

TARGET GROUP INC.

FORM 8-K (Current report filing)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported: August 14, 2020)

TARGET GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware	000-55066	46-3621499
State or other jurisdiction incorporation	Commission File Number	IRS Employer Identification No.
55 Administration Road, Unit 13, Vaughan, Ontario, Canada		L4K 4G9
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (905) 541-3833

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

For an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Emerging Growth Company

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
N/A	N/A	N/A

Section 1- Registrant's Business and Operations
Item 1.01 Entry into a Material Definitive Agreement

On June 15, 2020, the Company, its first-tier subsidiaries Visava Inc. ("*Visava*") CannaKorp Inc. ("*CannaKorp*"), and the Company's second-tier subsidiary, Canary Rx Inc. ("*Canary*"), entered into a Debt Purchase and Assignment Agreement ("*Agreement*") with CL Investors Inc. ("*CLI*"), a corporation organized under the laws of the Province of Ontario, Canada.

Anthony Zarcone, the CEO of the Company, is the Secretary of CLI and Frank Monte, a director of the Company, is a shareholder of CLI. Jerry Zarcone, the brother of Anthony Zarcone, is the President and sole director of CLI.

Pursuant to the Agreement, CLI purchased from the Company for the sum of CDN\$2,900,000.00 a debt obligation owing from Canary to the Company in the principal balance of CDN\$10,600,000.00 ("*Canary Debt*"). Upon receipt of the CDN\$2,900,000.00, the Company loaned the full sum to Canary under terms of an unsecured, non-interest bearing promissory note, subject to a covenant by the Company not to take any collection action so long as the Canary Debt remains unpaid to CLI.

As a condition of the closing of the Agreement, the terms of the Canary Debt were amended to provide for interest at 5% per annum with a maturity date of 60 months from the date of the Agreement ("*Term*"). The Canary Debt will be repaid according to the following schedule:

- (a) In the first year of the Term, Canary will pay CLI the greater of One Million One Hundred and Thirty Thousand (\$1,130,000.00) Dollars and fifty percent (50%) of the Net Revenue (hereinafter defined), provided that where the latter amount exceeds the former amount, Canary will, by the end of such first year, pay CLI no less than the former amount and Canary will, within thirty (30) days following the end of such first year, pay CLI the balance of the such amount owing for such first year;
 - (b) In the second year of the Term, Canary will pay CLI the greater of Two Million One Hundred Thousand (\$2,100,000.00) Dollars and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2021 for a monthly amount of One Hundred and Seventy-Five Thousand (\$175,000.00) Dollars, provided that where the latter amount exceeds the former amount, Canary will, within thirty (30) days following the end of such second year, pay CLI the balance of the such amount owing for such second year;
 - (c) In the third year of the Term, Canary will pay CLI the greater of Three Million Two Hundred and Twenty Thousand (\$3,220,000.00) Dollars and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2022 for a monthly amount of Two Hundred and Sixty-Six Thousand Six Hundred and Sixty-Six Dollars and Sixty-Six Cents (\$266,666.66), provided that where the latter amount exceeds the former amount, Canary will, by the end of such third year, pay CLI no less than the former amount and Canary will, within thirty (30) days following the end of such third year, pay CLI the balance of the such payments owing for such third year;
 - (d) In the fourth year of the Term, Canary will pay CLI the greater of Three Million Eighty Thousand (\$3,080,000.00) Dollars and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2023 for a monthly amount of Two Hundred and Fifty-Six Thousand Six Hundred and Sixty-Six Dollars and Sixty-Six Cents (\$256,666.66), provided that where the latter amount exceeds the former amount, Canary will Canary will, within thirty (30) days following the end of such fourth year, pay CLI the balance of the such amount owing for such fourth year; and
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- (e) In the fifth year of the Term, Canary will pay CLI the balance owing under this Note, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2024 for an amount calculated by dividing twelve (12) into the sum of all amounts owing under this Note at the beginning of the fifth year of the Term on account of Principal and Interest, provided that where there are further amounts owing under this Note at the end of such fifth year, Canary will pay CLI all such further amounts within five (5) days following the end of such fifth year.

For the purposes of this Note, “**Net Revenue**” will mean any and all revenue generated from Canary’s Licensed Facility (hereinafter defined) to which it is entitled net of applicable taxes and third-party expenses.

The repayment of the Canary Debt, as amended, is guaranteed by Visava and the Company’s wholly-owned subsidiary CannaKorp Inc. and secured by (i) a general security interest in the assets of the Company, Canary, Visava and CannaKorp Inc., respectively; and (ii) a pledge by the Company of all of the issued and outstanding common stock of Canary, Visava and CannaKorp Inc. held by the Company. In addition to the foregoing guarantees, security interest and stock pledge, CLI has been granted an option, in lieu of repayment of the amended Canary Debt, to demand, in its sole and absolute discretion the transfer, assignment and conveyance of 75% of the issued and outstanding capital stock of Visava and Canary.

Effective August 14, 2020, the Agreement was amended (“*Amendment*”) to provide that CLI will purchase from Rubin Schindermann, a director of the Company, 500,000 shares of the Company’s Series A Preferred Stock in consideration of the payment by CLI to Rubin Schindermann of CDN\$100,000.00 and the issuance to Schindermann of 10,000,000 shares of the Company’s common stock. In consideration of the foregoing, Mr., Schindermann resigned as a director of the Company and from any and all administrative and executive positions with the Company’s subsidiaries Visava Inc., CanaryRx Inc. and CannaKrp Inc., respectively.

The transactions contemplated by the Agreement and the Amendment closed on August 14, 2020, at which time the Agreement, the Amendment and the remaining transaction documents became enforceable against the Company, Visava, Canary and CannaKorp, as the case may be.

The description of the foregoing transactions is qualified in its entirety by reference to the agreements which are included as exhibits to this report.

Section 5- Corporate Governance and Management
Item 5.02- Departure of Director and Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective August 14, 2020, Rubin Schindermann resigned as a director of the Company. Mr. Schindermann also resigned from any and all administrative and executive positions with the Company’s subsidiaries Visava Inc., CanaryRx Inc. and CannaKorp Inc., respectively.

The disclosures in Item 1.01 of this Report are incorporated herein by reference.

**Section 9-
Item 9.01** **Financial Statements and Exhibits
Exhibits**

<u>Item</u>	<u>Description</u>
<u>10.1 (i)</u>	<u>Debt Purchase and Assignment Agreement dated June 15, 2020</u>
<u>10.1 (ii)</u>	<u>Amendment dated August 14, 2020 to Debt Purchase and Assignment Agreement</u>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: August 18, 2020

TARGET GROUP INC.

By: */s/ Anthony Zarcone*

Chief Executive Officer

DEBT PURCHASE AND ASSIGNMENT AGREEMENT

This DEBT PURCHASE AND ASSIGNMENT AGREEMENT ("**Agreement**") is effective as of June 15, 2020 by and between Target Group Inc., a Delaware corporation ("**Target**"), Visava Inc., ("**Visava**"), CanaryRx Inc., ("**Canary**"), CannaKorp Inc., a Delaware corporation ("**CannaKorp**") and CL Investors Inc. ("**CLI**"). Visava, Canary and CLI, respectively, are corporations organized under the laws of the Province of Ontario, Canada. Target, Visava, Canary, CannaKorp and CLI are sometimes referred to herein collectively as the "Parties" and individually as a "Party".

Background to the Agreement

Visava is a wholly-owned subsidiary of Target. Canary is the wholly-owned subsidiary of Visava and the second-tier subsidiary of Target. CannaKorp is a wholly-owned subsidiary of Target. Previously, Target has advanced the aggregate sum of CD\$10,600,000 to Canary for the construction of Canary's cannabis cultivation facility in Simcoe, Ontario, Canada. The sums advanced constitute an unsecured general obligation of Canary to Target, which obligation is hereinafter referred to as the "**Canary Debt**".

Effective May 14, 2020, Canary entered into two agreements with 9258159 Canada Inc., a corporation organized under the laws of the Province of Ontario, Canada, hereinafter referred to as "**Thrive**", and with 2755757 Ontario Inc., a corporation organized under the laws of the Province of Ontario, Canada, hereinafter referred to as "**JVCo**" consisting of (i) a Joint Venture Operations Agreement ("**JV Agreement**") and (ii) an Unanimous Shareholder Agreement ("**Shareholder Agreement**"), collectively referred to herein as the ("**Thrive Agreements**"), pursuant to which Canary and Thrive, as equal shareholders, organized and capitalized JVCo for the cultivation, processing and sale of cannabis from Canary's Licensed Site, as such term is defined in the Thrive Agreement.

Target is in need of working capital to advance additional funds to Canary for the purpose of fulfilling Canary's obligations under the Thrive Agreements. In order to obtain such additional working capital, Target desires to sell the Canary Debt and all rights thereunder to CLI and CLI desires to purchase the Canary Debt from Target, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Sale of Canary Debt. Subject to the terms and conditions of this Agreement, at closing ("**Closing**"), Target hereby irrevocably sells, assigns, conveys, and transfers all right, title and interest in and to the Canary Debt to CLI, and CLI agrees to purchase the Canary Debt from Target, and all of Target's right, title and interest thereto, free and clear of all liens, claims, pledges, mortgages, restrictions, obligations, security interests and encumbrances of any kind, nature and description. All references to payments to be made pursuant to the transactions described in this Agreement shall mean Canadian dollars.

2. Purchase Price. The purchase price ("**Purchase Price**") for the Canary Debt shall be CLI's payment to Target at Closing of \$3,000,000.00, which shall, at the sole and absolute discretion of CLI, be tendered to either Target by wire transfer pursuant to instructions provided by Target or directly to Canary's solicitors by wire transfer pursuant to instructions provided by Target and Canary in connection with the Canary Loan referred to in Section 11 herein provided that in the event of the foregoing, Canary shall not make any payment to any third party from the said \$3,000,000.00 without the prior written consent of CLE, which consent may not be unreasonably withheld.

3. Issuance of Preferred Stock and Warrants. In addition to the sale, assignment, conveyance and transfer of the Canary Debt, not later than ten (10) business days following the Closing, as referred to in Section 10 herein, Target will cause to be issued and delivered to CLI (i) 1,000,000 shares of Target's Series B Convertible Preferred Stock ("**Series B Stock**") having the same rights, preferences and privileges as Target's currently outstanding Series A Preferred Stock; and (ii) a Common Stock Purchase Warrant for 10,000,000 shares of Target common stock in the form set forth in the attached Appendix A.

4. Amendment of Canary Debt. Contemporaneously with the sale and purchase of the Canary Debt as set forth in Section 1 herein, and as a condition to the consummation of the transactions contemplated by this Agreement, the terms and conditions of the Canary Debt will be amended ("**Amended Canary Debt**") such that it will be subject to the terms and conditions set out in the Promissory Note in the form set forth in the attached Appendix B.

5. General Security Agreement. The Amended Canary Debt shall be secured by a security interest ("**Security Interest**") in all of the assets of Target, Visava, Canary and CannaKorp, including without limitation all intellectual property, wherever situated ("**Secured Assets**"), pursuant to a general security agreement ("**Security Agreement**") in the form attached hereto as Appendix C.

6. Guarantee by Target, Visava, and CannaKorp. Target, Visava and CannaKorp shall jointly, severally and unconditionally guarantee the payment of all amounts payable to CLI under the Amended Canary Debt pursuant to a Guarantee in the form attached hereto as Appendix D.

7. Stock Pledges by Target and by Visava. Target shall execute in favor of CLI a pledge of all of shares of Visava and of CannaKorp Inc., respectively, registered in Target's name and Visava shall execute in favor of CLI a pledge of all shares of Canary registered in the name of Visava. Such pledges shall be security for the repayment of amounts payable to CLI under the Amended Canary Debt. The pledges referred to in this Section 7 shall be in the forms attached hereto as Appendix E and Appendix F, respectively.

8. Stock Pledge by Canary. Canary shall execute a pledge in favor of CLI of all of the shares JVCo ("**JVCo Shares**") held by Canary under the Thrive Agreements, which pledge shall be in the form attached hereto as Appendix G.

9. Option to CLI. In lieu of the payment of \$3,000,000.00 of the principal balance of the Canary Amended Debt, CLI shall be granted the option ("**Option**") to demand, in its sole and absolute discretion, that (a) Target assign, transfer and convey to CLI, free and clear of all liens and encumbrances, 75% of the shares of Visava registered in the name of Target ("**Visava Shares**"); and/or that (b) Visava assign, transfer and convey to CLI, free and clear of all liens and encumbrances 75% of the shares of Canary registered in the name of Visava ("**Canary Shares**") pursuant to the terms and provisions of the Option Agreement having the form attached as Appendix H.

10. Closing. The Closing of the transactions contemplated by this Agreement shall take occur not later than June 22, 2020 (the "**Closing Date**"). At Closing, the Parties shall sign and deliver this Agreement and the various Appendices hereto and CLI shall provide Target with proof of payment of the Purchase Price. The Parties agree that they shall perform all acts and execute and deliver all other documents and instruments which the Parties and their respective legal counsel deem reasonably necessary to carry out the terms and conditions of this Agreement. The Closing shall be subject to satisfaction of certain conditions, including but not limited to the following:

(i) That the respective representations and warranties of the Parties contained herein shall then be true in all respects;

(ii) That Jerry Zarcone ("Zarcone") shall have executed and delivered the Priority Agreement in the form attached as Appendix I (the "Priority Agreement") (it being understood and agreed that the terms and provisions of which Priority Agreement are agreeable to CLI and the other Parties to this Agreement and the Priority Agreement shall also be executed and delivered by CLI and the other Parties to this Agreement on the Closing);

(iii) That Zarcone, Visava, and CannaKorp shall have released any and all right, title, and interest in and to the Canary Debt and the Amended Canary Debt pursuant to the terms and conditions of the release having a form reasonably satisfactory to the Parties; and

(iv) That Target shall have executed a transfer, conveyance, and assignment of the Canary Debt to CLI having a form and containing content reasonable satisfactory to the parties, one of which terms and provisions shall be a release of such Canary Debt upon such transfer, conveyance, and assignment taking effect.

11. Target Loan to Canary. Immediately following the, Closing, Target shall loan to Canary \$3,000,000.00 ("Canary Loan"). The Canary Loan shall be an unsecured general obligation evidenced by a non-negotiable, non-interest bearing Promissory Note in the form attached hereto as Appendix J. The use by Canary of the proceeds of the Canary Loan shall be subject to the prior written approval and consent of CLI, which approval and consent shall not be unreasonably withheld. The Canary Loan shall provide, among other things, that (a) Target postpone the Canary Loan in favour of the Amended Canary Loan and shall not seek repayment of the Canary Note so long as any amounts owing on the Amended Canary Debt remains unpaid to CLI pursuant to the terms and provisions of a postponement having a form and containing terms and provisions reasonably satisfactory to CLI, and (b) in the event CLI shall exercise its Option described in Section 8 hereof or stock pledge over the shares of Visava or Canary described in Section 7 hereof, the Canary Loan shall be deemed cancelled, forgiven and of no further force and effect.

12. Representations and Warranties of Target. Target hereby represents and warrants as of the date of the Agreement and as of the Closing as follows

12.1 Organization; Corporate Matters.

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. It has the corporate power and authority to carry on its business as presently conducted and is licensed or qualified to do business in all jurisdictions in which the character of its properties or nature of its business requires it to be so licensed or qualified.

(b) It has good and marketable title to its properties and other assets, including the shares of Visava and of CannaKorp, free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances security interests, obligations (save and except to and in favour of Zarcone) other than property or an asset as to which it is a lessee, in which case it has a valid leasehold interest.

(c) It has good and marketable title to Canary Debt free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances, security interests, obligations (save and except to and in favour of Zarcone which interest shall be released on the Closing) and any prior right, option or other claim in favor of any other party to purchase either the Canary Debt.

(d) The Canary Debt and Amended Canary Debt are validly existing and enforceable obligations according to their terms and conditions.

12.2 Authority. It has full power and authority to enter into this Agreement and all agreements, instruments and other documents to be executed and delivered in connection with the transactions contemplated by this Agreement (collectively, the ***“Transaction Documents”***) to which it is a Party and to perform its obligations hereunder and thereunder. The execution and delivery by it of this Agreement and each of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate or other action on its part, and no other corporate or other proceedings on its part is necessary to authorize this Agreement or the Transaction Documents or to consummate the transactions contemplated hereby and thereby. This Agreement constitutes its valid and legally binding obligation and is enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles, or by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally.

12.3 Consents and Approvals; No Conflict. No filing with, and no permit, authorization, consent or approval of, any third party, public body or authority is necessary for the consummation by it of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement, nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the provisions hereof, will (a) conflict with or result in any breach of any provisions of its Articles of Incorporation, as amended, or its Bylaws, (b) result in a violation or breach of, or constitute, with or without due notice or lapse of time or both, a default or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, agreement or other instrument or obligation to which it is a party or by which any of its properties or assets may be bound or (c) violate any order, writ, injunction, decree, statute, rule or regulation to which it is subject, or any of its properties or assets, (d) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, license, permit or authority to which it is a party or by which it is bound or to which any of its assets or property is subject, or (e) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to it, except in the case of clauses (b) (c), (d) and (e) for violations, breaches or defaults by it which are not in the aggregate material.

13. Representations and Warranties of Visava. Visava hereby represents and warrants as of the date of the Agreement and as of the Closing as follows:

13.1 Organization; Corporate Matters.

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario, Canada. It has the corporate power and authority to carry on its business as presently conducted and is licensed or qualified to do business in all jurisdictions in which the character of its properties or nature of its business requires it to be so licensed or qualified.

(b) It has good and marketable title to its properties and other assets, including the shares of Canary, free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances security interests, obligations (save and except to and in favour of Zarcone) other than property or an asset as to which it is a lessee, in which case it has a valid leasehold interest.

13.2 Authority. It has full power and authority to enter into this Agreement and all agreements, instruments and other documents to be executed and delivered in connection with the transactions contemplated by this Agreement (collectively, the ***“Transaction Documents”***) to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery by it of this Agreement and each of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate or other action on its part, and no other corporate or other proceedings on its part is necessary to authorize this Agreement or the Transaction Documents or to consummate the transactions contemplated hereby and thereby. This Agreement constitutes its valid and legally binding obligation and is enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles, or by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally.

13.3 Consents and Approvals; No Conflict. No filing with, and no permit, authorization, consent or approval of, any third party, public body or authority is necessary for the consummation by it of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement, nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the provisions hereof, will (a) conflict with or result in any breach of any provisions of its Articles of Incorporation, as amended, or its Bylaws, (b) result in a violation or breach of, or constitute, with or without due notice or lapse of time or both, a default or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, agreement or other instrument or obligation to which it is a party or by which any of its properties or assets may be bound or (c) violate any order, writ, injunction, decree, statute, rule or regulation to which it is subject, or any of its properties or assets, (d) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, license, permit or authority to which it is a party or by which it is bound or to which any of its assets or property is subject, or (e) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to it, except in the case of clauses (b) (c), (d) and (e) for violations, breaches or defaults by it which are not in the aggregate material.

14. Representations and Warranties of Canary. Canary hereby represents and warrants as of the date of the Agreement and as of the Closing as follows:

14.1 Organization; Corporate Matters.

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario, Canada. It has the corporate power and authority to carry on its business as presently conducted and is licensed or qualified to do business in all jurisdictions in which the character of its properties or nature of its business requires it to be so licensed or qualified.

(b) It has good and marketable title to its properties and other assets, including the shares of JVCo, free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances security interests, obligations (save and except to and in favour of Zarcone) other than property or an asset as to which it is a lessee, in which case it has a valid leasehold interest.

(c) The Canary Debt and Amended Canary Debt are validly existing and enforceable obligations according to their terms and conditions.

14.3 Authority. It has full power and authority to enter into this Agreement and all agreements, instruments and other documents to be executed and delivered in connection with the transactions contemplated by this Agreement (collectively, the *“Transaction Documents”*) to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery by it of this Agreement and each of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate or other action on its part, and no other corporate or other proceedings on its part is necessary to authorize this Agreement or the Transaction Documents or to consummate the transactions contemplated hereby and thereby. This Agreement constitutes its valid and legally binding obligation and is enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles, or by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally.

14.3 Consents and Approvals; No Conflict. No filing with, and no permit, authorization, consent or approval of, any third party, public body or authority is necessary for the consummation by it of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement, nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the provisions hereof, will (a) conflict with or result in any breach of any provisions of its Articles of Incorporation, as amended, or its Bylaws, (b) result in a violation or breach of, or constitute, with or without due notice or lapse of time or both, a default or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, agreement or other instrument or obligation to which it is a party or by which any of its properties or assets may be bound or (c) violate any order, writ, injunction, decree, statute, rule or regulation to which it is subject, or any of its properties or assets, (d) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, license, permit or authority to which it is a party or by which it is bound or to which any of its assets or property is subject, or (e) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to it, except in the case of clauses (b) (c), (d) and (e) for violations, breaches or defaults by it which are not in the aggregate material.

15. Representations and Warranties of CannaKorp. CannaKorp hereby represents and warrants as of the date of the Agreement and as of the Closing as follows:

15.1 Organization; Corporate Matters.

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware USA . It has the corporate power and authority to carry on its business as presently conducted and is licensed or qualified to do business in all jurisdictions in which the character of its properties or nature of its business requires it to be so licensed or qualified.

(b) It has good and marketable title to its properties and other assets free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances security interests, obligations (save and except to and in favour of Zarcone) other than property or an asset as to which it is a lessee, in which case it has a valid leasehold interest.

15.2 Authority. It has full power and authority to enter into this Agreement and all agreements, instruments and other documents to be executed and delivered in connection with the transactions contemplated by this Agreement (collectively, the ***“Transaction Documents”***) to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery by it of this Agreement and each of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate or other action on its part, and no other corporate or other proceedings on its part is necessary to authorize this Agreement or the Transaction Documents or to consummate the transactions contemplated hereby and thereby. This Agreement constitutes its valid and legally binding obligation and is enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles, or by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally.

15.3 Consents and Approvals; No Conflict. No filing with, and no permit, authorization, consent or approval of, any third party, public body or authority is necessary for the consummation by it of the transactions contemplated by this Agreement. Neither the execution and delivery of this Agreement, nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the provisions hereof, will (a) conflict with or result in any breach of any provisions of its Articles of Incorporation, as amended, or its Bylaws, (b) result in a violation or breach of, or constitute, with or without due notice or lapse of time or both, a default or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, contract, agreement or other instrument or obligation to which it is a party or by which any of its properties or assets may be bound or (c) violate any order, writ, injunction, decree, statute, rule or regulation to which it is subject, or any of its properties or assets, (d) conflict with, result in a breach of, constitute a default under or accelerate the performance required by or result in the suspension, cancellation, material alteration or creation of an encumbrance upon any material agreement, license, permit or authority to which it is a party or by which it is bound or to which any of its assets or property is subject, or (e) violate any provision of law or regulation or any judicial or administrative order, award, judgment or decree applicable to it, except in the case of clauses (b) (c), (d) and (e) for violations, breaches or defaults by it which are not in the aggregate material.

16. Representations and Warranties of CLI. CLI hereby represents and warrants as of the date of the Agreement and as of the Closing as follows:

16.1 Organization; Corporate Matters. It is a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario, Canada. It has the corporate power and authority to carry on its business as presently conducted and is licensed or qualified to do business in all jurisdictions in which the character of its properties or nature of its business requires it to be so licensed or qualified.

16.2 Authority. It has full power and authority to enter into this Agreement and all agreements, instruments and other documents to be executed and delivered in connection with the transactions contemplated by this Agreement (collectively, the ***“Transaction Documents”***) to which it is a party and to perform its obligations hereunder and thereunder. The execution and delivery by it of this Agreement and each of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate or other action on its part, and no other corporate or other proceedings on its part is necessary to authorize this Agreement or the Transaction Documents or to consummate the transactions contemplated hereby and thereby. This Agreement constitutes its valid and legally binding obligation and is enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles, or by bankruptcy, insolvency and other similar laws affecting the enforcement of creditors' rights generally.

16.3 Investment Sophistication. CLI hereby represents and acknowledges that by and through its officers and directors has sufficient knowledge and experience of financial and business matters, is able to evaluate the merits and risks of the purchase of the Canary Debt, has the ability to bear the economic risks of the purchase of the Canary Debt and can afford a complete loss of such investment. It has adequate information concerning the business and financial condition of the other Parties to make an informed decision regarding the purchase of the Canary Debt, and has independently and without reliance upon the other Parties made its own analysis and decision to enter into this Agreement and purchase the Canary Debt. It has been afforded the opportunity to obtain such information necessary to make an informed decision regarding the entry into this Agreement and for it to evaluate the merits and risks of the purchase of the Canary Debt. It is not relying on any representation, warranty, covenant or statement made by the other Parties in connection with the purchase of the Canary Debt, except as contained herein.

17. Conditions to Closing. The obligation of the Parties under this Agreement shall be subject to the each of the following conditions:

If to CannaKorp: Saul Niddam
President and Chief Executive Officer
55 Administration Road, Unit 13
Vaughan, Ontario, Canada L4K 4G9
Email: Saul@targetgroupinc.com

with a copy to: Robert C. Laskowski
Robert C. Laskowski Law Office
520 SW Yamhill, Suite 600
Portland, OR 97204-1329
Email: rcl@roblaw.us

If to Visava: Anthony Zarcone
President
Visava Inc.
385 Second Avenue West
Simcoe, ON N3Y 0G1
Email: tony@targetgroupinc.ca

with a copy to: John Vitulli Jr.
Vitulli Law Group
69 Hughson Street North
Hamilton, ON L8R 1G5

If to Canary: Anthony Zarcone
Chief Executive Officer
CanaryRx Inc.
385 Second Avenue West
Simcoe, ON N3Y 0G1
Email: tony@targetgroupinc.ca

with a copy to: John Vitulli Jr.
Vitulli Law Group
69 Hughson Street North
Hamilton, ON L8R 1G5

If to CLI: Jerry Zarcone
20 Hempstead Drive
Hamilton, ON L8W 2E7

*with a copy to,
which copy shall
not constitute
notice:* Serena R. Lee
SimpsonWigle Law LLP
1006 Skyview Drive, Suite 103
Burlington, ON, L7P 0V1
Email: lees@simpsonwigle.com

19.2 Parties in Interest; No Third Party Beneficiaries. Except as otherwise expressly provided herein, all the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective heirs, beneficiaries, personal and legal representatives, successors and assigns of the Parties hereto. This Agreement shall not be deemed to confer upon any person not a Party hereto any rights or remedies hereunder.

19.3 Entire Agreement; Amendments. This Agreement, including the Appendices and other documents and writings referred to herein or delivered pursuant hereto, which form a part hereof, contains the entire understanding of the Parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings between the Parties with respect to its subject matter. This Agreement may be amended only by a written instrument duly executed by the Parties or their respective successors or assigns.

19.4 Further Assurances. Each of the Parties shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and instruments as the other Party may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use its or their best efforts and take all such steps as may be reasonably within its power to implement to their full extent the terms of this Agreement.

19.5 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

19.6 Governing Law; Venue. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Province of Ontario, Canada, without regard to its conflict of laws doctrines. Any and all actions brought under this Agreement shall be brought in the appropriate courts of the Province of Ontario, Canada. Each Party hereby waives any right to object to the convenience of such venue.

19.7 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated and the parties shall negotiate in good faith to modify this Agreement to preserve each party's anticipated benefits under this Agreement.

19.8 Separate Counsel. Each Party hereby expressly acknowledges that it has been advised to seek its own separate legal counsel for advice with respect to this Agreement, and that no counsel to any Party hereto has acted or is acting as counsel to any other Party hereto in connection with this Agreement.

19.9 Waiver. No waiver by any Party of any default or breach by another Party of any representation, warranty, covenant or condition contained in this Agreement shall be deemed to be a waiver of any subsequent default or breach by such party of the same or any other representation, warranty, covenant or condition. No act, delay, omission or course of dealing on the part of any Party in exercising any right, power or remedy under this Agreement or at law or in equity shall operate as a waiver thereof or otherwise prejudice any of such Party's rights, powers and remedies. All remedies, whether at law or in equity, shall be cumulative and the election of any one or more shall not constitute a waiver of the right to pursue other available remedies.

19.10 Assignability. This Agreement, together with all other documents and instruments referred to herein, shall not be assigned by operation of law or otherwise, except as may be mutually agreed upon by the Parties hereto.

19.11 Publicity. Except as otherwise required by law or the rules of the United States Securities and Exchange Commission to which Target is subject, so long as this Agreement is in effect, no Party shall issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the written consent of the other Party, which consent shall not be unreasonably withheld.

19.12 Remedies. All representations, warranties, covenants, and obligations in this Agreement shall survive the completion of the transactions contemplated by this Agreement and, notwithstanding such completion, shall continue in full force and effect from and after the date of this Agreement for the applicable statute of limitations ("**Survival Period**"). The right to the payment of damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted with respect to, or any knowledge acquired, or capable of being acquired at any time, whether before or after the execution and delivery of this Agreement, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to the payment of damages, or other remedy based on such representations, warranties, covenants, and obligations.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the parties hereto as the date first above written.

TARGET GROUP INC.

By: /s/ Anthony Zacone
Anthony Zacone, CEO

CANARY RX INC.

By: /s/ Anthony Zacone
Anthony Zacone, President

CANNAKORP, INC.

By: /s/ Saul Niddam
Saul Niddam, CEO

VISAVA INC.

By: /s/ Anthony Zacone
Anthony Zacone, President

CL INVESTORS INC.

By: /s/ Jerry Zacone
Jerry Zacone, President

**AMENDMENT
TO
DEBT PURCHASE AND ASSIGNMENT AGREEMENT DATED JUNE 15, 2020**

This AMENDMENT ("Amendment") is effective as of August 14, 2020 by and between Target Group Inc., a Delaware corporation ("Target"), Visava Inc., ("Visava"), CanaryRx Inc., ("Canary"), CannaKorp Inc., a Delaware corporation ("CannaKorp"), CL Investors Inc. ("CLI") and Rubin Schindermann ("Schindermann"). Visava, Canary and CL, respectively, are corporations organized under the laws of the Province of Ontario, Canada. Target, Visava, Canary, CannaKorp, CLI and Schindermann are sometimes referred to herein collectively as the "Parties" and individually as a "Party".

Background to the Agreement

Effective June 15, 2020, the Parties, except for Schindermann, entered into that certain Debt Purchase and Assignment Agreement ("Agreement"). The Parties desire to amend the Agreement as set forth herein. All capitalized terms in this Amendment shall have the meaning attributed to them in the Agreement.

Amending Agreement

1. Section 2 of the Agreement is amended in its entirety to read as follows:

"The purchase price ("Purchase Price") for the Canary Debt shall be CLI's payment to Target at Closing of \$2,900,000.00, which shall, at the sole and absolute discretion of CLI, be tendered to either Target by wire transfer pursuant to instructions provided by Target or directly to Canary's solicitors by wire transfer pursuant to instructions provided by Target and Canary in connection with the Canary Loan referred to Section 11 herein, provided further, that in the event of the foregoing, Canary shall not make any payment to any third party from the said \$2,900,000.00 without the prior written consent of CLI, which consent may not be unreasonably withheld."

2. Section 3 of the Agreement is amended in its entirety to read as follows:

"Not later than ten (10) business days following the Closing, as referred to in Section 10 herein, (i) Rubin Schindermann ("Schindermann") shall transfer and assign to CLI all of his right, title and interest in and to 500,000 shares of Target's Series A Preferred Stock ("Preferred Stock") in consideration of the payment by CLI to Schindermann of \$100,000.00 by wire transfer pursuant to instructions to be provided by Schindermann and the issuance by Target to Schindermann of 10,000,000 shares of the common stock of Target; and (ii) Target shall cause to be issued and delivered to CLI a Common Stock Purchase Warrant for 10,000,000 shares of Target common stock in the form set forth in the attached Appendix A in consideration of Schindermann executing and delivering a Full and Final Release to and in favor of Target, Visava, Canary and CannaKorp in the form attached hereto as Appendix K. Upon CLI making the said payment and Target issuing the said 10,000,000 shares of Target common stock, Schindermann shall resign as a director of Target and any of its first and second tier subsidiaries."

The form of the Full and Final Release attached as Appendix K to the Agreement is attached hereto as Schedule "A".

3. The form of the Promissory Note attached as Appendix B to the Agreement is hereby deleted and replaced with the Promissory Note attached hereto as Schedule "B".
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4. Section 9 of the Agreement is amended in its entirety to read as follows:

“In lieu of the payment of \$2,900,000.00 of the principal balance of the Amended Canary Note, CLI shall be granted the option (“*Option*”) to demand, in its sole and absolute discretion, that (a) Target assign, transfer and convey to CLI, free and clear of all liens and encumbrances, 75% of the shares of Visava registered in the name of Target (“*Visava Shares*”); and/or that (b) Visava assign, transfer and convey to CLI, free and clear of all liens and encumbrances, 75% of the shares of Canary registered in the name of Visava (“*Canary Shares*”) pursuant to the terms and provisions of the Option Agreement in the form attached as Appendix H.
 5. Section 10 of the Agreement is amended to provide that the Closing Date shall take place not later than August 14, 2020. The remaining provisions are not affected by this Amendment and shall remain as originally set forth.
 6. Section 11 of the Agreement is amended to provide that the principal amount of the Canary Loan, as referred to therein, shall be \$2,900,000.00. The remaining provisions are not affected by this Amendment and shall remain as originally set forth.
 7. Schindermann hereby warrants and represents to CLI that he has good and marketable title to the Preferred Stock, free and clear of all mortgages, pledges, restrictions, liens, charges, encumbrances, security interests, obligations and any prior right, option or other claim in favor of any other party to purchase the Preferred Stock.
 8. In consideration of the transactions contemplated by Section 3 herein, Schindermann hereby releases and holds harmless Target, Visava, Canary, CannaKorp, and their respective assigns, officers, directors, employees, agents and representatives from and against all losses, costs, claims, liabilities, damages, known or unknown, of every kind and character, resulting from, relating to or arising out of his ownership of the Preferred Stock, his employment or management agreement with Target, Visava, Canary, and CannaKorp, his position as an officer or director of Target, Visava, Canary, and CannaKorp, or the transactions contemplated by the Agreement and this Amendment.
 9. This Amendment contains the entire understanding of the Parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein or therein. This Amendment supersedes all prior agreements and understandings between the Parties with respect to its subject matter. This Amendment may be amended only by a written instrument duly executed by the Parties or their respective successors or assigns.
 10. Each of the Parties shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and instruments as the other Party may reasonably require from time to time for the purpose of giving effect to this Amendment and shall use its or their best efforts and take all such steps as may be reasonably within its power to implement to their full extent the terms of this Amendment.
 11. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
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12. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Province of Ontario, Canada, without regard to its conflict of laws doctrines. All actions brought under this Agreement shall be brought in the appropriate courts of the Province of Ontario, Canada. Each Party hereby waives any right to object to the convenience of such venue.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the Parties hereto as the date first above written.

TARGET GROUP INC.

By: */s/ Anthony Zacone*

Anthony Zacone, CEO

CANARYRX INC.

By: */s/ Anthony Zacone*

Anthony Zacone, President

CANNAKORP, INC.

By: */s/ Saul Niddam*

Saul Niddam, CEO

VISAVA INC.

By: */s/ Anthony Zacone*

: _____
Anthony Zacone, President

CL INVESTORS INC.

By: */s/ Jerry Zacone*

Jerry Zacone, President

SCHINDERMANN

/s/ Rubin Schindermann

Rubin Schindermann

FULL AND FINAL RELEASE

This Full and Final Release is made as at the 14th day of August 2020.

IN CONSIDERATION OF the issuance by Target Group Inc. to Rubin Schindermann of 10,000,000 shares of the common stock of Target Group Inc., and further and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged,

RUBIN SCHINDERMAN, for himself, his heirs, agents, successors, and assigns and on behalf of any party or parties who claim a right or interest through them (hereinafter individually and collectively referred to as the "**Schindermann**"),

HEREBY RELEASE, ACQUIT, AND FOREVER DISCHARGE, WITHOUT QUALIFICATION OR LIMITATION:

TARGET GROUP INC., VISAVA INC., CANNAKORP INC., and CANARY RX INC. for themselves, and for their affiliates, subsidiaries, shareholders, partners, officers, directors, associates, employees, servants, agents, successors and assigns, and on behalf of any party or parties who claim a right or interest through them (hereinafter individually and collectively referred to as "**Target Group**"),

from all manner of actions, causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, complaints, claims and demands for damages, monies, losses, indemnity, costs, interest in loss, or injuries (collectively "**Claims**") which hereto may have been or may hereafter be sustained by Schindermann howsoever arising from and howsoever relating to Schindermann's employment with Target Group, Schindermann serving or acting as an officer or director of the Target Group, and Schindermann providing any other services to Target including with limitation, the termination or removal of all of the foregoing and any and all Claims with respect to salary, remuneration, repayment of expenses, bonuses, fringe benefits, vacation pay, employee stock option plans, bonus plans, termination of medical benefits or any other employment benefit or fringe benefit of any kind whatsoever as well as all entitlements, including termination pay and severance pay, under the *Employment Standards Act, 2000* or the common law.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, Schindermann declares that the intent of this Full and Final Release is to conclude all issues arising from the matters set forth above and it is understood and agreed that this Full and Final Release is intended to cover, and does cover, not only all known injuries, losses and damages, but also injuries, losses and damages not now known or anticipated but which may later develop or be discovered, including all the effects and consequences thereof.

AND FOR THE SAID CONSIDERATION it is agreed and understood that the Schindermann will not make any claims or take or participate in any civil or administrative proceedings concerning any matters covered by this Full and Final Release, and will not make any claims or take any proceedings against any other person or corporation who might claim, in any manner or forum, contribution or indemnity in common law or in equity, or under the provisions of any statute or regulation, including the *Negligence Act* and the amendments thereto and/or under any successor legislation thereto, and/or under the *Rules of Civil Procedure*, against Target Group, in connection with the matters outlined above.

IT IS AGREED AND UNDERSTOOD that if Schindermann commences such an action, or take such proceedings, and Target Group is added to such proceeding in any manner whatsoever, whether justified in law or not, Schindermann will immediately discontinue the proceedings and/or claims, and that Schindermann will be jointly and severally liable to Target Group for the legal costs incurred in any such proceeding, on a substantial indemnity basis. This Full and Final Release shall operate conclusively as an estoppel in the event of any claim, action, complaint or proceeding which might be brought in the future with respect to the matters covered by this Full and Final Release. This Full and Final Release may be pleaded in the event any such claim, action, complaint or proceeding is brought, as a complete defence and reply, and may be relied upon in any proceeding to dismiss the claim, action, complaint or proceeding on a summary basis and no objection will be raised by Schindermann in any subsequent action that the other parties in the subsequent action were not privy to formation of this Full and Final Release.

AND FOR THE SAID CONSIDERATION Schindermann hereby represents and warrants to the other that he has not assigned to any person, firm, or corporation any of the actions, causes of action, claims, debts, suits or demands of any nature or kind which it has released by this Full and Final Release.

IT IS FURTHER AGREED AND UNDERSTOOD that Schindermann does not hereby admit any liability or obligation of any kind whatsoever to the other and such liability or obligation is specifically denied.

AND IT IS FURTHER UNDERSTOOD AND AGREED that the fact and terms of this Full and Final Release will be held in confidence and will receive no publication either oral or in writing, directly or indirectly, by any party hereto, unless deemed essential on auditors' or accountants' written advice for financial statement or income tax purposes, or for the purpose of any judicial proceeding, in which event the fact that the settlement agreement is made without any admission of liability will receive the same publication contemporaneously.

IN WITNESS WHEREOF the parties have executed this Full and Final Release as of the date first above written.

Witness

/s/ Rubin Schindermann

Rubin Schindermann

TARGET GROUP INC.

Per:

/s/ Anthony Zarcone

Name: Anthony Zarcone

Title: CEO

I have authority to bind the Corporation

VISAVA INC.

Per:

/s/ Anthony Zarcone

Name: Anthony Zarcone

Title: President

I have authority to bind the Corporation

CANARY RX INC.

Per:

/s/ Anthony Zacone

Name: Anthony Zacone

Title: President

I have authority to bind the Corporation

CANNAKORP INC.

Per:

/s/ Saul Niddam

Name: Saul Niddam

Title: President

I have authority to bind the Corporation

Schedule "B"
PROMISSORY NOTE

Date: August 14, 2020 (the "Effective date")

For Value Received, Canary Rx Inc. ("Canary") promises to pay to or to the order of CL Investors Inc. ("CLI"), the principal amount specified below (the "Principal"), together with all interest as set forth below (the "Interest") and all other amounts as set forth below on and subject to the terms and conditions as set forth below.

This Promissory Note (the "Note") is a negotiable instrument.

1. **Principal:** The Principal of this Note is the amount of Ten Million, Six Hundred Thousand Dollars (\$10,600,000.00) CDN.
 2. **Term:** The Term on this Note shall be five (5) years commencing on the Effective Date.
 3. **Interest:** Interest shall accrue at a rate of five percent (5%) per annum, calculated monthly, not in advance. The covenant to pay Interest shall not merge on the taking of a judgment or judgments with respect to any of the obligations herein stipulated for.
 4. **Payments:** Canary shall make the following payments to CLI under this Note throughout the Term, it being understood and agreed that all such payments shall first be applied against Interest:
 - (a) In the first year of the Term, Canary shall, by the end of such first year, pay CLI the greater of One Million One Hundred and Thirty Thousand (\$1,130,000.00) Dollars and fifty percent (50%) of the Net Revenue (hereinafter defined), provided that where the latter amount exceeds the former amount, Canary shall, by the end of such first year, pay CLI no less than the former amount and Canary shall, within thirty (30) days following the end of such first year, pay CLI the balance of the such payments owing for such first year;
 - (b) In the second year of the Term, Canary shall pay CLI the greater of Two Million One Hundred Thousand (\$2,100,000.00) Dollars and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2021 for a monthly amount of One Hundred and Seventy-Five Thousand (\$175,000.00), provided that where the latter amount exceeds the former amount, Canary shall, by the end of such second year, pay CLI no less than the former amount and Canary shall, within thirty (30) days following the end of such second year, pay CLI the balance of the such payments owing for such second year;
 - (c) In the third year of the Term, Canary shall pay CLI the greater of Three Million Two Hundred and Twenty Thousand (\$3,220,000.00) Dollars and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2022 for a monthly amount of Two Hundred and Sixty-Six Thousand Six Hundred and Sixty-Six Dollars and Sixty-Six Cents (\$266,666.66), provided that where the latter amount exceeds the former amount, Canary shall, by the end of such third year, pay CLI no less than the former amount and Canary shall, within thirty (30) days following the end of such third year, pay CLI the balance of the such payments owing for such third year;
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- (d) In the fourth year of the Term, Canary shall pay CLI the greater of Three Million Eighty Thousand (\$3,080,000.00) Dollars and fifty percent (50%) of the Net Revenue, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2023 for a monthly amount of Two Hundred and Fifty-Six Thousand Six Hundred and Sixty-Six Dollars and Sixty-Six Cents (\$256,666.66), provided that where the latter amount exceeds the former amount, Canary shall, by the end of such fourth year, pay CLI no less than the former amount and Canary shall, within thirty (30) days following the end of such fourth year, pay CLI the balance of the such payments owing for such fourth year; and
- (e) In the fifth year of the Term, Canary shall pay CLI the balance owing under this Note, by way of twelve (12) consecutive monthly installments payable on the 14th day of each month commencing on August 14, 2024 for an amount calculated by dividing twelve (12) into the sum of all amounts owing under this Note at the beginning of the fifth year of the Term on account of Principal and Interest, provided that where there are further amounts owing under this Note at the end of such fifth year, Canary shall pay CLI all such further amounts within five (5) days following the end of such fifth year.

For the purposes of this Note, “**Net Revenue**” shall mean any and all revenue generated from Canary’s Licensed Facility (hereinafter defined) to which it is entitled net of applicable taxes and third-party expenses.

- 5. **Closed:** This Note is closed, and as such, Canary shall not have the right or privilege of prepaying the whole or any part of the Principal or Interest owing hereunder at any time or times except with the consent of the CLI, which consent may be arbitrarily and unreasonably withheld.
 - 6. **Default:** The following are acts or events of default under this Note:
 - (a) The failure on the part of Canary and/or any of Target Group Inc. (“**TGI**”), Visava Inc. (“**Visava**”), and/or CannaKorp, Inc. (“**CannKorp.**”, which together with TGI, and Visava are hereinafter referred to as the “**Affiliates**”) to pay and/or perform any obligations, liabilities or indebtedness (as and when due) to CLI, whether contemplated under this Note or under another present or future agreement, note or instrument (whether due by maturity or by acceleration) including without limitation the Debt Purchase and Assignment Agreement dated June 15, 2020 as between, Canary, CLI, and the Affiliates (the “**Agreement**”); or
 - (b) The failure on the part of Canary and/or any of its Affiliates to keep in good standing and otherwise observe and perform all obligations under any licenses including without limitation Licence No. LIC-9B4CKDEB1R-2019 issued by Health Canada to and in favour of Canary at lands and premises municipally known as 385 Second Ave West, Simcoe, Ontario Canada, N3Y 4J8 (the “**Licensed Facility**”); or
 - (c) The failure on the part of Canary and/or any of its Affiliates to keep in good standing and otherwise observe and perform all obligations under a Lease made the 28th day of June, 2018 between E. & E. McLaughlin Ltd. and Canary in respect of the Licensed Facility, as amended from time to time; or
 - (d) The insolvency of Canary and/or any of its Affiliates or the appointment of a receiver, manager, trustee, liquidator, for any of the property of Canary and/or any of its Affiliates or an assignment for the benefit of any of Canary’s creditors and/or any of the Affiliate’s creditors; or
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- (e) Execution is levied or issued against all or any part of any property of Canary and/or any of its Affiliates; or
- (f) The institution of a proceeding in bankruptcy against Canary and/or any of its Affiliates, whether voluntarily or involuntarily, or the institution of proceedings by Canary and/or any of its Affiliates to obtain relief against creditors; or
- (g) An occurrence of any default by Canary and/or any of its Affiliates under any of the security given by Canary and/or any of its Affiliates pursuant to the terms and provisions of the Agreement (the “**Security**”) (which for greater clarity shall include all agreements entered into by Canary and/or any of its Affiliates in respect of such Security).

Despite any time allowed for any payment under this Note, where there is an act or event of default, the total Principal then outstanding plus all Interest under this Note (accrued and unaccrued to the expiration of the Term) shall, at the sole and absolute discretion of CLI, immediately become due and payable. Further, in the event of a default, Canary shall pay all costs incurred by CLI in enforcing and collecting upon this Note, including legal costs on a substantial indemnity scale.

8. **Presentment, etc.:** Canary hereby waives presentment, demand, notice of dishonour, notice of protest, notice of non-payment and any other notice required by law to be given to Canary on this Note in connection with the delivery, acceptance, performance, default or enforcement of this Note and consents to,

- (a) Any delays, extensions, renewals or other modifications of this Note; and
- (b) Any waivers of any term or condition of this Note;

by CLI or any other person, and Canary agrees that no such action or failure to act by CLI or any other person shall affect or impair the obligations of Canary, or be construed as being a waiver by CLI or that other person of its rights under this Note.

9. **Assignment:** CLI shall be entitled to assign any rights under this Note, without the consent of Canary, on ten (10) days’ notice to Canary, provided that the assignee has agreed to assume all obligations and covenants of CLI under the Agreement and this Note.

10. **Proper Law:** This Note is subject to the laws of Ontario and Canary consents to the exclusive jurisdiction of the courts of Ontario in respect of all proceedings arising under this Note.

10. **Interpretation:** In this Note,

- (a) A word importing the masculine, feminine or neuter gender only includes members of the other genders;
 - (b) A word defined in or importing the singular number has the same meaning when used in the plural number, and vice versa;
 - (c) The headings to each section are inserted for convenience of reference only and do not form part of this Note;
-

- (d) This Note may not be changed, modified or cancelled orally or in any manner other than by agreement in writing signed by CLI and Canary; and
- (e) All references to CLI shall be deemed to include the permitted successors and permitted assigns of CLI.

Signed as of the date first above written

CANARY RX INC.

Per:

/s/ Anthony Zacone

Name: Anthony Zacone

Position: C.E.O.

I have authority to bind the Corporation
