

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PURE GLOBAL CANNABIS INC.,
PURESINSE INC., 237A ADVANCE INC., 237B ADVANCE
INC., SPRQ HEALTH GROUP, and THE GREAT CANADIAN
HEMP COMPANY LTD.

Applicants

MOTION RECORD

April 21, 2020

WEISZ FELL KOUR LLP
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Toronto ON M5X 1C9

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Lawyers for the Applicants

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TAB 1

Court File No. CV-20-00638503-00CL

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

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PURE SINSE INC., 237A ADVANCE INC., 237B ADVANCE
INC., SPRQ HEALTH GROUP, and THE GREAT CANADIAN
HEMP COMPANY LTD.

Applicants

NOTICE OF MOTION
(Re Increase in DIP Facility and Stay Extension)

PURE GLOBAL CANNABIS INC. (“**Pure Global**”), and its subsidiaries (together with Pure Global, “**Pure Global Group**” or the “**Applicants**”) will make a motion to the Court on April 23, 2020 at 2:00pm by teleconference in accordance with the change in operations of the Commercial List in light of the COVID-19 crisis and the Chief Justice’s Notice to the Profession dated March 15, 2020.

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

THE MOTION IS FOR:

1. An Order, substantially in the form of the Amended and Restated Initial Order, attached as Tab “●” of the Applicants’ Motion Record that, among other things:
 - a) increases the debtor-in-possession facility (the “**DIP Facility**”) provided by Hillmount Capital Inc. up to a maximum of \$1.35 million (from \$1 million); and

- b) allocates the DIP Charge (as defined in the Amended and Restated Initial Order), in relation to the increased DIP Facility, as follows:
 - i) \$1.15 million as against the assets of 237B Advance Inc. (the holding corporation which owns the operating facility); and
 - ii) \$200,000 as against the assets of 237A Advance Inc. (the holding corporation which owns the adjacent land);
 - c) extends the Stay Period (as defined in the Amended and Restated Initial Order) to May 22, 2020;
2. Such further and other relief as this Honorable Court deems just.

THE GROUNDS FOR THIS MOTION ARE:

- 3. On March 19, 2020, the Pure Global Group sought and obtained an Order from the Ontario Superior Court of Justice (Commercial List) granting relief under the *Companies' Creditors Arrangement Act* (the "CCAA"), including *inter alia*, a stay of proceedings and the DIP Facility and DIP Charge up to a maximum amount of \$700,000.
- 4. At the comeback hearing, Mr. Justice Hainey granted the requests of the Applicants' secured creditors to shut down the Applicants' business operations. His Honour extended the Stay Period up to and including May 15, 2020, and approved an increase to the DIP Facility to a maximum of \$1 million to permit the Applicants to lawfully dispose of the cannabis on site.

5. The destruction of cannabis is a regulated activity. It may only be performed by a licenced individual or corporation pursuant to a method that is described in a company's Standard Operating Procedures ("**SOP**"), which methods have been approved by Health Canada.
6. Among other things, Health Canada requires that written notice of cessation of business activities and a formal destruction plan be submitted at least 30-days in advance of the cessation of business activities.
7. The Applicants were only advised on Monday, April 20, 2020 by Stericycle Inc. ("**Stericycle**"), the Applicants' approved service provider, that Stericycle is available to perform witnessed destruction on May 15, 2020. The Applicants will be submitting their notice of cessation of activities and destruction plan based on that date.
8. While there is cannabis on site, Pure Global Group is required to retain individuals with security clearance from Health Canada to occupy certain licensed positions. After exploring the alternatives, the Applicants believe that a minimum of four employees and two contractors are needed to remain in compliance with the regulations and ensure efficiency.
9. The previous liquidation cash flow filed for the comeback hearing, which was prepared at the request of the Applicants' key creditors, was based on the assumption that notice could be provided to Health Canada shortly after the comeback hearing. The previous forecast also assumed that only two employees would be required on-site and did not include any allowance for a liquidation process.

10. It is now apparent that in order to obtain the requisite approvals to destroy the cannabis in a manner acceptable to the regulatory authorities, the Applicants require additional time and further interim financing.
11. Pure Global Group has prepared revised cash flows for the 9-week period since the comeback hearing, extending to the week of May 29, 2020 demonstrating a need for an additional \$350,000 in interim financing until such time as the cannabis can be destroyed and business operations ceased. It is anticipated that the earliest the cannabis can be destroyed is May 15, 2020, subject to approval of Health Canada, and the earliest that business operations can cease is May 22, 2020.
12. To secure the additional \$350,000 to be advanced under the DIP Facility, the Applicants propose to increase the DIP Charge to a maximum of \$1.35 million (from \$1 million) and to allocate the increased amount to the assets owned by 237B Advance Inc., which owns the operating facility in which the licensed activities take place. The Applicants do not propose to affect the adjacent lands owned by 237A Advance Inc.
13. The Applicants are seeking an extension of the Stay Period to May 22, 2020 to permit the destruction of the cannabis and the wind down of its business.
14. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honorable Court;
15. Rules 1.04, 2.03, 3.02, and 37 of the *Rules of Civil Procedure*, RRO 1990, Reg 194, as amended; and

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

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED ON THE HEARING OF THE MOTION:

17. The Affidavit of Scott Langille, sworn April, ● 2020 and exhibits thereto;
18. Such further and other evidence as counsel may advise and this Honourable Court may permit.

April 21, 2020

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Tel: 416.613.8283

Fax: 416.613.8290

Lawyers for the Applicants

TO: **THE SERVICE LIST**

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PURE GLOBAL CANNABIS INC., et al.

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

Proceedings commenced at Toronto

NOTICE OF MOTION

WEISZ FELL KOUR LLP

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Toronto, ON M5X 1C9

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Lawyers for the Applicants

TAB 2

ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE *COMPANIES' CREDITORS*
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HEMP COMPANY LTD.

Applicants

AFFIDAVIT OF SCOTT LANGILLE
(Sworn April 21, 2020)

I, SCOTT LANGILLE, of the City of Guelph, in the province of Ontario, **MAKE**
OATH AND SAY:

1. I am the Chief Restructuring Officer (“**CRO**”) of Pure Global Cannabis Inc. (“**Pure Global**”) and its subsidiaries (together with Pure Global, the “**Pure Global Group**” or the “**Applicants**”). In my role as CRO, in the post-filing restructuring activities of the Pure Global Group. Accordingly, I have personal knowledge of the matters set out below. Where I have relied on information from others, I state the source of such information and verily believe it to be true.
2. This affidavit (the “**Langille Affidavit**”) is sworn in respect of a motion to increase the debtor-in-possession facility (the “**DIP Facility**”) provided by Hillmount Capital Inc. (“**Hillmount**”) to fund the costs associated with facilitating the orderly disposal of the cannabis on site, in accordance with the requirements of the applicable regulatory authorities.

3. In this motion, the Applicants seek, among other things, the increase of the debtor-in-possession facility provided by Hillmount Capital Ltd. up to a maximum of \$1.35 million (from \$1 million).

I. BACKGROUND

4. On March 19, 2020, the Pure Global Group sought and obtained an Order from the Ontario Superior Court of Justice (Commercial List) granting relief under the *Companies' Creditors Arrangement Act* (the “**CCAA**”), including among other things, a stay of proceedings up to and including March 27, 2020 (the “**Stay Period**”) and approval of debtor in possession facility (“**DIP Facility**”) and charge (the “**DIP Charge**”) up to a maximum amount of \$700,000.

5. A comeback hearing was scheduled for March 27, 2020 (the “**Comeback Hearing**”) and was subsequently adjourned on consent of the key creditors of the Applicants to April 3, 2020.

6. At the Comeback Hearing, the Applicants sought an expansion of the DIP Facility to a maximum of \$1.7 million and approval of a dual track sale process to permit the Applicants to market the assets on a going concern and liquidation basis, as well as sell the cannabis on site.

7. The Court denied the Applicants' request and instead granted the request of the secured creditors to shut down the business operations and liquidate the Applicants' assets. Pursuant to the Order of Mr. Justice Hainey dated April 3, 2020 (the “**Amended and Restated Initial Order**”), the Court granted an extension to the Stay Period up to and including May 15, 2020, and an increased DIP Facility up to a maximum of \$1 million to permit the Applicants to lawfully dispose of the cannabis on site.

8. Since the granting of the Amended and Restated Initial Order, the Applicants have, among other things:

- (a) received signed letters of intent from the three customers that it had been pursuing. The Applicants have had to advise the customers that pursuant to the Amended and Restated Initial Order, the Applicants are not able to enter into sale contracts;
- (b) terminated 10 employees of PureSinse, leaving only 4 active employees and myself, under contract as CRO;
- (c) consulted with the relevant regulatory authorities, including Health Canada regarding appropriate procedure for the destruction of the cannabis on site and the personnel required to remain with the Applicants pending destruction of the cannabis;
- (d) sought to obtain a date and cost for the destruction of the cannabis located on the Applicants' premises with its pre-approved destruction vendor;
- (e) consulted with various potential purchasers to determine whether the sale of the cannabis inventory is possible and cheaper than destruction of the cannabis;
- (f) with the assistance of the Monitor, continued to consult and confer with its key creditors; and
- (g) responded to enquiries from unsecured creditors and shareholders.

II. DESTRUCTION PLAN FOR DISPOSAL OF THE CANNABIS ON SITE

9. The cannabis on site may only be disposed of by sale or destruction. The destruction of cannabis is a regulated activity. It may only be performed by a licenced individual or corporation pursuant to a method that is described in a company's Standard Operating Procedures ("SOPs"), which methods have been approved by and are acceptable to Health Canada, or by an alternate method if approved by Health Canada.

10. The secured creditors of the Applicants wish to see the cannabis destroyed. Accordingly, the Applicants have been in communication with Health Canada and Canada Revenue Agency ("CRA") to discuss each regulatory authority's requirements around the destruction of the cannabis.

11. In addition, PureSinse holds a licence for standard cultivation, a licence for sale for medical purposes, and a licence for standard processing pursuant to the Cannabis Regulations. It is my understanding that a holder of a cannabis drug licence cannot simply cease operations without advising Health Canada of its intention to do so, and the cannabis in the possession of the licensee must be dealt with responsibly upon termination of operations.

12. I am advised by my counsel that the Section 36 of the Cannabis Regulations requires that a holder of a cannabis drug licence that intends to cease conducting all the activities authorized by the licensee must provide to Health Canada at least 30 days' notice in writing of the cessation of activities. Health Canada requires that the notice include certain prescribed information, such as the date on which activities will cease, a description of the manner in which any cannabis remaining at the site as of the date of the cessation of activities will be disposed of, including the

name and address of the person to which the cannabis will be sold or distributed, or the date and location at which the cannabis will be destroyed.

13. I am advised by counsel that counsel for the Applicants have discussed the notice requirement with a representative of Health Canada, and the representative has confirmed that at least 30 days' notice is required, and a destruction plan must be submitted with the notice. As described below, Stericycle Inc. ("**Stericycle**") only advised on Monday, April 20, 2020 that it had a date for the witnessed destruction of the cannabis. The Applicants are only now in a position submit the 30 day notice to cease operations given that they now have a destruction plan and date.

14. In accordance with the Applicants' SOPs, which SOPs list the designated approved vendors, PureSinse is required to use Stericycle to provide disposal services. A copy of the list of approved vendors of PureSinse is attached hereto as Exhibit "A".

15. The Applicants have attempted to obtain a quote and timeline for disposal of the cannabis by Stericycle but have until recently received only limited responses from Stericycle given COVID-19 and the fact that Stericycle now only employs one individual who is able to destroy narcotics and cannabis. Stericycle has advised that they are in a position to perform a witnessed destruction of the cannabis on May 15, 2020. A copy of this correspondence is attached hereto as Exhibit "B".

16. Following the destruction of the cannabis on May 15, 2020, subject to approval of that date by Health Canada, the Applicants would be able to cease operations upon the expiry of the 30 day notice period required by Health Canada. Accordingly, it appears the earliest that the Applicants

could completely cease operations following destruction of the cannabis is May 22, 2020, subject to Health Canada's approval.

III. KEY EMPLOYEES WHILE CANNABIS REMAINS ON SITE

17. PureSinse has terminated 10 employees since the date of the Amended and Restated Initial Order. Currently, only four employees who are necessary to maintain regulatory compliance while the cannabis remains on site are still employed (the "**Responsible Personnel**"). The licenses require that the following licensed positions remain occupied by qualified and security cleared employees:

(a) Responsible Person in Charge ("**RPC**");

(b) Master Grower;

(c) Quality Assurance Person ("**QAP**"); and

(d) Head of Security.

18. In addition to the above, records must be updated and maintained with respect to the cannabis, including any destruction.

19. Each licensed position is currently held by a specific individual. For instance, the Responsible Person in Charge is the current CEO of PureSinse. The Applicants have confirmed with Health Canada that one individual may hold more than one position, and that Health Canada must be given notice of any change. However, any individual occupying these roles must have security clearance from Health Canada. A copy of the email correspondence exchanged with Health Canada is appended hereto as Exhibit "C".

20. The Applicants understand that the key creditors have asked that as many employees as possible be terminated for further cost savings. The Applicants have explored the possibility of terminating the CEO who is currently the RPC for PureSinse and to have the individual performing the QAP role assume the role as RPC. However, it was apparent that this would not result in significant cost savings given the increase in tasks and duties that would have to be assumed by the Monitor. Further, the CEO's knowledge of the assets and equipment of the company may be necessary to facilitate an eventual liquidation process.

21. In addition, the Applicants explored having certain employees take on the roles of QAP, Head of Security or Master Grower. However, these roles are highly specialized and, other than the current designated employee/consultant that provides such services, the other available employees would not be able to fulfill these roles due to lack of sufficient knowledge and background given the highly regulated nature of the industry. With respect to the record keeper, no other personnel at the company knows how to maintain the servers for the security system and the and the ERP system for inventory records.

22. In any event, the Applicants are proposing that only six individuals (four employees and two contractors) be retained going forward:

(a) the RPC;

(b) the QAP;

(c) the Master Grower;

(d) the Head of Security;

(e) a recordkeeper to ensure records in relation to the licensed activities are properly maintained; and

(f) the CRO.

23. As mentioned above, each position is a specialized function and the individuals appointed to those roles have specialized skillsets that make them appropriate for the role. The Applicants believe that the four employees and two contractors are the minimum number of persons needed to keep the corporations in compliance with the licenses until destruction of the cannabis and to ensure efficiency, taking into account the increased cost of having professionals assume the responsibilities held by those individuals if they were to be terminated.

IV. REVISED LIQUIDATION CASH FLOWS

24. Appended as Exhibit “D” to this affidavit a cash flow for the 9-week period since the Amended and Restated Initial Order, extending to the week of May 29, 2020 (the “**Revised Liquidation Cash Flow**”).

25. A copy of the liquidation cash flow filed for the comeback motion (the “**Original Liquidation Cash Flow**”) is appended hereto as Exhibit “E”. The Original Liquidation Cash Flow was prepared at the request of the secured creditors in advance of the comeback hearing. The Original Liquidation Cash Flow was based on the assumption that there would be no sale process and that there would be no delay in destroying the cannabis. In addition, the forecast assumed only two employees would remain while the cannabis was on site and did not include any allowance for a liquidation process.

26. Based on recent discussions with the applicable regulatory authorities as well as the secured creditors, and the delayed response from Stericycle given the COVID climate, it is apparent that the Applicants require additional time to implement the destruction of the cannabis in accordance with the SOPs and regulations.

27. The Revised Liquidation Cash Flows reflect the variances relating to the delay and the increase in the number of staff needed to remain employed. In total, the Revised Liquidation Cash Flows projects a further \$350,000 needed (in excess of the DIP Facility of \$1 million that has already been approved) to bring the company through to the end of May 2020.

28. The Revised Liquidation Cash Flows have been pared down to include only the minimum payments necessary to maintain the property in compliance with regulations until the cannabis can be destroyed. The three significant categories of payments are payroll (for the Responsible Personnel and contractors), the costs to upkeep the facility and real property, and restructuring costs incurred to wind the company down in an orderly manner. The restructuring costs would likely be lower if the Applicants had more employees to perform day to day functions, including HR, financial and payment functions.

29. All extraneous costs have been removed and non-key personnel have been terminated. There is no revenue generating activity being performed. An estimated disposal fee for the cannabis is included, however until such time as Stericycle has confirmed the price of destruction, the cost of destruction cannot be estimated with certainty.

30. The Revised Liquidation Cash Flows do not include any process for the liquidation of the assets of the Applicants. It is unclear to the Applicants how the key creditors intend to market and liquidate the assets without specific funding to do so.

31. I understand that the secured creditors have been provided with the Revised Liquidation Cash Flows, and a call was convened on April 17, 2020 between counsel to the key creditors, Applicants' counsel, Monitor and Monitor's counsel to review the variance and discuss any viable go-forward strategies. To date I am not aware of any key creditors having advanced any alternative approaches that would be acceptable and in accordance with the applicable laws and regulations governing a licensed cannabis company.

V. INCREASED DIP FACILITY AND DIP CHARGE

32. The Applicants seek approval of an increase to the DIP Facility of \$350,000 (to a new maximum of \$1.35 million). The DIP Lender has consented to the increase on the condition that the DIP Charge (as defined in the Amended and Restated Initial Order) be correspondingly increased and/or allocated as follows:

- (a) \$1.15 million as against the assets of 237B Advance Inc. (the holding corporation which owns the operating facility); and
- (b) \$200,000 as against the assets of 237A Advance Inc. (the holding corporation which owns the adjacent land).

33. The only change to the existing DIP Charge is to increase the DIP Charge secured against the operating facility and land by \$350,000. Pursuant to the confidential appraisals filed with the

by 237A Advance Inc. This is because the delay and costs associated with winding down the company, including the destruction of the cannabis pertain only to the licensed activities conducted on the property held by 237B Advance Inc.

35. The Applicants continue to pursue the destruction of the cannabis on site, and any alternatives acceptable to Health Canada and CRA that may result in the removal of the cannabis on an expedited basis.

VI. EXTENSION OF THE STAY PERIOD

36. Given the earliest date the cannabis could be destroyed is May 15, 2020, the Applicants propose an extension of the Stay Period to May 22, 2020. A further update on the destruction activities will be provided to the Court at that time.

SWORN before me via video-conference this 21st day of April 2020:



A Commissioner for Taking Affidavits

Name: _____



**SCOTT
LANGILLE**

THIS IS **EXHIBIT "A"** REFERRED TO IN THE
AFFIDAVIT OF SCOTT LANGILLE SWORN BEFORE ME,
THIS 21st DAY OF APRIL, 2020



A COMMISSIONER FOR TAKING AFFIDAVITS



STANDARD OPERATION PROCEDURE

Quality Assurance 20

List of Approved Vendors

QR-035-0

Approved Date: 11-MAR-2019

Page 1 of 1

Effective Date: 25-MAR-2019

ORIGINAL


Review Due Date: 11-MAR-2022

Review Approval Date:

Vendor Name	Primary Contact	Phone Number	Email	Mailing Address
BioMerieux	Pierre Lam	(514) 336-7321	Pierre.LAM@biomerieux.com	7815 Henri Bourassa Quest, Saint-Laurant, QC H4S 1P7, CA
Ecolab	Mike Brand	1-800-352-5326	michael.brand@ecolab.com	5105 Tomken Rd, Mississauga, ON L4W 2X5, CA
Matrix Scale Services	Kim McGaroch	(905) 712-8987	service@matrixscale.com	301 Watline Avenue, Mississauga, ON L4Z 1P3, CA
Orkin	Shakeel Hussain Robert Fortuna	(905) 712-0095	shussain@orkincanada.com rfortuna@orkincanada.com	5825 Kennedy Rd, Mississauga, ON L4Z 2G3, CA
SGS	Sahab Habibi	(905) 305-0998	sahab.habibi@SGS.com	11-145 Konrad Crescent, Markham, ON L3R 9T9, CA
Stericycle	N/A	1-800-783-7422	customercarecanada@stericycle.com	1383 North Service Rd, East Oakville, ON L6H 1A7, CA
VWR	Liz Day	(416) 254-5550	Liz.Day@vwr.com	2360 Argentia Rd, Mississauga, ON L5N 5Z7, CA

REVISION HISTORY:

Revision #	Effective Date	Revision Description	Reason
0	25-Mar-2019	N/A	New Form

QA APPROVED: 
DATE: 11 MAR 2019

THIS IS **EXHIBIT "B"** REFERRED TO IN THE
AFFIDAVIT OF SCOTT LANGILLE SWORN BEFORE ME,
THIS 21st DAY OF APRIL, 2020



A COMMISSIONER FOR TAKING AFFIDAVITS

Christel Paul

From: Caitlin Fell
Subject: FW: Destruction Request

From: "Smith, Dana" <Dana.Smith@STERICYCLE.com>
Date: April 20, 2020 at 4:09:57 PM EDT
To: Partheepan Balasubramaniam <parth@puresinse.com>
Subject: RE: Destruction Request

Hello Parth,

We have you booked in for a destruction on May 15th at 12:00pm.

I will send a waste profile form to please fill out and a quotation.

Thank you,

Dana Smith

Sales Solution Executive – Hazardous Waste
M: 416-528-1023 | stericycleenvironmental.com
76 Wentworth Court, Brampton, Ontario, L6T 5M7



From: Partheepan Balasubramaniam [<mailto:parth@puresinse.com>]
Sent: Thursday, April 16, 2020 9:34 AM
To: Smith, Dana
Subject: Re: Destruction Request

Good Morning Dana,

Just following up on yesterday's discussion regarding the destruction quote and schedule.

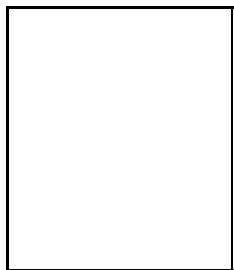
Can you please provide us with an update.

Thank You.

Regards,

Parth Balasubramaniam, BSc
Director, Quality Assurance & Regulatory Affairs

Phone [416.985.5133](tel:416.985.5133)
Office [1.866.840.PURE \(7873\)](tel:1.866.840.PURE(7873))
Email parth@puresinse.com
Website www.puresinse.com

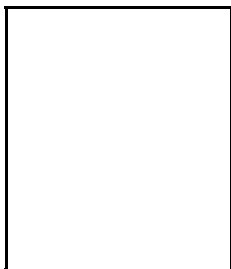


On Wed, Apr 15, 2020 at 12:05 PM Partheepan Balasubramaniam <parth@puresinse.com> wrote:

Hi Dana,

Please provide availability for Cannabis Destruction.

Regards,



Parth Balasubramaniam, BSc
Director, Quality Assurance & Regulatory Affairs

Phone [416.985.5133](tel:416.985.5133)
Office [1.866.840.PURE \(7873\)](tel:1.866.840.PURE(7873))
Email parth@puresinse.com
Website www.puresinse.com

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THIS IS **EXHIBIT "C"** REFERRED TO IN THE
AFFIDAVIT OF SCOTT LANGILLE SWORN BEFORE ME,
THIS 21st DAY OF APRIL, 2020



A COMMISSIONER FOR TAKING AFFIDAVITS

From: [Jurgens, Daphne \(HC/SC\)](#)
To: [Caitlin Fell](#)
Cc: [Cannabis Licensing / Licences cannabis \(HC/SC\)](#); [Sharon Kour; Blom, Robyn \(HC/SC\)](#)
Subject: RE: PureSinse LIC-00M9QCZSEO-2018-3
Date: Monday, April 20, 2020 4:11:41 PM
Attachments: [image002.gif](#)
[image003.png](#)

Hi Caitlin,

A change to responsible person (RP) is considered a notification under section 34 of the Cannabis Regulations, and licence holders can designate a new person into the role provided they hold a valid security clearance. The Regulations require licence holders are required to provide notice of this change within 5 days after it occurs. Please advise of the date on which this change has or will take place?

In situations where the RP is no longer with the company, we ask an individual in a position of control of the licence provide written consent for the change to take place. The RP controls the licence record in the Cannabis Tracking and Licensing System, binds the licence holder and is Health Canada's primary contact for the licence, so we need to document this change before granting the new RP access to the system.

Regards
Daphne

Daphne Jurgens

Manager, Licence Management | Gestionnaire, Gestion des licences
Licensing and Security Division | Division des licences et de la sécurité
Cannabis Licensing & Medical Access Directorate |
Direction des licences et de l'accès à des fins médicales, cannabis
Controlled Substances and Cannabis Branch |
Direction générale des substances contrôlées et du cannabis
Health Canada | Santé Canada

From: Agius, Jason (HC/SC) <jason.agius@canada.ca>
Sent: 2020-04-20 11:45 AM
To: cfell@wfkaw.ca
Cc: Miranda, Norina (HC/SC) <norina.miranda@canada.ca>; Chee-Chue, Linda (HC/SC) <linda.chee-chue@canada.ca>; Jurgens, Daphne (HC/SC) <daphne.jurgens@canada.ca>; Cannabis Licensing / Licences cannabis (HC/SC) <HC.licensing-cannabis-licences.SC@canada.ca>; diane.winters@justice.gc.ca; skour@wfkaw.ca; Shona.Lotta@justice.gc.ca; Maria.Vujnovic@justice.gc.ca; Leckie, Christine (HC/SC) <christine.leckie@canada.ca>; CannabisInspectionCentral-InspectionCannabisCentrale (HC/SC) <hc.cannabisinspectioncentral-inspectioncannabiscentrale.sc@canada.ca>
Subject: RE: PureSinse LIC-00M9QCZSEO-2018-3

Hello Caitlin,

Changes to the personnel of this company can be made by the current Responsible Person, Mr. Malay Panchal in Health Canada's Cannabis Tracking and Licensing System (CTLS). Alternatively, the licence holder can contact the Health Canada Licensing office at HC.licensing-cannabis-licences.SC@canada.ca to request changes in key personnel or individuals. Please note that key individuals (Responsible Person/Master Grower/Head of Security/Quality Assurance Persons and their alternates) must be security cleared before any assumption of their related duties. If an email request is made, can you please cc: Ms. Daphne Jurgens (Manager of the Licensing Office at daphne.jurgens@canada.ca) with the request.

Regards,

Jason

Jason Agius

A/Regional Regulatory Compliance & Enforcement Supervisor, Cannabis Directorate

Health Canada | Government of Canada
E-mail: jason.agius@canada.ca C: (647) 394-2521

A/Superviseur régional de conformité de la réglementation, Direction Du Cannabis
Santé Canada | Gouvernement du Canada
Courriel: jason.agius@canada.ca C: (647) 394-2521



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From: Miranda, Norina (HC/SC) <norina.miranda@canada.ca>
Sent: 2020-04-20 9:58 AM
To: Agius, Jason (HC/SC) <jason.agius@canada.ca>
Subject: Fwd: PureSinse LIC-00M9QCZSEO-2018-3

Sent from my iPhone

Begin forwarded message:

From: Caitlin Fell <cfell@wfkllaw.ca>
Date: April 20, 2020 at 7:21:33 AM EDT
To: "Miranda, Norina (HC/SC)" <norina.miranda@canada.ca>
Cc: "diane.winters@justice.gc.ca" <diane.winters@justice.gc.ca>, Sharon Kour <skour@wfkllaw.ca>, "Shona.Lotta@justice.gc.ca" <Shona.Lotta@justice.gc.ca>, "Vujnovic, Maria" <Maria.Vujnovic@justice.gc.ca>
Subject: PureSinse LIC-00M9QCZSEO-2018-3

Hi Miranda

I am counsel to PureSinse. We understand under PureSinse's various licenses that there is a Responsible Person in Charge and an Alternative Responsible Person in Charge. As you might be aware, the court has ordered the shutdown and liquidation of PureSinse. Until such time as the cannabis is sold or destroyed, we are terminating all employees except those employees/personnel who are absolutely necessary for the licenses. In order to minimize costs, we would like to remove Malay Panchal as Responsible Person in Charge with the Alternate that's listed on the License- Partheepan Balasubramaniam. So the individuals that will remain with the company pending removal of the cannabis will be the following:

- 1) RPC- Partheepan Balasubramaniam
- 2) QAP- Partheepan Balasubramaniam
- 3) Master Grower- Nader Ghleshlaghi
- 4) Head of Security- Vishwas Sawant

Can you please confirm receipt of this email and confirmation that the above is sufficient for Health Canada?

Caitlin Fell



Partner | **Weisz Fell**

Kour LLP

T | [416.613.8282](tel:416.613.8282)

C | [416.258.5843](tel:416.258.5843)

F | [416.613.8290](tel:416.613.8290)

E | cfell@wfklaw.ca

THIS IS **EXHIBIT “D”** REFERRED TO IN THE
AFFIDAVIT OF SCOTT LANGILLE SWORN BEFORE ME,
THIS 21st DAY OF APRIL, 2020



A COMMISSIONER FOR TAKING AFFIDAVITS

Pure Global Cannabis Inc.
Cash Flow Forecast for the weeks ending April 3, 2020 to May 29, 2020 - Liquidation and Sales Process Cash Flow Scenario

(CDN)		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Total
Week Ending	Note	3-Apr-20	10-Apr-20	17-Apr-20	24-Apr-20	1-May-20	8-May-20	15-May-20	22-May-20	29-May-20	
Consolidated											
Opening Available Cash		430,138	291,465	83,540	166,337	5,786	(119,693)	(168,760)	(265,304)	(272,578)	430,138
Receipts											
Sales receipts		-	-	-	-	-	-	-	-	-	-
HST Refunds		-	-	-	-	-	-	-	-	-	-
Other receipts		-	-	-	-	-	-	-	-	-	-
Total Receipts		-	-	-	-	-	-	-	-	-	-
Disbursements											
Production costs		-	-	6,605	1,000	-	-	-	-	-	7,605
Payroll Expenses & Group Benefits	1	38,498	-	75,224	27,849	32,120	19,067	46,545	7,273	22,600	269,177
Selling, General & Administrative		175	30	-	8,342	3,800	-	-	-	-	12,347
Rent, Utilities, Insurance, Property Taxes		-	207,895	-	-	36,850	-	-	-	-	244,745
Fixed Assets & Capital Expenditures		-	-	-	-	-	-	-	-	-	-
Duties & Taxes		-	-	-	-	-	-	-	-	-	-
Professional Fees		-	-	8,000	3,360	-	-	-	-	-	11,360
Restructuring Costs		100,000	-	59,077	120,000	45,000	30,000	50,000	-	-	404,077
Ernst & Young Inc.		40,000	-	21,465	40,000	15,000	10,000	20,000	-	-	146,465
Osler LLP		20,000	-	8,484	30,000	15,000	10,000	10,000	-	-	93,484
Weisz Fell Kour LLP		40,000	-	29,128	50,000	15,000	10,000	20,000	-	-	164,128
DIP Interest Payments & Commitment Fee		-	-	68,297	-	7,708	-	-	-	-	76,005
Fee to Dispose of Current Crop	2	-	-	-	-	-	-	-	-	50,000	50,000
Total Disbursements		138,673	207,925	217,203	160,551	125,478	49,067	96,545	7,273	72,600	1,075,316
Net Cash flow from Operations		(138,673)	(207,925)	(217,203)	(160,551)	(125,478)	(49,067)	(96,545)	(7,273)	(72,600)	(1,075,316)
DIP Draw/(Payback) for Operations		-	-	300,000	-	-	-	-	-	-	300,000
Closing Cash / (Indebtedness)		291,465	83,540	166,337	5,786	(119,693)	(168,760)	(265,304)	(272,578)	(345,178)	(345,178)
Opening DIP Facility Draw / (Repayment)		700,000	700,000	700,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
		-	-	300,000	-	-	-	-	-	-	

Note 1:
Week ending April 17th - All actual amounts, including bi-weekly pay for 12 employees for the period ending April 10th, the payment of employee and employer source deductions to CRA for March, and contracted bookkeeper wages related to the week ending April 3rd.
Weeks ending April 24th to May 29th - The forecast includes bi-weekly payroll for four key employees, inclusive of employee and employer source deduction payments to CRA, an estimate for employee benefits for the remaining employees for April and May, and two contractors.
If it is determined that any of the four key employee or two contractor roles can be consolidated, costs savings will occur.

Note 2:
Current estimate of costs for the destruction of the current on hand inventory by Stericycle, however, given the continued growth of the current plants, this cost may be subject to change.

Pure Global Cannabis Inc. ("Pure Global")

Disclaimer

In aiding the preparation of this cash flow forecast and making comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by Pure Global, and upon discussions with management of Pure Global ("Management") (collectively, the "Information").

Except as described in this cash flow forecast: (a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("GAAS") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and (b) To the extent any of the information referred to in this cash flow forecast and executive summary consists of forecasts and projections, an examination or review of the financial forecasts and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

Future oriented financial information referred to in this cash flow forecast was prepared based on Management's estimates and assumptions. Readers are cautioned that, since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant. We also note that circumstances will change significantly over time depending on economic market conditions as will other factors which could significantly impact the analysis contained herein.

THIS IS **EXHIBIT “E”** REFERRED TO IN THE
AFFIDAVIT OF SCOTT LANGILLE SWORN BEFORE ME,
THIS 21st DAY OF APRIL, 2020



A COMMISSIONER FOR TAKING AFFIDAVITS

Pure Global Cannabis Inc.

Cash Flow Forecast for the weeks ending April 3, 2020 to May 15, 2020 - Liquidation Cash Flow Scenario

(CDN)		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Total
Week Ending	Note	3-Apr-20	10-Apr-20	17-Apr-20	24-Apr-20	1-May-20	8-May-20	15-May-20	
Consolidated									
Opening Available Cash		430,142	3,126	50,560	43,560	126,251	105,308	90,250	430,142
Receipts									
Sales receipts		-	-	-	-	-	-	-	-
HST Refunds		-	-	-	-	-	-	-	-
Other receipts		-	-	-	-	-	-	-	-
Total Receipts		-	-	-	-	-	-	-	-
Disbursements									
Production costs	1	-	-	-	-	-	-	-	-
Payroll Expenses & Group Benefits	2	83,836	43,316	-	8,058	29,606	8,058	-	172,875
Selling, General & Administrative	3	8,342	-	-	-	-	-	-	8,342
Rent, Utilities, Insurance, Property Taxes	4	201,850	-	-	-	25,150	-	-	227,000
Fixed Assets & Capital Expenditures	5	-	-	-	-	-	-	-	-
Duties & Taxes	6	17,987	-	-	-	-	-	-	17,987
Professional Fees	7	15,000	-	-	-	-	-	-	15,000
Restructuring Costs	8	100,000	7,000	7,000	7,000	7,000	7,000	50,000	185,000
DIP Interest Payments & Commitment Fee	9	-	2,250	-	2,250	9,188	-	-	13,688
Fee to dispose of current crop	10	-	-	-	-	50,000	-	-	50,000
Total Disbursements		427,016	52,566	7,000	17,308	120,944	15,058	50,000	689,893
Net Cash flow from Operations		(427,016)	(52,566)	(7,000)	(17,308)	(120,944)	(15,058)	(50,000)	(689,893)
DIP Draw/(Payback) for Operations		-	100,000	-	100,000	100,000	-	-	300,000
Closing Cash / (Indebtedness)		3,126	50,560	43,560	126,251	105,308	90,250	40,250	40,250
Opening DIP Facility		700,000	700,000	800,000	800,000	900,000	1,000,000	1,000,000	
Draw / (Repayment)		-	100,000	-	100,000	100,000	-	-	

IN THE MATTER OF THE CCAA OF PURE GLOBAL CANNABIS INC., PURESINSE INC., 237A ADVANCE INC., 237B ADVANCE INC., SPRQ HEALTH GROUP, and THE GREAT CANADIAN HEMP COMPANY (each an “Applicant” and collectively, the “Applicants”)

Notes to the Unaudited Cash Flow Forecast of the Applicants

Disclaimer

In preparing this cash flow forecast (the “**Liquidation Cash Flow Forecast**”), the Applicants have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional assumptions discussed below with respect to the requirements and impact of a *Companies’ Creditors Arrangement Act* (“**CCAA**”) filing. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview

The Liquidation Cash Flow Forecast includes the receipts and disbursements of all the Applicants during the Cash Flow Forecast period. The Applicants, with the assistance of Ernst & Young Inc., in its capacity as the monitor of the Applicants (the “**Monitor**”), have prepared the Liquidation Cash Flow Forecast based primarily on estimated disbursements related to the CCAA proceedings and the ongoing operations.

Assumptions:

	Category	Description
1	Production Costs	No expenses of this nature included.
2	Payroll Expenses & Group Benefits	Aside from weeks one and two, this is the gross amount payable to employees and contracted staff required to supervise the premises and inventory in preparation for liquidation. Week one includes payroll due to staff for the weeks ending March 20 th and 27 th . Week two includes payroll due to staff who have worked the week ending April 3 rd and the key staff who remain employed beyond April 3 rd . The employee and employer portion of CRA source deductions, and group health benefits have also been included.
3	Selling, General & Administrative	This includes regulatory fees to Health Canada.

	Category	Description
4	Rent, Utilities, Insurance, Property Taxes	The bulk of expenses relate to property, liability and building insurance paid out in week one, and subsequent payments occurring at the beginning of each month. Other expenses relate to reduced utilities.
5	Fixed Assets & Capital Expenditures	No expenses of this nature included.
6	Duties & Taxes	Excise tax is based on prior sales.
7	Professional Fees	Expenses relate to the Applicant's legal counsel surrounding its patent filings.
8	Restructuring Costs	Costs related to the Applicant's legal counsel, the Monitor and the Monitor's legal counsel.
9	DIP Interest Payments & Commitment Fee	As per the Revised Hillmount DIP Agreement, there is a required 2.75% commitment fee, plus legal costs and interest that is paid from the advancement. The interest rate is compounded monthly, in arrears and is payable on the first of the month at a rate of 9.25% per annum based on 365 days.
10	Fee to Dispose of Current Crop	This includes an estimate of the potential fee to be incurred in order to properly dispose of the crop in inventory.

Court File No. CV-20-00638503-00CL

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PURE GLOBAL CANNABIS INC. et al.

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

Proceedings commenced at Toronto

AFFIDAVIT OF SCOTT LANGILLE

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Lawyers for the Applicants

TAB 3

Court File No. CV-20-00638503-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	THURSDAY, THE 23RD
)	
JUSTICE HAINEY)	DAY OF APRIL, 2020

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PURE GLOBAL CANNABIS INC.,
PURESINSE INC., 237A ADVANCE INC., 237B ADVANCE
INC., SPRQ HEALTH GROUP CORP., AND THE GREAT
CANADIAN HEMP COMPANY LTD.

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

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day by teleconference in accordance with the change in operations of the Commercial List in light of the COVID-19 crisis and the Chief Justice’s Notice to the Profession dated March 15, 2020.

ON READING the material filed, including the Affidavit of Malay Panchal sworn March 18, 2020 (the “**Panchal Affidavit**”), the Affidavit of Scott Langille sworn April 21, 2020 and exhibits thereto, the Second Report of the Monitor dated April ●, 2020 and on being advised that Cancor Debt Agency Inc., in its capacity as collateral agent to various holders of Secured Convertible Debentures, Kozo Holdings Inc., Hadis Kozo, 2056706 Ontario Inc., (collectively, the “**Objecting Secured Creditors**”), Dell Equipment Financing and City Electric Supply Corporation as the secured creditors who are likely to be affected by the charges created herein were given notice as appears from the Affidavit of Service of ● dated April ●, 2020, and on hearing

the submissions of counsel for the Applicants and Ernst & Young Inc. (“EY”), in its capacity as Monitor (the “**Monitor**”), as well as any other person listed on the counsel slip:

SERVICE

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

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, licences, undertakings and properties of every nature and kind whatsoever, and wherever situate including all real and personal, tangible and intangible, property and all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall take reasonable steps to preserve their Property and, in consultation with the Canada Revenue Agency and/or Health Canada, shall arrange for the orderly, expeditious and lawful disposal or destruction of cannabis or cannabis products that form part of the Property in compliance with applicable law (the “**Destruction**”).

4. **THIS COURT ORDERS** that the Applicants, under the supervision of the Monitor and in consultation with the Objecting Secured Creditors, shall be entitled to continue to utilize the central cash management system currently in place as described in the Panchal Affidavit or to replace it with another substantially similar central cash management system (the “Cash Management System”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined)

other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that any of the Applicants' existing depository and disbursement banks or credit unions (collectively, the "Banks") are authorized, with the consent of the Monitor, to debit the applicable Applicant's accounts in the ordinary course of business without the need for further order of this Court for: (i) all cheques drawn on the applicable Applicant's accounts which are cashed at such Bank's counters or exchanged for cashier's cheques by the payees thereof prior to the date of this Order; (ii) all cheques or other items deposited in one of the Applicants' accounts with such Bank prior to the date of this Order which have been dishonoured or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent an Applicant was responsible for such items prior to the date of this Order; and (iii) all undisputed pre-filing amounts outstanding as of the date hereof, if any, owing to any Bank as service charges for the maintenance of the Cash Management System.

6. **THIS COURT ORDERS** that any of the Banks may rely on the representations of the applicable Applicant with respect to whether any cheques or other payment order drawn or issued by the applicable Applicant prior to the date of this Order should be honoured pursuant to this or any other order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the applicable Applicant as provided for herein.

7. **THIS COURT ORDERS** that (i) those certain existing deposit agreements between the Banks shall continue to govern the post-filing cash management relationship between the Applicants and the Banks, and that all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect, (ii) either any of the Applicants with the consent of the Monitor, or the Banks may, without further Order of this Court, implement changes to the Cash Management System and procedures in the ordinary course of business pursuant to the terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts, and (iii) all control agreements in existence prior to the date of the commencement of these proceedings shall apply, including, as applicable, with respect to any debtor-in-possession financing facilities to be approved by this Court.

8. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of any amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant or incur liabilities except in accordance with this Order.

9. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order: (a) all outstanding and future wages (excluding any pre-filing arrears), salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case consistent with existing compensation policies and arrangements; and (b) the fees and disbursements of counsel to the Applicants retained in respect of these proceedings, at their standard rates and charges.

10. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying out the provisions of this Order, which expenses shall include, without limitation:

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

11. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes (collectively, "**Source Deductions**"), in each case only where such Source Deductions are accrued or collected after the date of this Order, or where such Source Deductions

were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind (collectively, "**Property Taxes**") which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the business by the Applicants, but only where such Property Taxes are accrued or collected after the date of this Order, or where such Property Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order

12. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

RESTRUCTURING

13. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined):

- (a) permanently shut down its business operations; and
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate having regard to the lawful preservation of all cannabis prior to the Destruction,

each of the foregoing to permit the Applicants to proceed with an orderly liquidation of the business (the "**Restructuring**").

14. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

15. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the

Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

16. **THIS COURT ORDERS** that until and including May 22, 2020, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the business or the Property, or their respective employees and representatives acting in such capacities, except with the prior written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

21. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a

compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

23. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$50,000, as security for the indemnity provided in paragraph 22 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 42 and 44 herein, provided that the Directors Charge shall be subordinated to the existing mortgages on the properties known as 237A Advance Boulevard (“**237A Advance Boulevard**”) and 237B Advance Boulevard (“**237B Advance Boulevard**”).

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants’ directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

25. **THIS COURT ORDERS** that Ernst & Young Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor

with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

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

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the business, and such other matters as may be relevant to the proceedings herein;
- (c) receiving and collecting, on behalf of the Applicants, all monies and account now owed to the Applicants and to exercise all remedies of the Applicants, on behalf of the Applicants and in consultation with the Applicants and the DIP Lender, in collecting such monies, including without limitation, to enforce any security held by the Applicants;
- (d) disseminating, on a weekly basis, financial and other information to the DIP Lender and its counsel as agreed to between the Applicants, the Monitor and the DIP Lender, which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (e) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) reporting to, meeting with and discussing with such affected persons as the Monitor deems appropriate on all matters relating to the property of the Applicants and the CCAA proceedings, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;
- (i) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and direction with respect to the termination of these proceedings and the appointment of a receiver over the Property of the Applicants remaining subsequent to the Destruction; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or be deemed to take possession of 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 Ontario *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 (the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

28. **THIS COURT ORDERS** that nothing herein contained shall require the DIP Lender to take 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 Environmental Legislation (as defined below) or any Cannabis Legislation.

29. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

30. **THIS COURT ORDERS** that, in addition to the rights and protection afforded the DIP Lender under this Order or at law, the DIP Lender shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part.

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

32. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order,

including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis.

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

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000 as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 42 and 44 hereof, provided however that the Administration Charge shall:

- (a) only have priority over the secured claims of 2056706 Ontario Inc. on the 237A Advance Boulevard property in the maximum amount of \$50,000; and
- (b) only have priority over the secured claims of Kozo Holdings Inc. and Hadis Kozo on the 237B Advance Boulevard property in the maximum amount of \$150,000.

DIP FINANCING

36. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan**") from Hillmount Capital Inc. (the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general

corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$1,350,000 unless permitted by further Order of this Court.

37. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of March 18, 2020, as amended or restated from time to time (the "**Commitment Letter**"), filed.

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

39. **THIS COURT ORDERS** that subject to the terms herein, 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 the March 26, 2020 Order was made. The DIP Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof provided that the DIP Lender's charge shall:

- (a) only have priority over the secured claims of 2056707 Ontario Inc. on the 237A Advance Boulevard property in the maximum amount of \$200,000 plus interest and costs; and
- (b) only have priority over the secured claims of Kozo Holdings Inc. and Hadis Kozo on the 237B Advance Boulevard property in the maximum amount of \$1,150,000 plus interest and costs.

40. **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, the DIP Lender, upon 10 days notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, including notices of sale, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

42. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$200,000);

Second – DIP Lender's Charge (to the maximum amount of \$1,350,000) and any security received by the DIP Lender; and

Third – Directors' Charge (to the maximum amount of \$50,000 and subordinated to the mortgages on 237A Advance Boulevard and 237B Advance Boulevard).

43. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the DIP Lender's Charge, or the Directors' Charge (collectively, 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.

44. **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 Person.

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

46. **THIS COURT ORDERS** that the Charges, the Commitment Letter, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender 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 BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which any of them are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Commitment Letter or 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.

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

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

48. **THIS COURT ORDERS** that:

- (a) the agreement dated as of February 17, 2020 and appended as Exhibit “V” to the Panchal Affidavit (the “**CRO Engagement**”), pursuant to which the Applicants have engaged Scott Langille to act as chief financial officer and subsequently as chief restructuring officer to the Applicants, and the appointment of the CRO pursuant to its terms, is hereby approved including without limitation the payment of the fees and expenses contemplated thereby;
- (b) the CRO shall not be deemed to be a director or employee of the Applicants;
- (c) the CRO shall not, as a result of the performance of his obligations and duties in accordance with the terms of the CRO Engagement, be deemed to be in Possession of any of the property within the meaning of any Environmental Legislation or be deemed to take Possession of the Property within the meaning of any Cannabis Legislation, and

shall take no part whatsoever in the management or supervision of the management of the business and shall not, by fulfilling his obligations hereunder, be deemed to have taken or maintained Possession or control of the business or Property, or any part thereof;

- (d) the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO, provided further that in no event shall the liability of the CRO exceed the quantum of fees in fact paid to him pursuant to the CRO Engagement;
- (e) no actual or other proceeding shall be commenced against or in respect of the CRO except with the written consent of the CRO or with leave of the Court on notice to the Applicants, the Monitor and CRO; and
- (f) the obligations of the Applicants pursuant to the CRO Engagement shall be unaffected and may not be compromised in any Plan or in any proposal filed under the BIA in respect of the Applicant.

RELIEF FROM REPORTING OBLIGATIONS

49. **THIS COURT ORDERS** that none of the directors, officers, employees, or other representatives of the Applicants, the Monitor (and its directors, officers, employees or representatives), nor the CRO shall have any personal liability for failure of the Applicants to file annual information forms, annual and quarterly management discussion and analysis, annual and quarterly financial statements (including related audits, reports and certifications for the Stay Period, which period may be extended pursuant to further Order of the Court.

SEALING ORDER

50. **THIS COURT ORDERS** that the Confidential Motion Records be sealed, kept confidential and not form part of the public record, and when a hard copy is filed, that the Confidential Motion Records be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement

that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

SERVICE AND NOTICE

51. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

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

53. **THIS COURT ORDERS** that Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ 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

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

55. **THIS COURT ORDERS** that the Objecting Secured Creditors may, subsequent to the Destruction, move for an order terminating these proceedings and for an order appointing a receiver over the assets, undertakings and property of the Applicants.

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

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

58. **THIS COURT ORDERS** that upon the registration of the DIP Lender's Charge in the form prescribed in the *Lands Title Act* and / or the *Land Registration Reform Act*, together with such standard additional provisions that the DIP Lender's solicitors may annex thereto, the Land Registrar is hereby directed to register the DIP Lender's Charge on title to the lands described in Schedule "A" hereto.

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

Schedule “A” Description of the Real Property

- PCL D-20, SEC M269 ; PT BLK D, PL M269 , PART 1 & 2 , 43R20236 , S/T A RIGHT AS IN LT335783; S/T DP2708; T/W PT BLK D, PL M269, PT 3, 43R20236 AS IN LT1503956 ; BRAMPTON
- PCL D-32, SEC M269 ; FIRSTLY ; PT BLK D, PL M269 , PART 3 , 43R20236 , ; SECONDLY ; PT BLK D, PL M269 , PART 4 , 43R20236 ; T/W PT 2, 43R20236 AS IN LT1503956; S/T PT 3, 43R20236 IN FAVOUR OF PTS 1 & 2, 43R20236 AS IN LT1503956; S/T DP2708 ;; CITY OF BRAMPTON

TAB 4

Court File No. CV-20-00638503-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)	FRIDAY <u>THURSDAY</u> , THE 3rd <u>23RD</u>
)	
JUSTICE HAINEY)	DAY OF APRIL, 2020

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PURE GLOBAL CANNABIS INC.,
PURESINSE INC., 237A ADVANCE INC., 237B ADVANCE
INC., SPRQ HEALTH GROUP CORP., AND THE GREAT
CANADIAN HEMP COMPANY LTD.

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

AMENDED AND RESTATED INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day ~~at 330 University Avenue, Toronto, Ontario~~by teleconference in accordance with the change in operations of the Commercial List in light of the COVID-19 crisis and the Chief Justice's Notice to the Profession dated March 15, 2020.

ON READING the ~~affidavit~~material filed, including the Affidavit of Malay Panchal sworn March 18, 2020 (the “**Panchal Affidavit**”), the ~~supplementary affidavit of Malay Panchal sworn March 19, 2020 (the “Supplementary Affidavit”), and the affidavit~~ of Scott Langille sworn April ~~12~~21, 2020 ~~(the “Langille Affidavit”)~~ and exhibits thereto, the ~~confidential record~~Second Report of the ~~Applicants~~Monitor dated ~~March 18~~April 2, 2020 ~~and the confidential responding motion record dated March 27, 2020 (the confidential records collectively, the “Confidential Motion Records”)~~ and on being advised that Cancor Debt

Agency Inc., in its capacity as collateral agent to various holders of Secured Convertible Debentures, Kozo Holdings Inc., Hadis Kozo, 2056706 Ontario Inc. (collectively, the “**Objecting Secured Creditors**”), Dell Equipment Financing and City Electric Supply Corporation as the secured creditors who are likely to be affected by the charges created herein were given notice as appears from the Affidavit of Service of ~~Christopher McGoey~~ dated ~~March 18~~ April, 2020, and on hearing the submissions of counsel for the Applicants and Ernst & Young Inc. (“**EY**”), in its capacity as ~~proposed monitor (“EY Monitor (the “Monitor”)~~, as well as any other person listed on the counsel slip ~~and on reading the consent of EY to act as the monitor (the “Monitor”)~~.

SERVICE

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

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, licences, undertakings and properties of every nature and kind whatsoever, and wherever situate including all real and personal, tangible and intangible, property and all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall take reasonable steps to preserve their Property and, in consultation with the Canada Revenue Agency and/or Health Canada, shall arrange for the orderly, expeditious and lawful disposal or destruction of cannabis or cannabis products that form part of the Property in compliance with applicable law (the “**Destruction**”).

4. **THIS COURT ORDERS** that the Applicants, under the supervision of the Monitor and in consultation with the Objecting Secured Creditors, shall be entitled to continue to utilize the central cash management system currently in place as described in the Panchal Affidavit or to

replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that any of the Applicants' existing depository and disbursement banks or credit unions (collectively, the "Banks") are authorized, with the consent of the Monitor, to debit the applicable Applicant's accounts in the ordinary course of business without the need for further order of this Court for: (i) all cheques drawn on the applicable Applicant's accounts which are cashed at such Bank's counters or exchanged for cashier's cheques by the payees thereof prior to the date of this Order; (ii) all cheques or other items deposited in one of the Applicants' accounts with such Bank prior to the date of this Order which have been dishonoured or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent an Applicant was responsible for such items prior to the date of this Order; and (iii) all undisputed pre-filing amounts outstanding as of the date hereof, if any, owing to any Bank as service charges for the maintenance of the Cash Management System.

6. **THIS COURT ORDERS** that any of the Banks may rely on the representations of the applicable Applicant with respect to whether any cheques or other payment order drawn or issued by the applicable Applicant prior to the date of this Order should be honoured pursuant to this or any other order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the applicable Applicant as provided for herein.

7. **THIS COURT ORDERS** that (i) those certain existing deposit agreements between the Banks shall continue to govern the post-filing cash management relationship between the Applicants and the Banks, and that all of the provisions of such agreements, including, without

limitation, the termination and fee provisions, shall remain in full force and effect, (ii) either any of the Applicants with the consent of the Monitor, or the Banks may, without further Order of this Court, implement changes to the Cash Management System and procedures in the ordinary course of business pursuant to the terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts, and (iii) all control agreements in existence prior to the date of the commencement of these proceedings shall apply, including, as applicable, with respect to any debtor-in-possession financing facilities to be approved by this Court.

8. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of any amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant or incur liabilities except in accordance with this Order.

9. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order: (a) all outstanding and future wages (excluding any pre-filing arrears), salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case consistent with existing compensation policies and arrangements; and (b) the fees and disbursements of counsel to the Applicants retained in respect of these proceedings, at their standard rates and charges.

10. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying out the provisions of this Order, which expenses shall include, without limitation:

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

11. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

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

12. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise

may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

RESTRUCTURING

13. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined):

- (a) permanently shut down its business~~or~~ operations; and
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate having regard to the lawful preservation of all cannabis prior to the Destruction,

each of the foregoing to permit the Applicants to proceed with an orderly liquidation of the ~~Property~~business (the "**Restructuring**").

14. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

15. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

16. **THIS COURT ORDERS** that until and including May ~~15~~²², 2020, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the business or the Property, or their respective employees and representatives acting in such capacities, except with the prior written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

17. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or their respective employees and representatives acting in such capacities, or affecting the business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the

filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

20. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or

re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

23. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$50,000, as security for the indemnity provided in paragraph 22 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 42 and 44 herein, provided that the Directors Charge shall be subordinated to the existing mortgages on the properties known as 237A Advance Boulevard (“**237A Advance Boulevard**”) and 237B Advance Boulevard (“**237B Advance Boulevard**”).

24. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants’ directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors'

and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

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

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

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the business, and such other matters as may be relevant to the proceedings herein;
- (c) receiving and collecting, on behalf of the Applicants, all monies and account now owed to the Applicants and to exercise all remedies of the Applicants, on behalf of the Applicants and in consultation with the Applicants and the DIP Lender, in collecting such monies, including without limitation, to enforce any security held by the Applicants;
- (d) disseminating, on a weekly basis, financial and other information to the DIP Lender and its counsel as agreed to between the Applicants, the Monitor and the DIP Lender, which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

- (e) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) reporting to, meeting with and discussing with such affected persons as the Monitor deems appropriate on all matters relating to the property of the Applicants and the CCAA proceedings, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;
- (i) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and direction with respect to the termination of these proceedings and the appointment of a receiver over the Property of the Applicants remaining subsequent to the Destruction; and
- (j) perform such other duties as are required by this Order or by this Court from time to time.

27. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or be deemed to take possession of 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 Ontario *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 (the "**Cannabis Legislation**"), and shall take no part whatsoever in the

management or supervision of the management of the business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

28. **THIS COURT ORDERS** that nothing herein contained shall require the DIP Lender to take 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 Environmental Legislation (as defined below) or any Cannabis Legislation.

29. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

30. **THIS COURT ORDERS** that, in addition to the rights and protection afforded the DIP Lender under this Order or at law, the DIP Lender shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part.

31. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor.

The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

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

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis.

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

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$200,000 as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 42 and 44 hereof, provided however that the Administration Charge shall:

- (a) only have priority over the secured claims of 2056706 Ontario Inc. on the 237A Advance Boulevard property in the maximum amount of \$50,000; and

- (b) only have priority over the secured claims of Kozo Holdings Inc. and Hadis Kozo on the 237B Advance Boulevard property in the maximum amount of \$150,000.

DIP FINANCING

36. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Loan**") from Hillmount Capital Inc. (the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$~~1,000,000~~1,350,000 unless permitted by further Order of this Court.

37. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of March 18, 2020, as amended or restated from time to time (the "**Commitment Letter**"), filed.

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

39. **THIS COURT ORDERS** that subject to the terms herein, 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 ~~to the DIP Lender~~ that exists before the March 26, 2020 Order was made. The DIP Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof provided that the DIP Lender's charge shall:

- (a) only have priority over the secured claims of ~~2056706~~2056707 Ontario Inc. on the 237A Advance Boulevard property in the maximum amount of \$200,000 plus interest and costs; and
- (b) only have priority over the secured claims of Kozo Holdings Inc. and Hadis Kozo on the 237B Advance Boulevard property in the maximum amount of ~~\$800,000~~1,150,000 plus ~~interests~~interest and costs.

40. **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, the DIP Lender, upon 10 days notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, including notices of sale, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

41. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA,

or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

42. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$200,000);

Second – DIP Lender's Charge (to the maximum amount of \$~~1,000,000~~1,350,000) and any security received by the DIP Lender; and

Third – Directors' Charge (to the maximum amount of \$50,000 and subordinated to the mortgages on 237A Advance Boulevard and 237B Advance Boulevard).

43. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge, the DIP Lender's Charge, or the Directors' Charge (collectively, 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.

44. **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 Person.

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

46. **THIS COURT ORDERS** that the Charges, the Commitment Letter, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the

chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender 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 BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which any of them are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Commitment Letter or 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.

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

APPROVAL OF CHIEF RESTRUCTURING OFFICER ENGAGEMENT

48. **THIS COURT ORDERS** that:

- (a) the agreement dated as of February 17, 2020 and appended as Exhibit "V" to the Panchal Affidavit (the "**CRO Engagement**"), pursuant to which the Applicants have

- engaged Scott Langille to act as chief financial officer and subsequently as chief restructuring officer to the Applicants, and the appointment of the CRO pursuant to its terms, is hereby approved including without limitation the payment of the fees and expenses contemplated thereby;
- (b) the CRO shall not be deemed to be a director or employee of the Applicants;
 - (c) the CRO shall not, as a result of the performance of his obligations and duties in accordance with the terms of the CRO Engagement, be deemed to be in Possession of any of the property within the meaning of any Environmental Legislation or be deemed to take Possession of the Property within the meaning of any Cannabis Legislation, and shall take no part whatsoever in the management or supervision of the management of the business and shall not, by fulfilling his obligations hereunder, be deemed to have taken or maintained Possession or control of the business or Property, or any part thereof;
 - (d) the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO, provided further that in no event shall the liability of the CRO exceed the quantum of fees in fact paid to him pursuant to the CRO Engagement;
 - (e) no actual or other proceeding shall be commenced against or in respect of the CRO except with the written consent of the CRO or with leave of the Court on notice to the Applicants, the Monitor and CRO; and
 - (f) the obligations of the Applicants pursuant to the CRO Engagement shall be unaffected and may not be compromised in any Plan or in any proposal filed under the BIA in respect of the Applicant.

RELIEF FROM REPORTING OBLIGATIONS

49. **THIS COURT ORDERS** that none of the directors, officers, employees, or other representatives of the Applicants, the Monitor (and its directors, officers, employees or

representatives), nor the CRO shall have any personal liability for failure of the Applicants to file annual information forms, annual and quarterly management discussion and analysis, annual and quarterly financial statements (including related audits, reports and certifications for the Stay Period, which period may be extended pursuant to further Order of the Court.

SEALING ORDER

50. **THIS COURT ORDERS** that the Confidential Motion Records be sealed, kept confidential and not form part of the public record, and when a hard copy is filed, that the Confidential Motion Records be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

SERVICE AND NOTICE

51. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail address as last shown on the records of the Applicants, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

52. **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/>~~<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the

Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL www.ey.com/ca/pureglobal.

53. **THIS COURT ORDERS** that Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' 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

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

55. **THIS COURT ORDERS** that the Objecting Secured Creditors may, subsequent to the Destruction, move for an order terminating these proceedings and for an order appointing a receiver over the assets, undertakings and property of the Applicants.

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

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

58. **THIS COURT ORDERS** that upon the registration of the DIP Lender's Charge in the form prescribed in the *Lands Title Act* and / or the *Land Registration Reform Act*, together with such standard additional provisions that the DIP Lender's solicitors may annex thereto, the Land Registrar is hereby directed to register the DIP Lender's Charge on title to the lands described in Schedule "A" hereto.

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

Schedule “A” Description of the Real Property

- PCL D-20, SEC M269 ; PT BLK D, PL M269 , PART 1 & 2 , 43R20236 , S/T A RIGHT AS IN LT335783; S/T DP2708; T/W PT BLK D, PL M269, PT 3, 43R20236 AS IN LT1503956 ; BRAMPTON
- PCL D-32, SEC M269 ; FIRSTLY ; PT BLK D, PL M269 , PART 3 , 43R20236 , ; SECONDLY ; PT BLK D, PL M269 , PART 4 , 43R20236 ; T/W PT 2, 43R20236 AS IN LT1503956; S/T PT 3, 43R20236 IN FAVOUR OF PTS 1 & 2, 43R20236 AS IN LT1503956; S/T DP2708 ;; CITY OF BRAMPTON

Document comparison by Workshare 10.0 on Tuesday, April 21, 2020 11:55:00 AM

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Description	00013572
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Style change	
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Padding cell	

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Moved to	0
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Format changed	0
Total changes	55

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF PURE GLOBAL CANNABIS INC. et al.

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

Proceedings commenced at Toronto

MOTION RECORD

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