar effect; and
- (e) subject to obtaining prior approval from the Court if required, exercise all such other rights and remedies under the Interim Financing Credit Documentation, the Court Orders and applicable law.

The rights and remedies of the Interim Lender under this Interim Financing Term Sheet are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise, including under the BIA in the NOI Proceedings.

#### **24. TAXES, YIELD PROTECTION AND INCREASED COSTS**

All repayments and prepayments of the Interim Advances will be made free and clear of any taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country (collectively “**Taxes**”). If any Taxes are required by applicable law to be withheld (“**Withholding Taxes**”) from any amount payable to the Interim Lender under this Interim Financing Term Sheet, the amount so payable to the Interim Lender shall be increased to the extent necessary to yield to the Interim Lender, on a net basis after payment of all Withholding Taxes, the amount payable under this Interim Financing Term Sheet at the rate or in the amount specified herein, and the Borrower shall provide evidence satisfactory to the Interim Lender that the Taxes have been so withheld and remitted.

If the Borrower pays an additional amount to the Interim Lender to account for any deduction or withholding, the Interim Lender shall reasonably cooperate with the Borrower to obtain a refund of the amounts so withheld, including filing income tax returns in applicable jurisdictions, claiming a refund of such tax and providing evidence of entitlement to the benefits of any applicable tax treaty. The amount of any refund

so received, and interest paid by the tax authority with respect to any refund, shall be paid over by the Interim Lender to the Borrower promptly. If reasonably requested by the Borrower, the Interim Lender shall apply to the relevant taxing authority to obtain a waiver from such withholding requirement, and the Interim Lender shall cooperate with the Borrower and assist the Borrower to minimize the amount of deductions or withholdings required.

The Borrower will reimburse the Interim Lender for any costs incurred by the Interim Lender in performing its obligations under the Interim Financing Credit Documentation resulting from any change in law, including, without limitation, any reserve or special deposit requirements or any tax or capital requirements or any change in the compliance of the Interim Lender therewith that has the effect of increasing the cost of funding to the Interim Lender or reducing its effective rate of return on capital.

**25. INTERIM LENDER'S APPROVALS**

Any consent, approval, instruction or other expression of the Interim Lender shall be in the Interim Lender's sole and absolute discretion, unless otherwise provided in this Interim Financing Term Sheet and shall to be delivered by any written instrument, including by way of electronic mail, by the Interim Lender, or its counsel, pursuant to the terms of this Interim Financing Term Sheet.

**26. TERMINATION BY THE BORROWER**

At any time following the indefeasible payment in full in immediately available funds of all of the outstanding Interim Financing Obligations, the Borrower shall be entitled to terminate this Interim Financing Term Sheet upon notice to the Interim Lender.

**27. AMENDMENTS, WAIVERS, ETC.**

No amendment or waiver of any provisions of this Interim Financing Term Sheet and any other Interim Financing Credit Documentation or consent to any departure by the Borrower from any provision thereof is effective unless it is in writing and signed by the Interim Lender (and in the case of amendments, the Borrower). Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

**28. ASSIGNMENT**

The Interim Lender may assign this Interim Financing Term Sheet and its rights and obligations hereunder, in whole or in part, or grant a participation in its respective rights and obligations hereunder, (i) at any time to an affiliate; (ii) to any person acceptable to the Interim Lender with the prior written



consent of the Borrower; provided that, the prior written consent of the Borrower shall not be required after an Event of Default has occurred and is continuing (subject in all cases to providing the Proposal Trustee with reasonable evidence that such assignee has the financial capacity to fulfill the obligations of the applicable Interim Lender hereunder). None of this Interim Financing Term Sheet, any other Interim Financing Credit Documentation nor any right or obligation hereunder may be assigned by the Borrower.

**29. COUNTERPARTS AND  
FACSIMILE  
SIGNATURES**

This Interim Financing Term Sheet and any other Interim Financing Credit Documentation may be executed in any number of counterparts and by electronic transmission, each of which when executed and delivered shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument. Any party may execute this Interim Financing Term Sheet by signing any counterpart of it.

**30. CONFIDENTIALITY**

This Interim Financing Term Sheet and all other Interim Financing Credit Documentation are delivered on the condition that the Borrower and their affiliates shall not disclose such documents or the substance of the financing arrangements proposed therein to any person or entity outside of their respective organizations, except to those professional advisors who are in a confidential relationship with them and as required in connection with any court filing in the NOI Proceedings.

**31. FURTHER  
ASSURANCES**

Each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and in each of the other Interim Financing Credit Documentation and give effect to the transactions contemplated hereby and thereby.

**32. TIME IS OF THE  
ESSENCE**

Time is of the essence in this Interim Financing Term Sheet.

**33. ENTIRE AGREEMENT**

The Interim Financing Credit Documentation constitute the entire agreement between the parties hereto pertaining to the matters therein set forth and supersede and replace any prior understandings or arrangements pertaining to the Interim Facility. There are no warranties, representations or agreements between the parties in connection with such matters except as specifically set forth or referred to in the Interim Financing Credit Documentation. No representation, warranty, covenant, term or condition contained herein which is incorporated from the Pre-Filing PPSA Secured Loan Agreement by reference, or

relates to the Pre-Filing PPSA Secured Loan Agreement, shall have any force or effect unless and until (a) the Pre-Filing PPSA Secured Loan Agreement is assigned in full by Royal Bank of Canada to Arthur Zwingenberger pursuant to documentation satisfactory to the Borrower, acting reasonably or (b) Royal Bank of Canada's loans are fully discharged and Royal Bank of Canada has realized on the guarantee given in respect thereof by Arthur Zwingenberger.

**34. SEVERABILITY**

Each of the provisions contained in this Interim Financing Term Sheet is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

**35. NO THIRD PARTY  
BENEFICIARY**

No person, other than the Borrower, the Interim Lender and the Indemnified Persons, is entitled to rely upon this Interim Financing Term Sheet and the parties expressly agree that this Interim Financing Term Sheet does not confer rights upon any other party.

**36. NOTICES**

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered in accordance with the notice provisions set out in the Pre-Filing Secured Loan Agreements in addition to the notice provisions set forth below:

In the case of the Borrower:

Muskoka Grown Limited  
440 Ecclestone Drive, Unit C5  
Bracebridge, Ontario  
P1L-1Z6

Attention: David Grand  
Email: davidgrand@muskokagrown.com

With a copy to: Bennett Jones LLP

3400 – 100 King Street West  
Toronto, ON M5X 1A4

Attention: Sean Zweig  
Email: zweigs@bennettjones.com

In the case of the Interim Lender:

Arthur Zwingenberger  
Seeburgstr 66  
6006 Luzern, Switzerland

with a copy to:

Conroy Shifman Professional Corporation  
56 Finch Avenue West  
North York, ON M2N 2H2

Attention: Behn Conroy  
Email: [behn@conroylaw.ca](mailto:behn@conroylaw.ca)

In the case of the Proposal Trustee:

Farber Group  
1600 – 150 York Street  
Toronto, ON M5H 3S5

Attention: Hylton Levy  
Email: [hlevy@farbergroup.com](mailto:hlevy@farbergroup.com)

with a copy to:

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1 Canada

Attention: Neil Rabinovitch  
Email: [neil.rabinovitch@dentons.com](mailto:neil.rabinovitch@dentons.com)

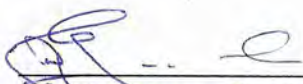
### **37. GOVERNING LAW**

This Interim Financing Credit Documentation shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

*[Signature page follows]*

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

**MUSKOKA GROWN LIMITED**

Per:   
Name: DAVID GORDON  
Title: CEO

Per:   
Name: DAVID ASCOTT  
Title: CFO

**ARTHUR ZWINGENBERGER**

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IN WITNESS WHEREOF the parties hereto have executed this Agreement.

**MUSKOKA GROWN LIMITED**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**ARTHUR ZWINGENBERGER**



## SCHEDULE A DEFINED TERMS

**“Administration Charge”** means the administration charge on the Collateral in an aggregate amount not to exceed \$300,000.

**“Agreed Budget”** has the meaning given thereto in Section 12.

**“Bankruptcy Sale”** means the sale of all or substantially all of the assets of the Borrower pursuant to a sale approved by the Court.

**“Borrower”** has the meaning given thereto in Section 1.

**“Budget Variance Report”** has the meaning given thereto in Section 12.

**“Business Day”** means a day, excluding Saturday and Sunday, on which banks are generally open for business in the Province of Ontario.

**“Cannabis Act”** has the meaning given there in Section 6.

**“Claims”** has the meaning given thereto in Section 21.

**“Collateral”** means all present and future assets and property of the Borrower, real and personal, tangible or intangible, and whether now owned or which are hereafter acquired or otherwise become the property of the Borrower.

**“Court”** has the meaning given thereto in the preamble.

**“Court Order”** and **“Court Orders”** have the meanings given thereto in Section 19(f).

**“D&O Charge”** means the directors and officers charge on the Collateral in an aggregate amount not to exceed \$200,000.

**“Default”** means any event or condition which, with the giving of notice, lapse of time or upon a declaration or determination being made (or any combination thereof), would constitute an Event of Default.

**“Deposit Account”** means the account(s) maintained by the Borrower to which payments and transfers under the Interim Financing Term Sheet are to be affected, which are specified in writing by the Borrower to the Interim Lender, or such other account or accounts as the Borrower may from time to time designate by written notice to the Interim Lender.

**“DIP Order”** has the meaning given thereto in Section 6.

**“Environmental Liabilities”** means all liabilities, obligations, responses, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs and other costs and expenses, including fines, penalties, sanctions and interest incurred as a result of

or related to any claim, investigation, proceeding or demand of any Governmental Authority against the Borrower including, without limitation, arising under or related to any law relating to the environment or in connection with any substance which is or is deemed under any applicable law to be, alone or in combination, hazardous, hazardous waste, toxic, a pollutant, a contaminant or source of pollution or contamination whether on, at, in, under, from or about or in the vicinity of any real or personal property owned by the Borrower, or any real or personal property that was previously owned, leased or occupied by the Borrower.

**“Event of Default”** has the meaning given thereto in Section 22.

**“Excise Act”** has the meaning given thereto in the definition of License below.

**“Funding Conditions”** has the meaning given there in Section 7.

**“Governmental Authority”** means any federal, provincial, state, regional, municipal or local government or any department, agency, board, tribunal or authority thereof or other political subdivision thereof and any entity or person exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government or the operation thereof.

**“Health Canada Licenses”** means all material Licenses related to cannabis and issued by Health Canada, including material Licenses to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under applicable law, including without limitation License Nos. LIC-JUDDX6LRI-2018-4.

**“Indemnified Persons”** has the meaning given thereto in Section 21.

**“Interest Payment Date”** means the **last** day of each month; provided that, in any case, on the Maturity Date or, if applicable, any earlier date on which the Interim Facility is fully cancelled or permanently reduced in full, shall be an Interest Payment Date with respect to all Interim Advances then outstanding under the Interim Facility.

**“Interim Advance”** and **“Interim Advances”** have the meanings given thereto in Section 5.

**“Interim Facility”** has the meaning given thereto in Section 5.

**“Interim Financing Credit Documentation”** means this Interim Financing Term Sheet and all other documents executed by the Borrower in connection with the Interim Facility.

**“Interim Financing Fees and Expenses”** has the meaning given thereto in Section 8.

**“Interim Financing Obligations”** has the meaning given thereto in Section 6.

**“Interim Lender”** has the meaning given thereto in Section 2.

**“Interim Lender Charge”** has the meaning given thereto in Section 6.

**“Key Individuals”** has the meaning given there in Section 6.

**“Licenses”** means all applications, licenses, certificates, permits, registrations and authorizations

of any kind applicable to the Borrower's business, including, for certainty, the Health Canada Licenses, the Saskatchewan Registration and those issued to the Borrower under the *Cannabis Act* and the *Excise Act, 2001* (Canada) (the "**Excise Act**") and, in each case, that are necessary (legally or as a business necessity) for the sale of the Borrower's products within those jurisdictions where the Borrower is presently licensed or registered to sell products.

**"Liens"** means all mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retention arrangements, security created under any applicable law, liens, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:

- (a) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;
- (b) (i) rights of set-off or (ii) any other right of or arrangement of any kind with any creditor, which in any case are made, created or entered into, as the case may be, for the purpose of or having the effect (directly or indirectly) of (A) securing indebtedness, (B) preferring some holders of indebtedness over other holders of indebtedness or (C) having the claims of any creditor be satisfied prior to the claims of other creditors with or from the proceeds of any properties, assets or revenues of any kind now owned or later acquired (other than, with respect to (C) only, rights of set-off granted or arising in the ordinary course of business); and
- (c) absolute assignments of accounts receivable, in each of the foregoing cases, granted by the Borrower or against the Collateral.

**"Material Adverse Change"** means any event, circumstance, occurrence or change which, individually or in the aggregate, results, or which could reasonably be expected to result, in a material adverse change in:

- (a) the ability of the Borrower to perform any material obligation under this Interim Financing Term Sheet and any other Interim Financing Credit Documentation or any Court Order, or the ability of the Borrower to carry out a Proposal or Restructuring Option;
- (b) the validity or enforceability of any of the Interim Lender Charge or the ranking of any of the Liens granted thereby or the material rights or remedies intended or purported to be granted to the Interim Lender under or pursuant to such Interim Lender Charge; or
- (c) the business, operations, assets, condition (financial or otherwise) or results of operations of the Borrower, on a consolidated basis.

**"Material Contract"** means any agreement to which the Borrower is a party, for which breach, cancellation, termination, non-performance, revocation, cancellation or failure to renew could reasonably be expected to constitute a Material Adverse Change and includes, but is not limited to



the following:

1. Master Supply Cannabis Agreement between the Borrower and Ontario Cannabis Retail Corporation dated December 2, 2019; and
2. Genetic Transfer and Supply Agreement between the Borrower and Experion Biotechnologies Inc. dated April 14, 2020.

“**Maturity Date**” has the meaning given thereto in Section 11.

“**Maximum Amount**” has the meaning attributed thereto in Section 5.

“**NOI Proceedings**” has the meaning given thereto in the preamble.

“**OCS Listings**” means the Borrower’s products listed for sale by the Ontario Cannabis Store under Master Product Call IDs DF\_Feb20\_100043 (“**705 Kush**”), DF\_Feb20\_100044 (“**The Edge**”) and DF\_Feb20\_100045 (“**Glueberry OG**”) as reflected in the Ontario Cannabis Store’s Product Call letter to the Borrower dated March 12, 2020.

“**Outside Date**” has the meaning given thereto in Section 6.

“**Permitted Disposition**” means (i) inventory sold, leased or disposed of in the ordinary course of business, provided that the Proposal Trustee is provided advance notice of any bulk sales made to any person other than the Ontario Cannabis Store, (ii) obsolete equipment which is being replaced with equipment of an equivalent value, (iii) assets sold, leased or disposed of during a fiscal year having an aggregate fair market value not exceeding \$100,000 for such fiscal year, and (iv) any other sale, lease or disposition expressly provided for, or permitted to be incurred, in the Agreed Budget and the Court Orders.

“**Permitted Liens**” means (i) the Interim Lender Charge; (ii) any charges created under the DIP Order or other order of the Court in the NOI Proceedings subsequent in priority to the Interim Lender Charge, the limit and priority of each of which shall be acceptable to the Interim Lender in its discretion; (iii) valid and perfected Liens existing prior to the date hereof; (iv) inchoate statutory Liens arising after the Outside Date in respect of any accounts payable arising after the Outside Date in the ordinary course of business, provided all such amounts are paid as and when due; and (v) the Permitted Priority Liens.

“**Permitted Priority Liens**” means: (a) the Priority Charges; (b) statutory super-priority Liens for unpaid employee source deductions; (c) Liens for unpaid municipal or county property taxes or utilities to the extent that are given first priority over other Liens by statute; and (d) such other Liens as may be agreed to in writing by the Interim Lender. For greater certainty, except as expressly set forth herein, Liens arising from the construction, repair, maintenance and/or improvement of real or personal property, shall not be “**Permitted Priority Liens**”.

“**Pre-Filing Creditor**” means Arthur Zwingenberger as the lender under the Pre-Filing Mortgage Secured Loan Agreement and/or Arthur Zwingenberger as the lender under the Pre-Filing PPSA Secured Loan Agreement, but only to the extent (a) the Pre-Filing PPSA Secured Loan Agreement is assigned in full by Royal Bank of Canada to Arthur Zwingenberger pursuant to documentation

satisfactory to the Borrower, acting reasonably or (b) Royal Bank of Canada's loans are fully discharged and Royal Bank of Canada has realized on the guarantee given in respect thereof by Arthur Zwingenberger.

**"Pre-Filing Mortgage Secured Loan Agreement"** means the Amended and Restated Loan Agreement dated April 19, 2019, between *inter alia*, Muskoka Grown Limited, as borrower and Arthur Zwingenberger, as lender, as amended on August 2, 2019, and as may be further amended, supplemented or otherwise modified, together with all schedules thereto, agreements entered into pursuant thereto and instruments executed pursuant thereto.

**"Pre-Filing PPSA Secured Loan Agreement"** means the Royal Bank of Canada Credit Agreement dated June 20, 2019, between Muskoka Grown Limited, as borrower and Royal Bank of Canada, as lender, together with all schedules thereto and other agreements entered into and instruments executed pursuant thereto, as amended and as may be further amended, supplemented, assigned or otherwise modified.

**"Pre-Filing Secured Loan Agreement"** means the Pre-Filing Mortgage Secured Loan Agreement and the Pre-Filing PPSA Secured Loan Agreement, but only to the extent the Pre-Filing PPSA Secured Loan Agreement is assigned in full to Arthur Zwingenberger.

**"Priority Charges"** means only the Administration Charge and the D&O Charge.

**"Proposal"** has the meaning given thereto in Section 11.

**"Proposal Trustee"** has the meaning given thereto in Section 10.

**"Restructuring Option"** means any transaction involving the refinancing of the Borrower, the sale of all or substantially all of the assets of the Borrower or any other restructuring of the Borrower's businesses and operations, including any liquidation, bankruptcy or other insolvency proceeding in respect of the Borrower.

**"Revised Budget"** has the meaning given thereto in Section 12.

**"Saskatchewan Registration"** means Licensed Producer Registration No. LP2019-062-028 (ID L1102-01) issued to the Borrower by the Saskatchewan Liquor and Gaming Authority.

**"Updated Budget Default"** has the meaning given thereto in Section 22(d).

**"Upfront Fee"** has the meaning given thereto in Section 16.

**"Variance Testing Date"** means, collectively, the second Wednesday occurring after the Outside Date and each Wednesday thereafter.

**SCHEDULE B  
FORM OF ORDER**

**[NTD: Schedule B to be provided by Borrower's counsel.]**

Estate / Court File No.

Estate / Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)  
COMMERCIAL LIST**

THE HONOURABLE MR.	)	WEDNESDAY, THE 6 <sup>th</sup>
	)	
JUSTICE KOEHNEN	)	DAY OF MAY, 2020

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE[S] OF INTENTION TO MAKE A  
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION  
INCORPORATED UNDER THE LAWS OF ONTARIO**

**NOI PROCESS ORDER**

**THIS MOTION**, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

**ON READING** the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A. Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

### **SERVICE**

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

### **ADMINISTRATION CHARGE**

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and

disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

## **DIP FINANCING**

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is 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 Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **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, which DIP Lender's

Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

8. **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 Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; 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 Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, 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.

12. **THIS COURT ORDERS** that the directors and officers of the Company 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 \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **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 Company's 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 11 of this Order.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);



Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge.

15. **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.

16. **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 and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour 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**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Company of any Agreement to which it is 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 Company entering into the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the Definitive 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.

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

#### **ADDITIONAL PROTECTIONS**

20. **THIS COURT ORDERS** that the Proposal Trustee shall not take possession of the Property or be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act* S.C. 2018, c.16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, the *Ontario Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1 or other such applicable federal or provincial legislation (collectively, the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Company's business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or the Property, or any part thereof, within the meaning of any Cannabis Legislation, or otherwise, and nothing in this Order shall be construed as resulting in the Proposal Trustee being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee 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 Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

22. **THIS COURT ORDERS** that, in addition to the rights and protection afforded to the DIP Lender under this Order or at law, the DIP Lender shall incur no liability or obligation as a result of carrying out of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or willful misconduct on its part.

#### **EXTENSION OF TIME TO MAKE A PROPOSAL**

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

#### **SALE OF NON-MATERIAL ASSETS**

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

## SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their 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 message to the Company's creditors 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 judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

## GENERAL

27. **THIS COURT ORDERS** that the Company or the Proposal Trustee may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

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

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**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED  
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,  
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No.

Estate / Court File No.

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**COMMERCIAL LIST**

Proceedings commenced in Toronto

**NOI PROCESS ORDER**

**BENNETT JONES LLP**

One First Canadian Place  
Suite 3400, P.O. Box 130  
Toronto, Ontario  
M5X 1A4

**Sean Zweig** (LSO# 57307I)

**Mike Shakra** (LSO# 64604K)

**Aiden Nelms** (LSO# 74170S)

Tel: 416-863-1200

Fax: 416-863-1716

Lawyers for the Applicant

**SCHEDULE C**  
**FORM OF REQUEST FOR ADVANCE**

**REQUEST FOR ADVANCE**

TO: Arthur Zwingenberger, as Interim Lender

DATE: \_\_\_\_\_, 2020

Dear Sirs:

The undersigned refers to the interim financing term sheet dated as of \_\_\_\_\_, 2020 (the “**Term Sheet**”) made among Muskoka Grown Limited (the “**Borrower**”) and Arthur Zwingenberger, as Interim Lender.

Capitalized terms used in this Request for Advance have the same meanings herein as are ascribed thereto in the Term Sheet.

1. The Borrower hereby gives you notice pursuant to the Term Sheet that the undersigned requests an Interim Advance under the Interim Facility (the “**Interim Facility Advance**”) in the Term Sheet be deposited into the Deposit Account as follows:
  - (a) Amount of Interim Advance requested: \$ \_\_\_\_\_
  - (b) Requested funding date: \_\_\_\_\_
  - (c) Total principal amount currently outstanding (excluding this Interim Facility Advance): \$ \_\_\_\_\_
  - (d) Availability remaining under the Interim Facility (excluding this Interim Facility Advance): \$ \_\_\_\_\_
2. Each of the undersigned, being \_\_\_\_\_ an officer of the Borrower, hereby certify to you for and on behalf of the Borrower (and not in his or her personal capacity) as follows:
  - (a) all of the representations and warranties contained in the Term Sheet are true and correct and all of the representations and warranties in the other Interim Financing Credit Documentation are true and correct in all material respects in each case on and as of the date hereof and will be true and correct as of the date of the requested Interim Facility Advance as though made on and as of such date (unless expressly stated to be made as of a specified date);
  - (b) no Default or Event of Default has occurred and is continuing or shall result from the requested Interim Facility Advance;
  - (c) the Interim Facility Advance shall not cause the aggregate amount of all outstanding Interim Advances to exceed the Maximum Amount or be greater than

the amount shown on the Agreed Budget as at the date of such Interim Facility Advance;

- (d) the Interim Facility Advance is consistent with the Agreed Budget; and
- (e) the Borrower is in compliance with the Term Sheet and the Court Orders.

*[Signature page follows]*



The undersigned certifies that **[he/she]** is \_\_\_\_\_, of the Borrower, and that as such **[he/she]** is authorized to execute this certificate on behalf of the Borrower. The undersigned further certifies, represents and warrants on behalf of the Borrower (and not in his or her personal capacity) that the Borrower is entitled to receive the requested Interim Advance under the terms and conditions of the Term Sheet.

**MUSKOKA GROWN LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page for Request for Advance]*

**SCHEDULE D**  
**SUMMARY OF AGREED BUDGET**

**[NTD: Schedule D to be provided by Borrower.]**

**MUSKOKA GROWN LIMITED**  
**Statement of Projected Cash Flow**  
**For the 13-week period ending July 31, 2020**

Week No.	1	2	3	4	5	6	7	8	9	10	11	12	13	
Week Ending	8-May	15-May	22-May	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	TOTAL
<b>Cash In-Flows</b>														
Sales	-	-	15,000	241,160	-	-	169,204	201,164	105,600	295,684	225,481	362,026	-	1,615,319
HST Refund	-	-	-	-	-	-	-	-	-	-	-	-	90,000	90,000
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash In-Flows</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>241,160</b>	<b>-</b>	<b>-</b>	<b>169,204</b>	<b>201,164</b>	<b>105,600</b>	<b>295,684</b>	<b>225,481</b>	<b>362,026</b>	<b>90,000</b>	<b>1,705,319</b>
<b>Cash Out-Flows</b>														
Employee and Management Compensation	153,345	-	118,451	-	127,233	-	133,311	-	138,113	-	138,751	-	138,113	947,315
Utilities	-	-	35,000	-	-	135,328	-	-	5,000	130,328	-	5,000	-	310,656
Operational Expenses	27,350	93,250	19,000	20,471	66,072	15,250	11,718	7,938	57,105	51,750	9,000	-	39,491	418,395
SG&A Expenses	25,000	27,900	22,000	49,150	5,000	7,900	2,000	2,000	5,150	7,900	2,000	2,000	5,150	163,150
Insurance	51,000	-	38,000	-	-	-	16,218	-	-	-	-	16,218	-	121,436
Processing Equipment - Capex	-	-	130,592	24,000	30,000	20,000	-	-	-	-	-	-	-	204,592
<b>Total Operational Cash Out-Flows</b>	<b>256,695</b>	<b>121,150</b>	<b>363,043</b>	<b>93,621</b>	<b>228,305</b>	<b>178,478</b>	<b>163,247</b>	<b>9,938</b>	<b>205,368</b>	<b>189,978</b>	<b>149,751</b>	<b>23,218</b>	<b>182,754</b>	<b>2,165,544</b>
<b>Operational Cash Flow</b>	<b>(256,695)</b>	<b>(121,150)</b>	<b>(348,043)</b>	<b>147,539</b>	<b>(228,305)</b>	<b>(178,478)</b>	<b>5,957</b>	<b>191,226</b>	<b>(99,768)</b>	<b>105,706</b>	<b>75,730</b>	<b>338,808</b>	<b>(92,754)</b>	<b>(460,225)</b>
<b>Less Total Financing Costs</b>	<b>94,499</b>	<b>2,885</b>	<b>2,885</b>	<b>2,885</b>	<b>36,874</b>	<b>3,846</b>	<b>3,846</b>	<b>3,846</b>	<b>36,963</b>	<b>3,846</b>	<b>3,846</b>	<b>3,846</b>	<b>37,051</b>	<b>237,117</b>
<b>Less Total Restructuring Costs</b>	<b>42,000</b>	<b>190,000</b>	<b>-</b>	<b>105,000</b>	<b>-</b>	<b>90,000</b>	<b>-</b>	<b>80,000</b>	<b>-</b>	<b>80,000</b>	<b>-</b>	<b>75,000</b>	<b>-</b>	<b>662,000</b>
<b>Net Cash Flow</b>	<b>(393,193)</b>	<b>(314,035)</b>	<b>(350,927)</b>	<b>39,654</b>	<b>(265,179)</b>	<b>(272,324)</b>	<b>2,111</b>	<b>107,380</b>	<b>(136,730)</b>	<b>21,860</b>	<b>71,884</b>	<b>259,962</b>	<b>(129,805)</b>	<b>(1,359,343)</b>
<b>Debtor-in-Possession Loan (DIP)</b>														
Borrowings / (Repayment)	1,500,000	-	-	-	500,000	-	-	-	-	-	-	-	-	2,000,000
<b>Starting Cash Availability</b>	<b>(85,777)</b>	<b>1,021,030</b>	<b>706,995</b>	<b>356,068</b>	<b>395,722</b>	<b>630,543</b>	<b>358,219</b>	<b>360,330</b>	<b>467,710</b>	<b>330,979</b>	<b>352,839</b>	<b>424,723</b>	<b>684,685</b>	
<b>Ending Cash Availability</b>	<b>1,021,030</b>	<b>706,995</b>	<b>356,068</b>	<b>395,722</b>	<b>630,543</b>	<b>358,219</b>	<b>360,330</b>	<b>467,710</b>	<b>330,979</b>	<b>352,839</b>	<b>424,723</b>	<b>684,685</b>	<b>554,880</b>	

This Statement of Projected Cash Flow, prepared in accordance with s.s. 50(6) and/or s.s. 50.4(2) of the *Bankruptcy and Insolvency Act*, should be read in conjunction with the Trustee's report on the reasonableness of the cash flow statement.

**A. FARBER & PARTNERS INC., LIT**  
**The Trustee appointed *in re* the Proposal of**  
**Muskoka Grown Limited**

**MUSKOKA GROWN LIMITED**

Per: Hylton Levy, CA, CPA, CIRP, LIT

Per: David Grand, A.S.O.

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED  
 IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,  
 A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate/Court File No. 31-2643278

Estate/Court File No. 31-2643278

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**COMMERCIAL LIST**

Proceedings commenced in Toronto

**AFFIDAVIT OF DAVID ASCOTT**

**BENNETT JONES LLP**

One First Canadian Place  
 Suite 3400, P.O. Box 130  
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Lawyers for the Applicant

# TAB 3

Estate / Court File No. 31-2643278  
Estate / Court File No. 31-2643278

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**COMMERCIAL LIST**

THE HONOURABLE MR.	)	WEDNESDAY, THE 6 <sup>th</sup>
	)	
JUSTICE KOEHNEN	)	DAY OF MAY, 2020

**IN THE MATTER OF *THE BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, c. B-3, AS AMENDED**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A  
PROPOSAL OF MUSKOKA GROWN LIMITED, A CORPORATION  
INCORPORATED UNDER THE LAWS OF ONTARIO**

**NOI PROCESS ORDER**

**THIS MOTION**, made by Muskoka Grown Limited (the "**Company**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. C-36, as amended (the "**BIA**") for an order, *inter alia*: (i) abridging the time for service and filing of the Notice of Motion and the Motion Record and dispensing with further service and filing thereof; (ii) approving a super priority administration charge in the aggregate amount of \$300,000; (iii) approving a debtor-in-possession financing facility and a super priority charge in respect of amounts borrowed under such facility; (iv) approving a super priority charge in favour of the Company's directors and officers; (v) authorizing the Company to complete the sale of non-materials assets without Order of this Court for proceeds not exceeding \$500,000 in the aggregate; and (vi) approving the granting of an extension of the time to file a proposal and the corresponding stay of proceedings to and including July 19, 2020, was heard this day via video conference.

**ON READING** the Notice of Motion, the affidavit of David Ascott sworn May 5, 2020 (the "**Ascott Affidavit**") and the Exhibits thereto, the First Report (the "**First Report**") of A.

Farber & Partners Inc. in its capacity as Proposal Trustee (the "**Proposal Trustee**"), dated May 5, 2020, filed, and on reading the Company's cash-flow statement, appended as Appendix "B" to the Report, and on being advised that the secured creditors of the Company who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to Company, counsel for the Proposal Trustee, counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of service of Aiden Nelms sworn May 6, 2020;

### **SERVICE**

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

### **ADMINISTRATION CHARGE**

2. **THIS COURT ORDERS** that that the Proposal Trustee, the Proposal Trustee's counsel, and the Company's counsel, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings, both before and after the making of this Order. The Company is hereby authorized to pay the accounts of the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel on a weekly basis, provided that the accounts of the Proposal Trustee and the Proposal Trustee's counsel as paid are passed from time to time, and for this purpose the accounts are hereby referred to a judge of the Ontario Superior Court of Justice (Commercial List) at Toronto, Ontario.

3. **THIS COURT ORDERS** that the Proposal Trustee, the Proposal Trustee's counsel and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the current and future assets, undertakings and properties of the Company of every nature and kind whatsoever (including all real and personal property), and wherever situate including all proceeds thereof (collectively, the "**Property**"), which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 14 and 16 herein.

## DIP FINANCING

4. **THIS COURT ORDERS** that the execution by the Company of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and the Company is hereby authorized and empowered to perform its obligations under the DIP Term Sheet (subject to obtaining such Court and other approvals as may be required in connection with any step or transaction contemplated therein) and to obtain and borrow under the DIP Term Sheet among the Company, as borrower, and Arthur Zwingenberger as lender (the "**DIP Lender**"), in order to finance the Company's working capital requirements (including those of its operating facilities), and other general corporate purposes and capital expenditures, provided that borrowing under such credit facility shall not exceed \$4,000,000.

5. **THIS COURT ORDERS** that such credit facility shall be on substantially the terms and subject to the conditions set forth in the DIP term sheet agreement dated May 5, 2020, and attached as Exhibit "T" to the Ascott Affidavit (the "**DIP Term Sheet**"), together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee.

6. **THIS COURT ORDERS** that the Company and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (such documents, together with the DIP Term Sheet, collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof together with such modifications as may be agreed upon by the Company and the DIP Lender and consented to by the Proposal Trustee, and the Company is 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 Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

7. **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, which charge shall not exceed an aggregate amount of \$4,000,000, which DIP Lender's Charge shall not secure an



obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 14 and 16 herein.

8. **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 Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge: (i) the DIP Lender may cease making advances to the Company, and (ii) the DIP Lender may make demand, accelerate payment and give other notices, and upon 7 days' notice to the Company and the Proposal Trustee, exercise any and all of their rights and remedies against the Company or the Property under or pursuant to the Definitive Documents, including, without limitation, to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company and not have to wait 10 days to bring such a motion pursuant to section 243 of the BIA; 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 Company or the Property.

9. **THIS COURT ORDERS AND DECLARES** that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any proposal filed by the Company or any plan filed by the Company under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended, without the consent of the DIP Lender and, except as contemplated in the Definitive Documents, the DIP Lender shall be treated as unaffected in any proposal or plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

10. **THIS COURT ORDERS** that except to the extent contemplated by the Definitive Documents, the Company shall not file a proposal or plan in these proceedings or proceed with

any other restructuring that does not provide for the indefeasible payment in full in cash of the obligations outstanding under the Definitive Documents as a pre-condition to the implementation of any such proposal or plan or any other restructuring without the prior written consent of the DIP Lender.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company after the commencement of the within proceedings provided that the occurrence giving rise to the indemnified obligations and liabilities shall have occurred after the effective time of this Order, 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.

12. **THIS COURT ORDERS** that the directors and officers of the Company 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 \$200,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **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 Company's 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 11 of this Order.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lenders' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (up to the maximum amount of \$300,000);

Second - Directors' Charge (up to the maximum amount of \$200,000); and

Third - DIP Lenders' Charge (up to the maximum amount of \$4,000,000).

15. **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.

16. **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 and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour 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**") notwithstanding the order of perfection or attachment.

17. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with, any of the Charges, unless the Company also obtains the prior written consent of the Proposal Trustee and the chargees entitled to the benefit of such Charges (collectively, the "**Chargees**"), or further Order of this Court.

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

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Company of any Agreement to which it is 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 Company entering into the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the Definitive 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.

19. **THIS COURT ORDERS** that any of the Charges created by this Order over leases of real property in Canada shall only be a charge in the Company's interest in such real property leases.

#### **ADDITIONAL PROTECTIONS**

20. **THIS COURT ORDERS** that the Proposal Trustee shall not take possession of the Property or be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act* S.C. 2018, c.16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, the *Ontario Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1 or other such applicable federal or provincial legislation (collectively, the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Company's business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or the Property, or any part thereof, within the meaning of any Cannabis Legislation, or otherwise, and nothing in this Order shall be construed as resulting in the Proposal Trustee being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee 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 Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

22. **THIS COURT ORDERS** that, in addition to the rights and protection afforded to the DIP Lender under this Order or at law, the DIP Lender shall incur no liability or obligation as a result of carrying out of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or willful misconduct on its part.

#### **EXTENSION OF TIME TO MAKE A PROPOSAL**

23. **THIS COURT ORDERS** that the time within which to make a proposal pursuant to section 62(1) of the BIA and the corresponding stay of proceedings provided for in section 69 of the BIA, be and are hereby extended in accordance with section 50.4(9) of the BIA to and including July 19, 2020.

#### **SALE OF NON-MATERIAL ASSETS**

24. **THIS COURT ORDERS** that the Company may explore opportunities for the sale of non-material assets with the prior approval of the Proposal Trustee and the DIP Lender, and may enter into and complete any transaction for non-material assets for proceeds not exceeding \$500,000 in the aggregate.

## SERVICE AND NOTICE

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

26. **THIS COURT ORDERS** that the Company and the Proposal Trustee and each of their 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 message to the Company's creditors 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 judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

## GENERAL

27. **THIS COURT ORDERS** that the Company or the Proposal Trustee may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, receiver, receiver and manager, or trustee in bankruptcy of the Company or the Property or act as monitor if the proceeding is continued under the *Companies' Creditors Arrangement Act*.

29. **THIS COURT REQUESTS** the aid and recognition of any court or any judicial, regulatory, or administrative body in any province or territory of Canada and the Federal Court of Canada and any judicial, regulatory, or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States and the states of other subdivisions of the United States and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than (7) seven days' notice to the Company, the Proposal Trustee, the DIP Lender and any other party or parties likely to be affected by the Order sought or upon such other notice as this Court may order.

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

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**IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED  
IN THE MATTER OF THE NOTICES OF INTENTION TO MAKE A PROPOSAL OF MUSKOKA GROWN LIMITED,  
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO**

Estate / Court File No. 31-2643278

Estate / Court File No. 31-2643278

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
**COMMERCIAL LIST**

Proceedings commenced in Toronto

**NOI PROCESS ORDER**

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Lawyers for the Applicant



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**MOTION RECORD**

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