

SCHEDULE "B"

INTEREST PAYMENT ELECTION FORM

TO: TREES CORPORATION

The undersigned registered holder (the "**Holder**") of the attached 12.0% secured convertible promissory note due October 20, 2025 (the "**Note**") hereby elects to receive: (Please check the **ONE** box applicable):

Cash

OR

Common Shares

representing payment of the interest payable for the upcoming Interest Payment Date.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Note.

If the Holder has elected to be issued Common Shares, the Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

(Address) (City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title:

SCHEDULE "C"**PERMITTED INDEBTEDNESS**

- (i) indebtedness incurred which is secured by the purchase money liens and other agreements described in subparagraph (vi) of the definition of Permitted Encumbrances;
- (ii) the Obligations hereunder;
- (iii) existing shareholder loans;
- (iv) unconverted debt in connection with the Company's outstanding secured convertible debentures issued on September 10, 2021, October 28, 2021, and November 5, 2021 by way of private placement;
- (v) the Notes effective as of the date hereof in favour to other Holders of Notes issued pursuant to the Offering;
- (vi) any Senior Indebtedness; and
- (vii) such other indebtedness as may be approved by the Holder from time to time.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE FEBRUARY 21, 2023.

TREES CORPORATION

SECURED CONVERTIBLE PROMISSORY NOTE

Date: October 20, 2022

**ARTICLE 1
PRINCIPAL AND INTEREST**

1.1 Promise to Pay

FOR VALUE RECEIVED, the undersigned, **TREES CORPORATION**, a corporation continued under the federal laws of Canada (the “**Company**”), hereby acknowledges itself indebted and promises to pay to Professional Trading Services S.A., and its successors and assigns (the “**Holder**”), as it may direct, on the Maturity Date (as hereinafter defined) or on such earlier date as the principal amount hereof may become due in accordance with the provisions hereof, on presentation and surrender of this Note in accordance with the provisions hereof at the offices of the Company, the principal amount of one hundred thousand dollars (\$100,000) in lawful money of Canada, (the “**Principal Amount**”) and to pay interest (“**Interest**”) on the Principal Amount outstanding from time to time (after as well as before maturity, default and judgment) at a rate of interest equal to twelve percent (12%) per annum (the “**Interest Rate**”). Interest shall accrue on the Principal Amount at the Interest Rate on a non-compounded basis, from the date hereof until conversion of this Note or payment in full. Interest shall be paid annually, in Common Shares, until the achievement by the Company of the Conversion Conditions Precedent (as hereafter defined), after which interest shall be paid in cash or Common Shares at the Holder’s option by duly completing and returning to the Company, at least 5 calendar days prior to the Interest Payment Date, the Interest Payment Election Form attached hereto as Schedule “B”. In the event the Holder does not complete and return the Interest Payment Election Form to the Company within the prescribed time, the Holder shall be issued cash or Common Shares in full satisfaction of the interest owing to the Holder on the Interest Payment Date, at the Company’s option. The total amount payable under this Note will consist of the sum of the unpaid principal amount plus all accrued and unpaid Interest thereon. The number of Common Shares issuable in payment of Interest shall be determined using the volume weighted average trading price of the Common Shares on the Neo Exchange Inc. (the “**NEO**”) (or such other exchange on which the Common Shares may principally trade at such time) for the ten (10) consecutive Trading Days preceding the Interest payment record date (which record date shall be five Business Days prior to the Interest Payment Date). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

1.2 Prepayment

The Company shall have the ability to repay all or a part of the amounts outstanding hereunder at any time prior to the Maturity Date at a price equal to 112% of all then outstanding Principal Amount and Interest.

ARTICLE 2
DEFINITIONS, INTERPRETATIONS AND GENERAL PROVISIONS

2.1 Interpretation

In this Note, unless there is something in the subject matter or context inconsistent therewith:

- (a) The terms “**Goods**”, “**Chattel Paper**”, “**Documents of Title**”, “**Instruments**”, “**Intangibles**”, “**proceeds**”, “**Inventory**”, “**Investment Property**”, “**Money**”, “**Account**”, “**Equipment**” and “**Securities**”, whenever used in this Note shall have the meanings ascribed thereto in the PPSA;
- (b) “**Affiliate**” has the meaning specified in the *Canada Business Corporations Act*;
- (c) “**Applicable Securities Laws**” means, collectively, all applicable securities laws (including rules, regulations, policies and instruments enacted thereunder) in the Provinces of Ontario, Alberta and British Columbia and all applicable rules and policies of the NEO or any other stock exchange on which the Common Shares may be listed from time to time.
- (d) “**Arm’s length**” has the meaning specified in the *Income Tax Act* (Canada);
- (e) “**Business**” means the business carried on by the Company, including but not limited to the operation of independent retail cannabis stores in the Province of Ontario;
- (f) “**Business Day**” means any day, other than Saturday, Sunday or any civic or statutory holiday in the City of Toronto, Ontario;
- (g) “**Change of Control**” means any event whereby any Person or any Persons acting jointly or in concert (as that term is used in the *Securities Act* (Ontario)) with such Person, together with any Affiliate of any such Person, become(s) the beneficial owner(s) of shares of the Company, or securities exercisable or convertible into shares of the Company, carrying more than 50 percent of the votes for the election of directors and the votes carried by such shares are sufficient, if exercised, to elect a majority of the board of directors of the Company;
- (h) “**Closing**” means the issuance of the Note free from any escrow conditions on the Closing Date;
- (i) “**Closing Date**” means the date hereof;
- (j) “**Common Shares**” means the common shares in the capital of the Company, as currently constituted, and any shares into which such common shares may be changed, converted, exchanged or reclassified from time to time;

- (k) “**Contract**” means any contract (i) involving aggregate payments to or by the Company in excess of Twenty-Five Thousand Dollars (\$25,000) during any year; or (ii) which if terminated would cause a Material Adverse Change;
- (l) “**Conversion Conditions Precedent**” has the meaning given thereto in Section 4.1;
- (m) “**Conversion Price**” means \$0.015 per Common Share, subject to adjustment as provided in Section 4.4;
- (n) “**Current Market Price**” for the purposes of any computation hereunder, the “Current Market Price” at any date shall be the weighted average sale price per share for the Common Shares for the 20 consecutive Trading Days ending immediately before such date on the NEO or such other stock exchange on which the Common Shares may then be listed, or, if the Common Shares or any other security in respect of which a determination of Current Market Price is being made are not listed on any stock exchange, the Current Market Price shall be determined by the Board of Directors, acting reasonably and in good faith, which determination shall be conclusive. The weighted average price shall be determined by dividing the aggregate sale price of all such shares sold on the said exchange during the said 20 consecutive trading days by the total number of such shares so sold;
- (o) “**Equity Shares**” means the Common Shares and any shares of any other class or series of the Company which may from time to time be authorized for issue if by their terms such shares confer on the holders hereof the right to participate in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company beyond a fixed sum or a fixed sum plus accrued dividends;
- (p) “**Date of Conversion**” has the meaning given thereto in Section 4.2(b);
- (q) “**Default**” has the meaning attributed thereto in Section 7.1;
- (r) “**Director**” means a director of the Company from time to time and “**Board of Directors**” means the Board of Directors of the Company from time to time;
- (s) “**Governmental Body**” means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority or authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator);
- (t) “**Holder**” has the meaning ascribed thereto in Section 1.1 above;

- (u) “**Inchoate Lien**” means with respect to any property or asset of the Company, the following Liens:
- (i) any Lien for taxes, duties and assessments, and any Lien securing workers’ compensation, unemployment insurance or other social security obligations not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (ii) any carriers, warehousemen, mechanics or materialmen’s Liens in respect of amounts accruing in favour of any Person, so long as such amounts are not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (iii) Liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Liens or rights as a permitted encumbrance shall not prejudice the priority of the Liens created hereby, if any, over such Liens or rights as determined in accordance with applicable law); and
 - (iv) undetermined or inchoate Liens, privileges or charges incidental to current and ongoing operations of the Company which have not been filed pursuant to applicable law against any of the Company’s property or assets or which relate to obligations not yet due or delinquent;
- (v) “**Interest**” has the meaning ascribed thereto in Section 1.1;
- (w) “**Interest Payment Date**” means October 20th in each year that the Note is outstanding commencing on the date hereof.
- (x) “**Interest Payment Election Form**” means the form of election attached hereto as Schedule “B”.
- (y) “**Interest Rate**” has the meaning ascribed thereto in Section 1.1;
- (z) “**Law**” means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of any Governmental Body (whether or not having the force of law) relating to such Person, property, transaction or event, whether applicable in Canada or any other jurisdiction.
- (aa) “**Lien**” means any mortgage, hypothec, title retention, pledge, lien, claim, trust, assignment as security, right of set-off, charge, security interest or other encumbrance whatsoever, whether fixed or floating and howsoever created or arising;

- (bb) “**Loan**” means, at any time, the accommodations of credit made pursuant to this Note;
- (cc) “**Material Adverse Change**” means, as of any date of determination, any change, circumstance, state of facts or occurrence (or series of occurrences) including any litigation which, in the reasonable credit discretion of the Holder, has or is reasonably likely to have a material adverse change on:
 - (i) the business, assets, liabilities, operations, results of operations, financial condition, or prospects of the Company,
 - (ii) the ability of the Company to carry on its Business,
 - (iii) the ability of the Company to perform any of its obligations hereunder or under any Contract,
 - (iv) any Lien constituted or created by the Company in favour of the Holder;
- (dd) “**Maturity Date**” means October 20, 2025, unless the Note is converted earlier pursuant to and in accordance with the provisions hereof;
- (ee) “**NEO**” has the meaning ascribed thereto in Section 1.1 above;
- (ff) “**Note**” means this secured convertible promissory note of the Company as same may be revised, restated, replaced or supplemented from time to time;
- (gg) “**Noteholders**” means the holders of the Notes and “**Noteholder**” means any one of them;
- (hh) “**Notes**” means all of the secured Notes issued under the Offering on equal or substantially similar terms to this Note;
- (ii) “**Obligations**” has the meaning ascribed thereto in Section 3.2;
- (jj) “**Offering**” means an offering of secured convertible note units issued by the Company in one or more closings with an aggregate principal amount of \$1,000,000, where the Notes shall be: (i) in substantially the same form as this Note other than in respect of the date of issuance and corresponding commencement of interest and the maximum amounts; and (ii) shall, in relation to priority of security, rank equally and rateably without discrimination, preference or priority with all other Notes;
- (kk) “**Permitted Encumbrances**” means:
 - (i) any Inchoate Lien;
 - (ii) any right reserved to or vested in any Governmental Body, by the terms of any Permit acquired by the Company, or by any statutory provision to

terminate any such Permit or require annual or other periodic payments as a condition of the continuance thereof;

- (iii) security given by the Company to a public utility or any Governmental Body when required by such utility or Governmental Body in connection with, and incidental to, the operations of the Company in the ordinary course of its business;
- (iv) Liens incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, surety or appeal bonds, cost of litigation when required by applicable law and other similar Liens and deposits;
- (v) Liens and privileges arising out of judgments or awards in respect of which an appeal or proceeding for review has been commenced provided a stay of execution pending such appeal or proceedings for review has been obtained and satisfactory reserves have been established;
- (vi) Liens on specific Equipment or motor vehicles of the Company which secures, and is limited to, the unpaid purchase price of such Equipment or motor vehicles, provided that any such Lien is limited to the Equipment or motor vehicles so acquired and such Equipment or motor vehicles is used by the Company in the operation of its business and is not for resell, lease or rental to any Person;
- (vii) Liens in favour of the Holder;
- (viii) Liens given in respect of the Permitted Indebtedness listed on Schedule "C" hereto; and
- (ix) any Liens consented to in writing by Holder,

provided however, that the existence or consent by the Holder of any Permitted Encumbrances shall not be construed in any way as a subordination by the Holder of its Liens unless expressly subordinated in writing by the Holder pursuant to a separate and independent priority, intercreditor or subordination agreement;

- (ll) "**Permitted Indebtedness**" means, at any time, such indebtedness listed on Schedule "C" hereto;
- (mm) "**Permits**" means all material licenses, permits, approvals, consents, certificates, franchises and other authorizations required by the Company to operate the Business;
- (nn) "**Person**" means an individual, natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture, government, Governmental Body or any other entity, whether acting in an individual, fiduciary or other capacity, state or political subdivision thereof or any agency of such state or subdivision;

- (oo) “**PPSA**” means the *Personal Property Security Act* (Ontario), as amended, replaced or supplemented from time to time;
- (pp) “**Principal**” has the meaning ascribed thereto in Section 1.1;
- (qq) “**Secured Property**” has the meaning ascribed thereto in Section 3.1;
- (rr) “**Securities**” means any equity security, or any option, warrant or other right to subscribe for, or purchase, or otherwise acquire, any equity security;
- (ss) “**Securities Act**” means the *Securities Act* (Ontario), as amended, replaced or supplemented from time to time;
- (tt) “**Senior Indebtedness**” means the principal and interest on:
 - (i) indebtedness for borrowed money owed by the Company or its subsidiaries to the Subsidiary Senior Lender in connection with the Tweed Note;
 - (ii) indebtedness for borrowed money that the Company may now or hereinafter incur from a Canadian chartered bank or trust company (or such other financial institution as may be acceptable to the Company) for the purposes of term or operating facilities, to the extent the Company has granted security therefor and to the extent that the obligation to repay such borrowed money is not itself subordinated to any third party the effect of which postponement would be that the Obligations created herein would be postponed to any such third party to whom the Obligations would not otherwise be postponed; and
 - (iii) renewals, extensions, restructurings, re-financings and refundings of any such indebtedness,unless in any of the cases specified in (i), (ii) or (iii) above, it is provided by the terms of the instrument creating or evidencing such indebtedness that such indebtedness is not superior in right of payment to this Note;
- (uu) “**Subsidiaries’ Secured Property**” means the property of OCH Ontario Consulting Corp., as debtor, and Ontario Cannabis Holdings Corp., as guarantor, that is the subject of the security interest granted in favour of the Subsidiary Senior Lender in connection with the Tweed Note and pursuant to the general security agreement dated March 11, 2020 between OCH Ontario Consulting Corp., Ontario Cannabis Holdings Corp. and the Subsidiary Senior Lender;
- (vv) “**Subsidiary Senior Lender**” means Tweed Franchise Inc., a wholly-owned subsidiary of Canopy Growth Corporation;
- (ww) “**Trading Day**” means, with respect to the NEO or other market for securities, any day on which such exchange or market is open for trading or quotation;

- (xx) “**Taxes**” means all taxes of any kind or nature whatsoever including, without limitation, income taxes, sales or value-added taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body having power to tax, together with penalties, fines, additions to tax and interest thereon;
- (yy) “**Third Party**” means a Person who is at Arm’s Length from the Company, the Holders and all shareholders of the Company;
- (zz) “**This Note**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this Note and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto; and
- (aaa) “**Tweed Note**” means the secured grid promissory note of OCH Ontario Consulting Corp., a wholly-owned, indirect subsidiary of the Company, in favour of the Subsidiary Senior Lender dated March 11, 2020.

2.2 **Plurality and Gender**

Words importing the singular number only shall include the plural and vice versa and words importing one gender shall include all genders and words importing Persons shall include firms and corporations and vice versa.

2.3 **Headings, etc.**

The division of this Note into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note.

2.4 **Day Not a Business Day**

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

2.5 **Reference to Law**

Reference herein to any Law means such Law as amended, modified, codified or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder.

2.6 **Currency**

Any reference in this Note to “**Dollars**”, “**dollars**” or the sign “**\$**” shall be deemed to be a reference to lawful money of Canada.

ARTICLE 3 INDEBTEDNESS SECURED

3.1 Creation of Security Interest

As general continuing collateral security for the due payment and performance of any and all present and future Obligations of the Company to the Holder, the Company hereby grants a Lien as and by way of a fixed and floating Lien to and in favour of the Holder, in any and all of the undertaking, property and assets of the Company, real and personal, moveable and immoveable, of whatsoever nature and kind whatsoever, now owned or hereafter acquired, including, without limitation, all present and future income, Money, Inventory, Equipment, Goods, Chattel Paper, Documents of Title, Intangibles, Investment Property, revenues, rents, supplies, materials, credits, bank accounts, Accounts, book debts, negotiable and non-negotiable Instruments, shares, stocks, bonds, debentures, Securities, choses in action, proceeds of insurance, contracts, agreements, goodwill, trademarks, patents and patent rights, processes, inventions, franchises, powers, privileges, licenses and all other property and things of value, real or personal, tangible or intangible, legal or equitable, which the Company may be possessed of, or entitled, to or which may at any time hereafter be acquired by the Company, save and except for the last day of any term reserved by any lease now held or hereafter acquired by the Company (collectively, referred to as the “**Secured Property**”) and the Company shall stand possessed of any such reservation in trust for the exclusive benefit of the Holder and to assign and dispose thereof as the Holder may direct.

3.2 Liens Securing Indebtedness

The Liens granted by the Company to the Holder pursuant to this Note shall constitute general continuing collateral security for the due payment and performance of any and all present and future debts, liabilities and obligations of the Company to the Holder arising out of this Note, whether actual or contingent, direct or indirect, as principal or surety, matured or not, now existing or arising hereafter, including, without limitation, the Principal Amount, Interest (at the Interest Rate) and any and all costs, fees and expenses incurred by the Holder (the “**Obligations**”).

3.3 Designation, Rank and Priority

This Note is one of several secured Notes issued or to be issued by the Company under the Offering. The ranking of the Notes set out in this Section 3.3 shall apply in all events and circumstances regardless of the date of any advance or advances made to the Company by the holders of the Notes. The provisions of this Note shall be binding on the Company, the Holder and all Persons claiming through or under them respectively and any Person shall be deemed to have notice of these provisions. For greater certainty, the security interest of the Holder in respect of this Note shall rank *pari passu* with the security interest of the other Holders in respect of their respective Notes.

ARTICLE 4 CONVERSION

4.1 Conversion Privilege

Subject to and upon compliance with the provisions of this Article 4, (a) for a period ending on the first anniversary of the Closing Date, and (b) the completion by the Company of a financing subsequent to the Offering for gross proceeds of at least \$1,000,000, all or a portion of the

Principal Amount of a Holder's Notes can only be converted into Common Shares at the Conversion Price. Upon meeting both of conditions (a) and (b) above (the "**Conversion Conditions Precedent**"), the Holder shall have the option to convert all or a portion of the Principal Amount of a Holder's Notes into Common Shares at the Conversion Price. If converted prior to the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in Common Shares within ten (10) Business Days of the date of conversion of the Principal Amount, and if converted upon or after the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in cash or Common Shares in accordance with the Holders' election to be delivered pursuant to Section 4.2 regarding receipt of the Principal Amount within ten (10) Business Days of the date of conversion of the Principal Amount. Notwithstanding the foregoing, the conversion of the Principal Amount into Common Shares shall be subject to any applicable NEO or regulatory approval.

4.2 Manner of Exercise of Right to Convert

- (a) If the Holder wishes to convert this Note into Common Shares, it shall surrender such Note to the Company together with the Conversion Form set forth in Schedule "A" hereto, duly executed by the Holder, irrevocably exercising its right to convert such Note in accordance with the provisions of this Article 4. Thereupon the Holder or its nominee or assignee shall be entitled to be entered in the books of the Company as at the Date of Conversion as the holder of the number of Common Shares into which such Note is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Company shall deliver to such Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares and, if applicable, a cheque for any amount payable under Section 4.5 in respect of fractional shares.
- (b) For the purposes hereof, the date of conversion of the Note (the "**Date of Conversion**") shall be deemed to be the date on which it is surrendered in accordance with the provisions hereof and, in the case of a Note so surrendered by mail or other means of delivery, the date on which it is received by the Company during regular business hours on a Business Day.
- (c) Upon surrender of this Note for conversion in accordance with this Section 4.2, the Holder will be entitled to receive that number of Common Shares equal to the quotient obtained when the aggregate of the Principal Amount to be converted is divided by the Conversion Price. The Common Shares issued upon conversion shall be entitled to all rights and privileges accorded to holders of record of Common Shares on and after the Date of Conversion, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.3 Mandatory Conversion

If, during the term of the Notes, the volume weighted-average share price of the Common Shares on the NEO (or such other exchange on which the Common Shares may principally trade at such time) for 20 consecutive Trading Days equals or exceeds \$0.06, the Company may, at its option, subject to providing not less than 30 days' prior notice to Holders, convert the Notes into Common Shares at the Conversion Price (subject to customary adjustments for recapitalizations, stock dividends and splits, combinations and the like), in whole or, from time to time, in part. On any such conversion of the Notes, the Holders will receive accrued and unpaid Interest on the amount converted for the period from the date of the latest payment of Interest to the Date of Conversion, in cash. The Company may only exercise its mandatory conversion right on or after the first anniversary of the Closing Date.

4.4 Adjustment Provisions

The Conversion Price will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the Maturity Date, the Company:
 - (i) issues Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of the Common Shares as a stock dividend;
 - (ii) makes a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;
 - (iii) subdivides its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidates its outstanding Common Shares into a smaller number of shares;

(any of such events in subsection 4.4(a)(i), subsection 4.4(a)(ii), subsection 4.4(a)(iii) or 4.4(a)(iv) above being called a “**Share Reorganization**”), the Conversion Price will be adjusted immediately after the effective date or record date for the happening of a Share Reorganization, as the case may be, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Shares outstanding immediately after giving effect to such Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date). Such

adjustment will be made successively whenever any event referred to in this Section 4.4 occurs;

- (b) If and whenever at any time after the date hereof the Company fixes a record date for the issuance of rights, options or warrants to the holders of all or substantially all of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares, where:
- (i) the right to subscribe for or purchase Common Shares, or the right to exchange securities for or convert securities into Common Shares, expires not more than 45 days after the date of such issue (the period from the record date to the date of expiry herein in this Section 4.4 being the “**Rights Period**”); and
 - (ii) the cost per Common Share during the Rights Period (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) (herein in this Section 4.4 called the “**Per Share Cost**”) is less than 95% of the Current Market Price of the Common Shares on the record date,

(any of such events being called a “**Rights Offering**”), then the Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

- (A) the numerator of which is the aggregate of:
 - (1) the number of Common Shares outstanding as of the record date for the Rights Offering; and
 - (2) a number determined by dividing the product of the Per Share Cost and:
 - (I) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or
 - (II) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common

Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

- (B) the denominator of which is:
- (1) in the case described in subparagraph 4.4(b)(A)(2)(I), the number of Common Shares outstanding, or
 - (2) in the case described in subparagraph 4.4(b)(A)(2)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.4(b)(A)(2)(II) had been issued,

as at the end of the Rights Period.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

If by the terms of the rights, options or warrants referred to in this Section 4.4, there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

- (1) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and
- (2) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

To the extent that any adjustment in the Conversion Price occurs pursuant to this subsection 4.4(b) as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in this subsection 4.4(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued

and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

If the Holder has converted the Note in accordance herewith during the period beginning immediately after the record date for a Rights Offering and ending on the last day of the Rights Period therefor, the Holder will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the Conversion Price in effect immediately prior to the end of such Rights Offering pursuant to this subsection is multiplied by the number of Common Shares received upon the conversion of the Notes during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this subsection; provided that the provisions of Section 4.5 will be applicable to any fractional interest in a Common Share to which such Holder might otherwise be entitled. Such additional Common Shares will be deemed to have been issued to the Holder immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to such Holder within five (5) Business Days following the end of the Rights Period.

- (c) If and whenever at any time after the date hereof the Company fixes a record date for the issue or the distribution to the holders of all or substantially all its Common Shares of:
- (iii) shares of the Company of any class other than Common Shares;
 - (iv) rights, options or warrants to acquire shares or securities exchangeable for or convertible into shares or property or other assets of the Company;
 - (v) evidence of indebtedness; or
 - (vi) any property or other assets,

and if such issuance or distribution does not constitute (A) a Share Reorganization or (B) a Rights Offering (such non-excluded events being called a “**Special Distribution**”), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (A) the numerator of which is:
- (1) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
 - (2) the aggregate fair market value (as determined by action by the directors of the Company, acting reasonably and in good faith, and subject to the prior written consent of the

NEO, if required) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

- (B) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

- (d) If and whenever at any time after the date hereof there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Share Reorganization), or a consolidation, amalgamation or merger of the Company with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Holder, upon conversion of the Notes after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which such Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon conversion of the Notes. If determined appropriate by action of the directors of the Company, acting reasonably and in good faith, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.4 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 4.4 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise hereof. Any such adjustment must be made by and set forth in an amendment to the Notes approved by action by the directors of the Company and will for all purposes be conclusively deemed to be an appropriate adjustment.
- (e) If at any time after the date hereof and prior to the Expiry Time any adjustment in the Conversion Price shall occur as a result of:
 - (vii) an event referred to in subsection 4.4(a);
 - (viii) the fixing by the Company of a record date for an event referred to in subsection 4.4(b); or

- (ix) the fixing by the Company of a record date for an event referred to in subsection 4.4(c) if such event constitutes the issue or distribution to the holders of all or substantially all of its outstanding Common Shares of (A) Equity Shares, or (B) securities exchangeable for or convertible into Equity Shares at an exchange or conversion price per Equity Shares less than the Current Market Price on such record date or (C) rights, options or warrants to acquire Equity Shares at an exercise, exchange or conversion price per Equity Share less than the Current Market Price on such record date,

then, where required, the number of Common Shares purchasable upon the subsequent conversion of the Notes shall be simultaneously adjusted by multiplying the number of Common Shares purchasable upon the conversion of the Notes immediately prior to such adjustment by a fraction which shall be the reciprocal of the fraction employed in the adjustment of the Conversion Price. To the extent any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of a distribution of exchangeable or convertible securities other than Equity Shares referred to in subsection 4.4(a) or as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in subsection 4.4(b), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number of Common Shares which would be purchasable based upon the number of Common Shares actually issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right. To the extent that any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of the fixing by the Company of a record date for the distribution of exchangeable or convertible securities other than Equity Shares or rights, options or warrants referred to in subsection 4.4(c), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number which would be purchasable pursuant to this subsection 4.4(e) if the fair market value of such securities or such rights, options or warrants had been determined for purposes of the adjustment pursuant to this subsection 4.4(e) on the basis of the number of Equity Shares issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right.

4.5 No Requirement to Issue Fractional Shares

The Company shall not issue fractional Common Shares upon the conversion of this Note. If any fractional interest in a Common Share would, except for the provisions of this Section 4.5, be deliverable upon the conversion of any Principal Amount, the Company shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Holder of such surrendered Note an amount in lawful money of Canada equal to an identical fraction of the Conversion Price of the Common Shares on the Date of Conversion.

4.6 **Taxes and Charges on Conversion**

The Company will from time to time promptly pay or make provision for the payment of all Taxes which may be imposed by applicable laws (except income tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Holder upon the exercise of its right of conversion pursuant to the terms of this Note.

4.7 **Certificate as to Adjustment**

The Company shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.4, deliver a notice to the Investors specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby including the resulting Conversion Price and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such notice and the amount of the adjustment specified therein shall, subject to the provisions of Sections 4.3 and 4.5 and absent manifest error, be conclusive and binding on all interested parties.

4.8 **Notice of Special Matters**

The Company covenants that, so long as this Note remains outstanding, it will give notice to the Holders of its intention to fix a record date for any event referred to in Section 4.4 (other than the subdivision, redivision, reduction, combination or consolidation of Common Shares) which may give rise to an adjustment in the Conversion Price, and such notice shall specify the particulars of such event and the record date or the effective date, as applicable, for such event, provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Except where the Holders otherwise consent in writing, such notice shall be given not less than fourteen (14) days prior to the applicable record date.

4.9 **Company to Reserve Shares**

The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited) solely for the purpose of issuance upon conversion of this Note such number of Common Shares as shall then be issuable upon the conversion of this Note. All Common Shares which shall so be issuable shall be, upon issuance, duly and validly issued, fully paid and non-assessable.

4.9 **Mandatory Offer**

Within five (5) Business Days after the occurrence of any of the following events:

- (i) the sale or other disposition of all or substantially all of the business of the Company; or
- (ii) a Change of Control of the Company,

the Company shall make an offer in writing to the Holder to purchase the outstanding Principal Amount of this Note plus all accrued and unpaid Interest as of such date. The offer shall remain open for a period of at least 30 days from the date of receipt of such notice by the Holder. The

Holder may, in its sole discretion, tender the Note to the offer by so indicating to the Company by notice in writing during the offer period. Purchase of the Note, if tendered, shall occur within five Business Days of receipt by the Company of such notice, together with the tendered Note.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent

The Holder shall not be obligated to advance the Loan unless and until the following conditions precedent have been fulfilled to the Holder's satisfaction in its absolute discretion, which conditions are for the sole and exclusive benefit of the Holder, and notwithstanding anything to the contrary, which may be waived in writing by the Holder in its sole discretion:

- (a) **Note.** The Company shall have delivered to the Holder, in form and substance satisfactory to Holder, this Note and any and all other ancillary documents reasonably required by the Holder in connection with the advance of the Loan, including, without limitation, any and all consents, acknowledgements, estoppels, waivers, subordinations, priority agreements, intercreditor agreements, officer's certificates and legal opinions of the Company's counsel reasonably required by the Holder.
- (b) **Perfection of Security.** All registrations or filings required to perfect the Liens granted to the Holder shall have been made in all applicable jurisdictions and public offices necessary or desirable to provide the Holder with the priority position it requires.
- (c) **Representations, Warranties and Covenants.** The representations and warranties of the Holder shall be true, accurate, complete and correct as of the Closing Date and the Holder shall have complied with all covenants and agreements set forth herein, to the extent that the covenants can be complied with as of Closing Date.
- (d) **No Default.** No Default shall have occurred and be continuing or shall occur as a result of the transactions contemplated by this Note.

ARTICLE 6 COVENANTS OF THE COMPANY

6.1 Covenants. The Company covenants and agrees that so long as the Notes remain outstanding:

- (a) The Company shall pay the Principal Amount, Interest and all other amounts payable by the Company under the terms of this Note promptly when due on the dates and in the manner specified in this Note.
- (b) The Company will use commercially reasonable efforts to maintain its corporate existence and qualify and remain qualified to carry on business in each

jurisdiction where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

- (c) The Company will give notice in writing to the Holder of the occurrence of any Default that is continuing forthwith upon becoming aware thereof.
- (d) The Company will use commercially reasonable efforts to maintain: (i) the listing of the Common Shares on the NEO, and (ii) the Company's status as a reporting issuer not in default under Applicable Securities Laws; provided that nothing in this subsection 6.01(d) shall prevent the Company from completing any transaction which would result in the Common Shares ceasing to be listed on the NEO or the Company ceasing to be a reporting issuer under Applicable Securities Laws so long as the holders of securities of the Company receive securities of an entity which is listed on a recognized Canadian or U.S. stock exchange or cash or the holders of securities of the Company have approved the transaction in accordance with the requirements of applicable corporate law and Applicable Securities Laws.
- (e) The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or otherwise becomes limited) for the purpose of issue and delivery, and shall issue to the Holder, such number of Common Shares as shall then be issuable under the terms of this Note upon conversion as provided in Article 4, and such Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable Common Shares in the capital of the Company.

ARTICLE 7 DEFAULT AND ENFORCEMENT

7.1 Events of Default

The happening of any of the following events or conditions shall constitute an event of default ("**Default**") hereunder:

- (a) **Failure to Pay Principal Amount.** If the Company makes default in payment of the Principal Amount on the Maturity Date or when the same otherwise becomes due under any provision hereof;
- (b) **Failure to Pay Interest.** If the Company fails to make a payment of Interest when due;
- (c) **Failure to Pay Other Amounts.** If the Company fails to make payment when due of any amount payable hereunder other than the Principal Amount or Interest and such failure has not been cured within 30 days;
- (d) **Default in Other Covenants.** If, other than in respect of any covenant to pay, there is any default or failure in the observance or performance of any other act hereby required to be done or any other material covenant or condition hereby

required to be observed or performed and such default or failure has not been cured within 30 days;

- (e) **False Representations, etc.** If any representation, warranty, certificate, statement or report made or given herein or otherwise in connection hereunder is false or erroneous or misleading in any material respect at the time it was made or given;
- (f) **Insolvency.** If the Company is unable to pay debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- (g) **Voluntary Proceedings.** If the Company makes a general assignment for the benefit of creditors, or any proceedings or filing is instituted or made by the Company seeking relief on its behalf as debtor, or to adjudicate it to a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment recomposition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets; or the Company takes any corporate action to authorize any of the actions set forth in this subsection 7.1(g);
- (h) **Involuntary Proceedings.** If any notice of intention is filed or any proceeding or filing is instituted or made against the Company in any jurisdiction seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets or seeking possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or a substantial part of the assets of the Company unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or stayed within thirty (30) days of institution thereof;
- (i) **Receiver, etc.** If a receiver, liquidator, trustee, sequestrator or other officer with like powers is appointed with respect to, or an encumbrancer takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or a substantial part of the properties or assets of the Company or gives notice of its intention to do so;
- (j) **Execution, Distress.** If any writ, attachment, execution, sequestration, extent, distress or any other similar process becomes enforceable against the Company or if a distress or any analogous process is levied against all or a substantial part of the properties or assets of the Company;
- (k) **Suspension of Business.** If the Company suspends or ceases or threatens to suspend or cease its Business; and

- (1) **Sale.** If the Company sells or otherwise disposes of, or threatens to sell or otherwise dispose of, all or a substantial part of its undertaking and property and assets, whether in one transaction or a series of related transactions and the Company does not make the mandatory offer under Section 4.10.

7.2 Consequences of an Event of Default

Upon the occurrence and during the continuance of an Event of Default, all monies secured by the Lien over the Secured Property and the Obligations herein shall at the option of the Holder become forthwith due and payable.

ARTICLE 8 REMEDIES

8.1 Appointment of Receiver

- (a) **Right to Appoint:** Upon a Default which is continuing, the Holder may appoint by instrument in writing, any person to be a receiver (hereinafter called a “Receiver”, which term when used herein shall include a receiver and manager) of the Secured Property as the agent of the Company and may remove any Receiver so appointed and appoint another in his stead.
- (b) **Receiver Agent of the Company:** Any such Receiver shall, so far as concerns responsibility for their acts, be deemed the agent of the Company and not the Holder (to the extent permitted by applicable Laws) and the Holder shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any such Receiver, their servants, agents or employees other than their gross negligence or wilful misconduct.
- (c) **Power of Receiver:** Subject to the provisions of the instrument appointing them, any such Receiver shall have power to take possession of the Secured Property or any part thereof, to preserve the Secured Property or its value, to carry on or concur in the carrying on of all or part of the business of the Company and to sell or otherwise dispose of or concur in selling or otherwise disposing of all or any part of the Secured Property. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Company, enter upon, use and occupy all premises owned or occupied by the Company wherein all or any part of the Secured Property may be situated, maintain the Secured Property upon such premises, borrow money on a secured or unsecured basis and use all or any part of the Secured Property directly in carrying on the Company’s Business or otherwise, as such Receiver shall, in his discretion, determine.
- (d) **Monies Received by Receiver:** Except as may be otherwise directed by the Holder, all monies received from time to time by such Receiver in carrying out their appointment shall be received exclusively in trust for and paid over to the Holder and applied against the Obligations in such order as the Holder sees fit in its sole and absolute discretion.

- (e) **Receiver Vested with Rights of the Holder:** Every such Receiver may, in the discretion of the Holder, be vested with all or any of the rights and powers of the Holder.

8.2 **Exercise Powers of Receiver**

Upon Default, the Holder may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver hereby.

8.3 **Court Appointed Receiver**

Upon Default, the Holder may proceed in any court of competent jurisdiction for the appointment of a Receiver of all or any part of the Secured Property.

8.4 **Other Proceedings**

Upon Default, the Holder may take any other remedy or proceeding authorized or permitted hereby or by Law or equity.

8.5 **Sale of Secured Property**

Without limiting the generality of the foregoing, upon a Default which is continuing, it shall be lawful for the Holder to make any sale, lease or other disposition of the Secured Property either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper (in accordance with applicable Laws) and to sue the Company for any deficiency remaining. The Holder shall be accountable only for money actually received by it. The Holder may deliver to the purchaser of the Secured Property good and sufficient conveyances of same, free and clear of any claim by the Company. The purchaser, lessee or transferee receiving any disposition of the Secured Property or any part thereof need not inquire whether Default under this Note has actually occurred but may as to this and all other matters rely upon a statutory declaration of the Holder, which declaration shall be conclusive and any such purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security or the taking of possession of the Secured Property or the sale, lease or other disposition thereof.

8.6 **Rights as Secured Party**

In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Company and the Holder, the Holder shall have, both before and after Default which is continuing, all the rights and remedies of a secured party under the PPSA and any other applicable Law as may from time to time be in effect. The Holder shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, realize, sell or otherwise dispose of the Secured Property or any part thereof or to institute any proceedings for such purposes. Furthermore, the Holder shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Secured Property or Proceeds, whether or not in the possession of the Holder, and shall not be liable or accountable for failure to do so.

8.7 Take Possession

The Company acknowledges that the Holder or any Receiver appointed by it may take possession of the Secured Property or any part thereof wherever it may be located and by any method permitted by applicable Laws and the Company agrees that upon request from the Holder or any such Receiver to assemble and deliver possession of the Secured Property or any part thereof at such place or places as may be directed.

ARTICLE 9 RELEASE, SUBORDINATION AND THIRD PARTY BENEFICIARIES

9.1 **Release by Holder.** The Holder may, at its sole discretion, at any time release from the security interest hereby created any part or parts of the Secured Property either with or without consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Secured Property or any person from this Note.

9.2 Subordination to Senior Indebtedness.

- (a) Notwithstanding any other provision to the contrary in this Note, all rights of the Holder and the other Noteholders to receive payment of any indebtedness owing to them by the Company is and shall be expressly subordinate and junior in right of payment and exercise of remedies to the prior payment in full in cash of all present and future Senior Indebtedness to the extent and in the manner provided therein, and the Holder hereby subordinates all present and future indebtedness owing under this Note as a claim against the Company prior to the payment in full in cash of the Senior Indebtedness; *provided, however*, that the foregoing subordination restrictions (and any other restrictions contained in this Article 9) do not restrict the ability of the Holder, should the Holder so demand at any time after the Maturity Date, to be repaid the Principal Amount plus any outstanding Interest on or after the Maturity Date if this Note is not earlier converted or cancelled pursuant to its terms (provided that the Senior Indebtedness is not in default), and nothing in this Note or otherwise shall prevent repayment on Maturity Date if elected by the Holder regardless of whether the Senior Indebtedness is still outstanding (provided that the Senior Indebtedness is not in default at the relevant time).
- (b) The Holder hereby acknowledges and agrees that each security interest, pledge, assignment, mortgage, or other interest of the Subsidiary Senior Lender in the Subsidiaries' Secured Property shall have priority to the extent of all Senior Indebtedness secured thereby over any right, security interest, lien, or claim that the Holder or any other Noteholder may now have or hereafter have therein or thereto. The priorities established hereby shall be irrespective of the time or order of attachment or perfection of security interests, liens, or claims or the time or order of filing of financing statements or mortgages or otherwise. The Holder hereby waives, to the extent permitted by applicable law, all rights to notice of sale or other intended disposition of any Subsidiaries' Secured Property by the Subsidiary Senior Lender.

- (c) Subject to Section 9.2(a), except as expressly permitted by the terms of any Senior Indebtedness, or unless the Subsidiary Senior Lender otherwise consents in writing, the Company will not make, and the Holder will not accept or receive, any payment in cash of any indebtedness owing under this Note until all the Senior Indebtedness has been paid in full in cash, other than in connection with the repayment of Principal Amount and Interest on or after the Maturity Date if demanded by the Holder pursuant to this Note. If the Holder receives any payment in cash on account of the indebtedness owing under this Note (other than after the Maturity Date if elected by the Holder), in violation of this Section 9.2, then it shall hold such cash payment in trust for the benefit of the Subsidiary Senior Lender and, promptly upon discovery or notice of such violation, pay such amount over to the Subsidiary Senior Lender on behalf of such holders for application in payment of the Senior Indebtedness.
- (d) The Holder agrees that to the extent it holds any indebtedness under this Note at the relevant time, it will not take any action as the holder of any such indebtedness that will impede, interfere with or restrict or restrain the exercise by the Subsidiary Senior Lender of rights and remedies under the Senior Indebtedness. In furtherance thereof, the Holder, in its capacity as a holder of the indebtedness under this Note hereby agrees not to oppose any motion filed or supported by the Subsidiary Senior Lender for relief from stay or for adequate protection in respect of any Senior Indebtedness and not to oppose any motions supported by the Subsidiary Senior Lender for the Company's use of cash collateral or post-petition borrowing from the Subsidiary Senior Lender, provided that, the repayment of Principal plus Interest after the Maturity Date if so demanded by the Holder pursuant to the terms hereof shall not in any manner be deemed to have impeded, interfered with or restricted or restrained the Subsidiary Senior Lender's rights or remedies under the Senior Indebtedness (provided that the Senior Indebtedness is not in default at the relevant time).
- (e) The Holder, for itself and its successors and assigns, agrees for the benefit of the Subsidiary Senior Lender that so long as any Senior Indebtedness remains outstanding or committed to be advanced, the Holder will not, directly or indirectly, take any action prior to the Maturity Date to accelerate or demand payment in cash by the Company of any of the indebtedness owing under this Note, to exercise any of the remedies in respect of such indebtedness or any collateral security therefor, to initiate any litigation against the Company, or to foreclose or otherwise realize on any security given by the Company to secure such indebtedness.
- (f) The Subsidiary Senior Lender shall be entitled to the benefits under this Section 9.2 without notice thereof being given to the Holder or to any other Noteholder.
- (g) The provisions of this Section 9.2 as to subordination are solely for the purpose of defining the relative rights of the Subsidiary Senior Lender on the one hand, and the Holder and the other Noteholders on the other hand, and none of such provisions shall impair, as between the Company and the Holder, the obligations of the Company, which are unconditional and absolute, to pay to the Holder all of

the indebtedness owing under this Note in accordance with the terms hereof, nor, except as provided by this Section 9.2 or the terms of any Senior Indebtedness, shall any such provisions prevent the Holder from exercising all remedies otherwise permitted by applicable law or under the terms of this Note upon an Event of Default, subject to the rights, if any, of the Subsidiary Senior Lender under the other provisions of this Section 9.2.

- (h) Each of the Company and the Holder agree that, unless the Subsidiary Senior Lender otherwise consents thereto in writing (such consent not to be unreasonably withheld), prior to the payment in full in cash of the Senior Indebtedness, (i) it will not modify or amend this Note or any collateral or other security therefor that directly alter or amend the subordination arrangements under this Article 9 hereof or otherwise (it being understood that the terms of this Note may be amended by the mutual consent of the Company and the Holder, without the consent of the Subsidiary Senior Lender if such amendments do not otherwise modify the terms of the subordination arrangements set forth herein), and (ii) except for the security interests granted under Article 3, the Company shall not grant and the Holder will not obtain liens on or security interests in the Secured Property as security for the indebtedness owing under this Note, and that to the extent any such liens or security interests are created or exist on or in the Secured Property (by operation of law or otherwise) all such liens and security interests are and shall be fully subordinated and junior to the liens on and security interests in the Secured Property in favour of the Subsidiary Senior Lender.
- (i) Nothing in this Section 9.2 will restrict, prevent or exclude the conversion of this Note into shares in the capital of the Company in accordance with Article 4, whether automatically or at the option of the Holder.

9.3 **Third Party Beneficiaries.**

- (a) Except as set out in Section 9.1(b), the parties do not confer any legal, equitable or other rights or remedies of any nature under or by reason of this Note upon any person other than the parties to this Note and their respective successors and permitted assigns.
- (b) The parties hereby designate the Subsidiary Senior Lender as third-party beneficiaries of Article 9 of this Note having the right to enforce all sections in such Article 9, including against the Company and the Holder, jointly and severally, and this Section 9.1(b) may not be amended at any time while any obligations are owing to the Subsidiary Senior Lender without the prior written consent of the Subsidiary Senior Lender.

9.4 Permitted Encumbrances and Permitted Indebtedness. The Holders hereby acknowledge the existence of the Permitted Encumbrances and the Permitted Indebtedness listed in Schedule "C" hereto.

ARTICLE 10 GENERAL MATTERS

10.1 Amalgamation

The Company acknowledges that if it amalgamates with any other corporation or corporations (a) the term “**Company**”, where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (b) the term “**Obligations**”, where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

10.2 Costs and Expenses

The Company shall pay all reasonable costs, fees and expenses of the Holder, whether directly or for services rendered (including, without limitation, reasonably solicitors’ and other professional costs, fees and expenses) in connection with the preparation, negotiation and documentation of this Note and any and all documents ancillary thereto and the enforcement of the Holder’s rights hereunder and under any other document delivered pursuant to this Agreement provided funds including the Principal Amount are advanced as described herein. Such costs, fees and expenses shall form part of the Obligations and shall be secured hereby.

10.3 Further Assurances

The Company hereby covenants that it will, at all times do, execute, acknowledge and deliver every such further act, deed, transfer, assignment, mortgage, hypothec, charge, discharge and assurance with respect to the Secured Property as the other may reasonable require and as permitted by applicable Laws for the better assuring, mortgaging, charging, hypothecating, transferring, assigning, discharging and confirming the Secured Property unto the Holder and for the better accomplishing and effectuating the intent of this Note.

10.4 General Interest Provisions

Notwithstanding any other provision of this Note, in no event shall the aggregate “interest” (as that term is defined in Section 347 of the *Criminal Code* (Canada)) paid or payable pursuant to this Note exceed the effective annual rate of interest on the “credit advanced” (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Note, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Holder will be conclusive for the purposes of such determination. If at any time the implementation of any provision hereof results in a payment or an obligation to make a payment in contravention of this Section 10.4, the amount of the excess shall be applied as a partial prepayment of principal and the obligation to make such excess payment shall be deemed a severable obligation. The Company represents and warrants to the Holder that it has not incurred, and will not incur, any charges or expenses pursuant to this Note which may be considered to be “interest” in an aggregate amount which is in contravention of Section 347 of the *Criminal Code* (Canada). A certificate of an authorized signing officer of the Holder as to each amount or each rate of interest payable hereunder from time to time shall, in the absence of manifest error, be conclusive evidence of such amount and

of such rate.

10.5 Performance by Holder

If the Company fails to perform any of its obligations hereunder, the Holder may, after notice to the Company, but shall not be obligated to, perform any or all such obligations, and all costs, charges, expenses, fees, outlays and premiums incurred by the Holder in connection therewith shall be payable by the Company forthwith upon demand by the Holder and shall bear interest from the date incurred by the Holder at the Interest Rate, compounded quarterly and payable on demand and shall form part of the Obligations and shall be secured hereby. Any such performance by the Holder shall not constitute a waiver by the Holder of any right, power, or privilege under this Note.

10.6 No Modification

No modification, variation or amendment of any provision of this Note shall be made without the prior written consent of the Holder, and no waiver of any provision hereof shall be effective unless in writing.

10.7 Appropriation of Funds

The Company agrees that the Holder may from time to time appropriate all monies realized by the Holder from the enforcement of the Liens on or towards the payment of any part of the Obligations of the Company as the Holder in its sole discretion may determine, and the Company shall have no right to require or enforce any appropriation inconsistent therewith, and the Holder shall have the right to change the application of any such proceeds and re-apply the same to any part or parts of such Obligations as the Holder may see fit notwithstanding any previous application.

10.8 Relationship of Parties

The provisions contained in this Note shall not create or be deemed to create any relationship as between the Company and the Holder other than that of borrower and creditor. For greater certainty, nothing herein shall constitute the Holder and the Company as partners or joint venturers or impose any liability upon them as such.

10.9 Not a Shareholder

Nothing in this Note or in the holding of the Notes evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.

10.10 Notice to the Company and the Holder

Any notice to be given to the Company or the Holder shall be in writing and shall be deemed to be validly given if such notice is delivered personally, sent by prepaid registered mail or emailed, addressed as follows:

- (a) if to the Company, at:

Trees Corporation

181 Bay Street, Suite 1800
Toronto, Ontario M5E 1R4
Attention: Jeff Holmgren, President & Chief Financial Officer
Email: jeffh@treescorp.ca

- (b) if to the Holder, at the Holder's address as it appears on the records of the Company.

Notice of change of address shall also be governed by this Section. Any notice so given by personal delivery shall be deemed to have been given when received by the Company or the Holder, and by prepaid registered mail shall be deemed to have been received by the Company or the Holder on the third (3rd) Business Day after the day of such mailing and any notice so given by email transmission shall be deemed to have been received by the Company or the Holder when the appropriate confirmation of receipt of transmission is received during normal business hours, failing which notice shall be deemed to be received the next Business Day.

10.11 Replacement of Note

If the Note shall become mutilated or be lost, stolen or destroyed and in the absence of notice that the Note has been acquired by a *bona fide* purchaser, the Company in its discretion may issue a new Note upon surrender and cancellation of the mutilated Note, or, in the event that a Note is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted debenture shall be in the form hereof and the Holder shall be entitled to benefits hereof. In case of loss, theft or destruction, the Holder shall furnish to the Company such evidence of such loss, theft or destruction as shall be satisfactory to the Company in its discretion acting reasonably together with an indemnity in form and substance mutually acceptable to the Company and the Holder, each acting reasonably. The applicant shall pay reasonable expenses incidental to the issuance of any such new Note.

10.12 Successors and Assigns

This Note shall enure to the benefit of the Holder and its successors and assigns and shall be binding upon the Company and its successors.

10.13 Assignment

This Note is non-negotiable and each of the Company and the Holder covenants and agrees that it cannot, and shall not, transfer, sell, assign or pledge this Note without the prior written consent of the other party. The Holder acknowledges and agrees that any transfer, sale, assignment or pledging of this Note by it shall comply with the provisions of the Securities Act, or such other regulatory authority having jurisdiction.

10.14 Invalidity of Provisions

Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

10.15 Governing Law

This Note shall be governed by and construed, interpreted and performed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.16 Time of Essence

Time shall be of the essence of this Note and a forbearance by the Holder of the strict application of this provision shall not operate as a continuing or subsequent forbearance.

10.17 No Waiver

No failure or delay by the Holder in exercising any right, power or privilege under this Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.18 Attachment

The Liens created by this Note are intended to attach when this Note is executed by the Company and delivered to the Holder or in the case of any property acquired subsequent hereto, contemporaneously with any such acquisition.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Note to be executed under its corporate seal by its duly authorized officer as of the date first written above.

TREES CORPORATION

DocuSigned by:

Per:

Jeff Holmgren

Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

SCHEDULE "A"

CONVERSION FORM

TO: TREES CORPORATION

All terms used herein but not defined shall have the meanings ascribed thereto in the within Note.

Pursuant to Article 4 of the Note, the undersigned registered Holder hereby irrevocably elects to convert the principal amount of \$_____ into _____ Common Shares at the Conversion Price in accordance with the terms of the Note and directs that the Common Shares issuable and deliverable upon the conversion be issued and delivered to the person indicated below.

(If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Print name in which Common Shares issued on conversion are to be issued, delivered and registered:

Name: _____

(Address) (City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title:

SCHEDULE "B"

INTEREST PAYMENT ELECTION FORM

TO: TREES CORPORATION

The undersigned registered holder (the "**Holder**") of the attached 12.0% secured convertible promissory note due October 20, 2025 (the "**Note**") hereby elects to receive: (Please check the **ONE** box applicable):

Cash

OR

Common Shares

representing payment of the interest payable for the upcoming Interest Payment Date.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Note.

If the Holder has elected to be issued Common Shares, the Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

(Address) (City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title:

SCHEDULE “C”**PERMITTED INDEBTEDNESS**

- (i) indebtedness incurred which is secured by the purchase money liens and other agreements described in subparagraph (vi) of the definition of Permitted Encumbrances;
- (ii) the Obligations hereunder;
- (iii) existing shareholder loans;
- (iv) unconverted debt in connection with the Company’s outstanding secured convertible debentures issued on September 10, 2021, October 28, 2021, and November 5, 2021 by way of private placement;
- (v) the Notes effective as of the date hereof in favour to other Holders of Notes issued pursuant to the Offering;
- (vi) any Senior Indebtedness; and
- (vii) such other indebtedness as may be approved by the Holder from time to time.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE MARCH 26, 2023.

TREES CORPORATION

SECURED CONVERTIBLE PROMISSORY NOTE

Date: November 25, 2022

**ARTICLE 1
PRINCIPAL AND INTEREST**

1.1 Promise to Pay

FOR VALUE RECEIVED, the undersigned, **TREES CORPORATION**, a corporation continued under the federal laws of Canada (the “**Company**”), hereby acknowledges itself indebted and promises to pay to Sophie Capital Corp., and its successors and assigns (the “**Holder**”), as it may direct, on the Maturity Date (as hereinafter defined) or on such earlier date as the principal amount hereof may become due in accordance with the provisions hereof, on presentation and surrender of this Note in accordance with the provisions hereof at the offices of the Company, the principal amount of thirty thousand dollars (\$30,000) in lawful money of Canada, (the “**Principal Amount**”) and to pay interest (“**Interest**”) on the Principal Amount outstanding from time to time (after as well as before maturity, default and judgment) at a rate of interest equal to twelve percent (12%) per annum (the “**Interest Rate**”). Interest shall accrue on the Principal Amount at the Interest Rate on a non-compounded basis, from the date hereof until conversion of this Note or payment in full. Interest shall be paid annually, in Common Shares, until the achievement by the Company of the Conversion Conditions Precedent (as hereafter defined), after which interest shall be paid in cash or Common Shares at the Holder’s option by duly completing and returning to the Company, at least 5 calendar days prior to the Interest Payment Date, the Interest Payment Election Form attached hereto as Schedule “B”. In the event the Holder does not complete and return the Interest Payment Election Form to the Company within the prescribed time, the Holder shall be issued cash or Common Shares in full satisfaction of the interest owing to the Holder on the Interest Payment Date, at the Company’s option. The total amount payable under this Note will consist of the sum of the unpaid principal amount plus all accrued and unpaid Interest thereon. The number of Common Shares issuable in payment of Interest shall be determined using the volume weighted average trading price of the Common Shares on the Neo Exchange Inc. (the “**NEO**”) (or such other exchange on which the Common Shares may principally trade at such time) for the ten (10) consecutive Trading Days preceding the Interest payment record date (which record date shall be five Business Days prior to the Interest Payment Date). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

1.2 Prepayment

The Company shall have the ability to repay all or a part of the amounts outstanding hereunder at any time prior to the Maturity Date at a price equal to 112% of all then outstanding Principal Amount and Interest.

ARTICLE 2
DEFINITIONS, INTERPRETATIONS AND GENERAL PROVISIONS

2.1 Interpretation

In this Note, unless there is something in the subject matter or context inconsistent therewith:

- (a) The terms “**Goods**”, “**Chattel Paper**”, “**Documents of Title**”, “**Instruments**”, “**Intangibles**”, “**proceeds**”, “**Inventory**”, “**Investment Property**”, “**Money**”, “**Account**”, “**Equipment**” and “**Securities**”, whenever used in this Note shall have the meanings ascribed thereto in the PPSA;
- (b) “**Affiliate**” has the meaning specified in the *Canada Business Corporations Act*;
- (c) “**Applicable Securities Laws**” means, collectively, all applicable securities laws (including rules, regulations, policies and instruments enacted thereunder) in the Provinces of Ontario, Alberta and British Columbia and all applicable rules and policies of the NEO or any other stock exchange on which the Common Shares may be listed from time to time.
- (d) “**Arm’s length**” has the meaning specified in the *Income Tax Act* (Canada);
- (e) “**Business**” means the business carried on by the Company, including but not limited to the operation of independent retail cannabis stores in the Province of Ontario;
- (f) “**Business Day**” means any day, other than Saturday, Sunday or any civic or statutory holiday in the City of Toronto, Ontario;
- (g) “**Change of Control**” means any event whereby any Person or any Persons acting jointly or in concert (as that term is used in the *Securities Act* (Ontario)) with such Person, together with any Affiliate of any such Person, become(s) the beneficial owner(s) of shares of the Company, or securities exercisable or convertible into shares of the Company, carrying more than 50 percent of the votes for the election of directors and the votes carried by such shares are sufficient, if exercised, to elect a majority of the board of directors of the Company;
- (h) “**Closing**” means the issuance of the Note free from any escrow conditions on the Closing Date;
- (i) “**Closing Date**” means the date hereof;
- (j) “**Common Shares**” means the common shares in the capital of the Company, as currently constituted, and any shares into which such common shares may be changed, converted, exchanged or reclassified from time to time;

- (k) “**Contract**” means any contract (i) involving aggregate payments to or by the Company in excess of Twenty-Five Thousand Dollars (\$25,000) during any year; or (ii) which if terminated would cause a Material Adverse Change;
- (l) “**Conversion Conditions Precedent**” has the meaning given thereto in Section 4.1;
- (m) “**Conversion Price**” means \$0.015 per Common Share, subject to adjustment as provided in Section 4.4;
- (n) “**Current Market Price**” for the purposes of any computation hereunder, the “Current Market Price” at any date shall be the weighted average sale price per share for the Common Shares for the 20 consecutive Trading Days ending immediately before such date on the NEO or such other stock exchange on which the Common Shares may then be listed, or, if the Common Shares or any other security in respect of which a determination of Current Market Price is being made are not listed on any stock exchange, the Current Market Price shall be determined by the Board of Directors, acting reasonably and in good faith, which determination shall be conclusive. The weighted average price shall be determined by dividing the aggregate sale price of all such shares sold on the said exchange during the said 20 consecutive trading days by the total number of such shares so sold;
- (o) “**Equity Shares**” means the Common Shares and any shares of any other class or series of the Company which may from time to time be authorized for issue if by their terms such shares confer on the holders hereof the right to participate in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company beyond a fixed sum or a fixed sum plus accrued dividends;
- (p) “**Date of Conversion**” has the meaning given thereto in Section 4.2(b);
- (q) “**Default**” has the meaning attributed thereto in Section 7.1;
- (r) “**Director**” means a director of the Company from time to time and “**Board of Directors**” means the Board of Directors of the Company from time to time;
- (s) “**Governmental Body**” means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority or authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator);
- (t) “**Holder**” has the meaning ascribed thereto in Section 1.1 above;

- (u) **“Inchoate Lien”** means with respect to any property or asset of the Company, the following Liens:
 - (i) any Lien for taxes, duties and assessments, and any Lien securing workers’ compensation, unemployment insurance or other social security obligations not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (ii) any carriers, warehousemen, mechanics or materialmen’s Liens in respect of amounts accruing in favour of any Person, so long as such amounts are not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (iii) Liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Liens or rights as a permitted encumbrance shall not prejudice the priority of the Liens created hereby, if any, over such Liens or rights as determined in accordance with applicable law); and
 - (iv) undetermined or inchoate Liens, privileges or charges incidental to current and ongoing operations of the Company which have not been filed pursuant to applicable law against any of the Company’s property or assets or which relate to obligations not yet due or delinquent;
- (v) **“Interest”** has the meaning ascribed thereto in Section 1.1;
- (w) **“Interest Payment Date”** means October 20th in each year that the Note is outstanding commencing on the date hereof.
- (x) **“Interest Payment Election Form”** means the form of election attached hereto as Schedule “B”.
- (y) **“Interest Rate”** has the meaning ascribed thereto in Section 1.1;
- (z) **“Law”** means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of any Governmental Body (whether or not having the force of law) relating to such Person, property, transaction or event, whether applicable in Canada or any other jurisdiction.
- (aa) **“Lien”** means any mortgage, hypothec, title retention, pledge, lien, claim, trust, assignment as security, right of set-off, charge, security interest or other encumbrance whatsoever, whether fixed or floating and howsoever created or arising;

- (bb) **“Loan”** means, at any time, the accommodations of credit made pursuant to this Note;
- (cc) **“Material Adverse Change”** means, as of any date of determination, any change, circumstance, state of facts or occurrence (or series of occurrences) including any litigation which, in the reasonable credit discretion of the Holder, has or is reasonably likely to have a material adverse change on:
 - (i) the business, assets, liabilities, operations, results of operations, financial condition, or prospects of the Company,
 - (ii) the ability of the Company to carry on its Business,
 - (iii) the ability of the Company to perform any of its obligations hereunder or under any Contract,
 - (iv) any Lien constituted or created by the Company in favour of the Holder;
- (dd) **“Maturity Date”** means October 20, 2025, unless the Note is converted earlier pursuant to and in accordance with the provisions hereof;
- (ee) **“NEO”** has the meaning ascribed thereto in Section 1.1 above;
- (ff) **“Note”** means this secured convertible promissory note of the Company as same may be revised, restated, replaced or supplemented from time to time;
- (gg) **“Noteholders”** means the holders of the Notes and **“Noteholder”** means any one of them;
- (hh) **“Notes”** means all of the secured Notes issued under the Offering on equal or substantially similar terms to this Note;
- (ii) **“Obligations”** has the meaning ascribed thereto in Section 3.2;
- (jj) **“Offering”** means an offering of secured convertible note units issued by the Company in one or more closings with an aggregate principal amount of \$1,000,000, where the Notes shall be: (i) in substantially the same form as this Note other than in respect of the date of issuance and corresponding commencement of interest and the maximum amounts; and (ii) shall, in relation to priority of security, rank equally and rateably without discrimination, preference or priority with all other Notes;
- (kk) **“Permitted Encumbrances”** means:
 - (i) any Inchoate Lien;
 - (ii) any right reserved to or vested in any Governmental Body, by the terms of any Permit acquired by the Company, or by any statutory provision to

terminate any such Permit or require annual or other periodic payments as a condition of the continuance thereof;

- (iii) security given by the Company to a public utility or any Governmental Body when required by such utility or Governmental Body in connection with, and incidental to, the operations of the Company in the ordinary course of its business;
- (iv) Liens incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, surety or appeal bonds, cost of litigation when required by applicable law and other similar Liens and deposits;
- (v) Liens and privileges arising out of judgments or awards in respect of which an appeal or proceeding for review has been commenced provided a stay of execution pending such appeal or proceedings for review has been obtained and satisfactory reserves have been established;
- (vi) Liens on specific Equipment or motor vehicles of the Company which secures, and is limited to, the unpaid purchase price of such Equipment or motor vehicles, provided that any such Lien is limited to the Equipment or motor vehicles so acquired and such Equipment or motor vehicles is used by the Company in the operation of its business and is not for resale, lease or rental to any Person;
- (vii) Liens in favour of the Holder;
- (viii) Liens given in respect of the Permitted Indebtedness listed on Schedule "C" hereto; and
- (ix) any Liens consented to in writing by Holder,

provided however, that the existence or consent by the Holder of any Permitted Encumbrances shall not be construed in any way as a subordination by the Holder of its Liens unless expressly subordinated in writing by the Holder pursuant to a separate and independent priority, intercreditor or subordination agreement;

- (ll) **"Permitted Indebtedness"** means, at any time, such indebtedness listed on Schedule "C" hereto;
- (mm) **"Permits"** means all material licenses, permits, approvals, consents, certificates, franchises and other authorizations required by the Company to operate the Business;
- (nn) **"Person"** means an individual, natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture, government, Governmental Body or any other entity, whether acting in an individual, fiduciary or other capacity, state or political subdivision thereof or any agency of such state or subdivision;

- (oo) “**PPSA**” means the *Personal Property Security Act* (Ontario), as amended, replaced or supplemented from time to time;
- (pp) “**Principal**” has the meaning ascribed thereto in Section 1.1;
- (qq) “**Secured Property**” has the meaning ascribed thereto in Section 3.1;
- (rr) “**Securities**” means any equity security, or any option, warrant or other right to subscribe for, or purchase, or otherwise acquire, any equity security;
- (ss) “**Securities Act**” means the *Securities Act* (Ontario), as amended, replaced or supplemented from time to time;
- (tt) “**Senior Indebtedness**” means the principal and interest on:
 - (i) indebtedness for borrowed money owed by the Company or its subsidiaries to the Subsidiary Senior Lender in connection with the Tweed Note;
 - (ii) indebtedness for borrowed money that the Company may now or hereinafter incur from a Canadian chartered bank or trust company (or such other financial institution as may be acceptable to the Company) for the purposes of term or operating facilities, to the extent the Company has granted security therefor and to the extent that the obligation to repay such borrowed money is not itself subordinated to any third party the effect of which postponement would be that the Obligations created herein would be postponed to any such third party to whom the Obligations would not otherwise be postponed; and
 - (iii) renewals, extensions, restructurings, re-financings and refundings of any such indebtedness,

unless in any of the cases specified in (i), (ii) or (iii) above, it is provided by the terms of the instrument creating or evidencing such indebtedness that such indebtedness is not superior in right of payment to this Note;
- (uu) “**Subsidiaries’ Secured Property**” means the property of OCH Ontario Consulting Corp., as debtor, and Ontario Cannabis Holdings Corp., as guarantor, that is the subject of the security interest granted in favour of the Subsidiary Senior Lender in connection with the Tweed Note and pursuant to the general security agreement dated March 11, 2020 between OCH Ontario Consulting Corp., Ontario Cannabis Holdings Corp. and the Subsidiary Senior Lender;
- (vv) “**Subsidiary Senior Lender**” means Tweed Franchise Inc., a wholly-owned subsidiary of Canopy Growth Corporation;
- (ww) “**Trading Day**” means, with respect to the NEO or other market for securities, any day on which such exchange or market is open for trading or quotation;

- (xx) **“Taxes”** means all taxes of any kind or nature whatsoever including, without limitation, income taxes, sales or value-added taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body having power to tax, together with penalties, fines, additions to tax and interest thereon;
- (yy) **“Third Party”** means a Person who is at Arm’s Length from the Company, the Holders and all shareholders of the Company;
- (zz) **“This Note”, “hereto”, “herein”, “hereby”, “hereunder”, “hereof”** and similar expressions refer to this Note and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto; and
- (aaa) **“Tweed Note”** means the secured grid promissory note of OCH Ontario Consulting Corp., a wholly-owned, indirect subsidiary of the Company, in favour of the Subsidiary Senior Lender dated March 11, 2020.

2.2 **Plurality and Gender**

Words importing the singular number only shall include the plural and vice versa and words importing one gender shall include all genders and words importing Persons shall include firms and corporations and vice versa.

2.3 **Headings, etc.**

The division of this Note into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note.

2.4 **Day Not a Business Day**

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

2.5 **Reference to Law**

Reference herein to any Law means such Law as amended, modified, codified or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder.

2.6 **Currency**

Any reference in this Note to **“Dollars”, “dollars”** or the sign **“\$”** shall be deemed to be a reference to lawful money of Canada.

ARTICLE 3 INDEBTEDNESS SECURED

3.1 Creation of Security Interest

As general continuing collateral security for the due payment and performance of any and all present and future Obligations of the Company to the Holder, the Company hereby grants a Lien as and by way of a fixed and floating Lien to and in favour of the Holder, in any and all of the undertaking, property and assets of the Company, real and personal, moveable and immovable, of whatsoever nature and kind whatsoever, now owned or hereafter acquired, including, without limitation, all present and future income, Money, Inventory, Equipment, Goods, Chattel Paper, Documents of Title, Intangibles, Investment Property, revenues, rents, supplies, materials, credits, bank accounts, Accounts, book debts, negotiable and non-negotiable Instruments, shares, stocks, bonds, debentures, Securities, choses in action, proceeds of insurance, contracts, agreements, goodwill, trademarks, patents and patent rights, processes, inventions, franchises, powers, privileges, licenses and all other property and things of value, real or personal, tangible or intangible, legal or equitable, which the Company may be possessed of, or entitled, to or which may at any time hereafter be acquired by the Company, save and except for the last day of any term reserved by any lease now held or hereafter acquired by the Company (collectively, referred to as the “**Secured Property**”) and the Company shall stand possessed of any such reservation in trust for the exclusive benefit of the Holder and to assign and dispose thereof as the Holder may direct.

3.2 Liens Securing Indebtedness

The Liens granted by the Company to the Holder pursuant to this Note shall constitute general continuing collateral security for the due payment and performance of any and all present and future debts, liabilities and obligations of the Company to the Holder arising out of this Note, whether actual or contingent, direct or indirect, as principal or surety, matured or not, now existing or arising hereafter, including, without limitation, the Principal Amount, Interest (at the Interest Rate) and any and all costs, fees and expenses incurred by the Holder (the “**Obligations**”).

3.3 Designation, Rank and Priority

This Note is one of several secured Notes issued or to be issued by the Company under the Offering. The ranking of the Notes set out in this Section 3.3 shall apply in all events and circumstances regardless of the date of any advance or advances made to the Company by the holders of the Notes. The provisions of this Note shall be binding on the Company, the Holder and all Persons claiming through or under them respectively and any Person shall be deemed to have notice of these provisions. For greater certainty, the security interest of the Holder in respect of this Note shall rank *pari passu* with the security interest of the other Holders in respect of their respective Notes.

ARTICLE 4 CONVERSION

4.1 Conversion Privilege

Subject to and upon compliance with the provisions of this Article 4, (a) for a period ending on the first anniversary of the Closing Date, and (b) the completion by the Company of a financing subsequent to the Offering for gross proceeds of at least \$1,000,000, all or a portion of the

Principal Amount of a Holder's Notes can only be converted into Common Shares at the Conversion Price. Upon meeting both of conditions (a) and (b) above (the "**Conversion Conditions Precedent**"), the Holder shall have the option to convert all or a portion of the Principal Amount of a Holder's Notes into Common Shares at the Conversion Price. If converted prior to the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in Common Shares within ten (10) Business Days of the date of conversion of the Principal Amount, and if converted upon or after the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in cash or Common Shares in accordance with the Holders' election to be delivered pursuant to Section 4.2 regarding receipt of the Principal Amount within ten (10) Business Days of the date of conversion of the Principal Amount. Notwithstanding the foregoing, the conversion of the Principal Amount into Common Shares shall be subject to any applicable NEO or regulatory approval.

4.2 Manner of Exercise of Right to Convert

- (a) If the Holder wishes to convert this Note into Common Shares, it shall surrender such Note to the Company together with the Conversion Form set forth in Schedule "A" hereto, duly executed by the Holder, irrevocably exercising its right to convert such Note in accordance with the provisions of this Article 4. Thereupon the Holder or its nominee or assignee shall be entitled to be entered in the books of the Company as at the Date of Conversion as the holder of the number of Common Shares into which such Note is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Company shall deliver to such Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares and, if applicable, a cheque for any amount payable under Section 4.5 in respect of fractional shares.
- (b) For the purposes hereof, the date of conversion of the Note (the "**Date of Conversion**") shall be deemed to be the date on which it is surrendered in accordance with the provisions hereof and, in the case of a Note so surrendered by mail or other means of delivery, the date on which it is received by the Company during regular business hours on a Business Day.
- (c) Upon surrender of this Note for conversion in accordance with this Section 4.2, the Holder will be entitled to receive that number of Common Shares equal to the quotient obtained when the aggregate of the Principal Amount to be converted is divided by the Conversion Price. The Common Shares issued upon conversion shall be entitled to all rights and privileges accorded to holders of record of Common Shares on and after the Date of Conversion, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.3 Mandatory Conversion

If, during the term of the Notes, the volume weighted-average share price of the Common Shares on the NEO (or such other exchange on which the Common Shares may principally trade at such time) for 20 consecutive Trading Days equals or exceeds \$0.06, the Company may, at its option, subject to providing not less than 30 days' prior notice to Holders, convert the Notes into Common Shares at the Conversion Price (subject to customary adjustments for recapitalizations, stock dividends and splits, combinations and the like), in whole or, from time to time, in part. On any such conversion of the Notes, the Holders will receive accrued and unpaid Interest on the amount converted for the period from the date of the latest payment of Interest to the Date of Conversion, in cash. The Company may only exercise its mandatory conversion right on or after the first anniversary of the Closing Date.

4.4 Adjustment Provisions

The Conversion Price will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the Maturity Date, the Company:
 - (i) issues Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of the Common Shares as a stock dividend;
 - (ii) makes a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;
 - (iii) subdivides its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidates its outstanding Common Shares into a smaller number of shares;

(any of such events in subsection 4.4(a)(i), subsection 4.4(a)(ii), subsection 4.4(a)(iii) or 4.4(a)(iv) above being called a “**Share Reorganization**”), the Conversion Price will be adjusted immediately after the effective date or record date for the happening of a Share Reorganization, as the case may be, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Shares outstanding immediately after giving effect to such Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date). Such

adjustment will be made successively whenever any event referred to in this Section 4.4 occurs;

- (b) If and whenever at any time after the date hereof the Company fixes a record date for the issuance of rights, options or warrants to the holders of all or substantially all of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares, where:
- (i) the right to subscribe for or purchase Common Shares, or the right to exchange securities for or convert securities into Common Shares, expires not more than 45 days after the date of such issue (the period from the record date to the date of expiry herein in this Section 4.4 being the “**Rights Period**”); and
 - (ii) the cost per Common Share during the Rights Period (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) (herein in this Section 4.4 called the “**Per Share Cost**”) is less than 95% of the Current Market Price of the Common Shares on the record date,

(any of such events being called a “**Rights Offering**”), then the Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

- (A) the numerator of which is the aggregate of:
 - (1) the number of Common Shares outstanding as of the record date for the Rights Offering; and
 - (2) a number determined by dividing the product of the Per Share Cost and:
 - (I) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or
 - (II) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common

Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

- (B) the denominator of which is:
- (1) in the case described in subparagraph 4.4(b)(A)(2)(I), the number of Common Shares outstanding, or
 - (2) in the case described in subparagraph 4.4(b)(A)(2)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.4(b)(A)(2)(II) had been issued,

as at the end of the Rights Period.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

If by the terms of the rights, options or warrants referred to in this Section 4.4, there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

- (1) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and
- (2) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

To the extent that any adjustment in the Conversion Price occurs pursuant to this subsection 4.4(b) as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in this subsection 4.4(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued

and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

If the Holder has converted the Note in accordance herewith during the period beginning immediately after the record date for a Rights Offering and ending on the last day of the Rights Period therefor, the Holder will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the Conversion Price in effect immediately prior to the end of such Rights Offering pursuant to this subsection is multiplied by the number of Common Shares received upon the conversion of the Notes during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this subsection; provided that the provisions of Section 4.5 will be applicable to any fractional interest in a Common Share to which such Holder might otherwise be entitled. Such additional Common Shares will be deemed to have been issued to the Holder immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to such Holder within five (5) Business Days following the end of the Rights Period.

- (c) If and whenever at any time after the date hereof the Company fixes a record date for the issue or the distribution to the holders of all or substantially all its Common Shares of:
- (iii) shares of the Company of any class other than Common Shares;
 - (iv) rights, options or warrants to acquire shares or securities exchangeable for or convertible into shares or property or other assets of the Company;
 - (v) evidence of indebtedness; or
 - (vi) any property or other assets,

and if such issuance or distribution does not constitute (A) a Share Reorganization or (B) a Rights Offering (such non-excluded events being called a “**Special Distribution**”), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (A) the numerator of which is:
- (1) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
 - (2) the aggregate fair market value (as determined by action by the directors of the Company, acting reasonably and in good faith, and subject to the prior written consent of the

NEO, if required) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

- (B) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

- (d) If and whenever at any time after the date hereof there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Share Reorganization), or a consolidation, amalgamation or merger of the Company with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Holder, upon conversion of the Notes after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which such Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon conversion of the Notes. If determined appropriate by action of the directors of the Company, acting reasonably and in good faith, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.4 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 4.4 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise hereof. Any such adjustment must be made by and set forth in an amendment to the Notes approved by action by the directors of the Company and will for all purposes be conclusively deemed to be an appropriate adjustment.
- (e) If at any time after the date hereof and prior to the Expiry Time any adjustment in the Conversion Price shall occur as a result of:
- (vii) an event referred to in subsection 4.4(a);
 - (viii) the fixing by the Company of a record date for an event referred to in subsection 4.4(b); or

- (ix) the fixing by the Company of a record date for an event referred to in subsection 4.4(c) if such event constitutes the issue or distribution to the holders of all or substantially all of its outstanding Common Shares of (A) Equity Shares, or (B) securities exchangeable for or convertible into Equity Shares at an exchange or conversion price per Equity Shares less than the Current Market Price on such record date or (C) rights, options or warrants to acquire Equity Shares at an exercise, exchange or conversion price per Equity Share less than the Current Market Price on such record date,

then, where required, the number of Common Shares purchasable upon the subsequent conversion of the Notes shall be simultaneously adjusted by multiplying the number of Common Shares purchasable upon the conversion of the Notes immediately prior to such adjustment by a fraction which shall be the reciprocal of the fraction employed in the adjustment of the Conversion Price. To the extent any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of a distribution of exchangeable or convertible securities other than Equity Shares referred to in subsection 4.4(a) or as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in subsection 4.4(b), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number of Common Shares which would be purchasable based upon the number of Common Shares actually issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right. To the extent that any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of the fixing by the Company of a record date for the distribution of exchangeable or convertible securities other than Equity Shares or rights, options or warrants referred to in subsection 4.4(c), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number which would be purchasable pursuant to this subsection 4.4(e) if the fair market value of such securities or such rights, options or warrants had been determined for purposes of the adjustment pursuant to this subsection 4.4(e) on the basis of the number of Equity Shares issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right.

4.5 No Requirement to Issue Fractional Shares

The Company shall not issue fractional Common Shares upon the conversion of this Note. If any fractional interest in a Common Share would, except for the provisions of this Section 4.5, be deliverable upon the conversion of any Principal Amount, the Company shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Holder of such surrendered Note an amount in lawful money of Canada equal to an identical fraction of the Conversion Price of the Common Shares on the Date of Conversion.

4.6 Taxes and Charges on Conversion

The Company will from time to time promptly pay or make provision for the payment of all Taxes which may be imposed by applicable laws (except income tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Holder upon the exercise of its right of conversion pursuant to the terms of this Note.

4.7 Certificate as to Adjustment

The Company shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.4, deliver a notice to the Investors specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby including the resulting Conversion Price and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such notice and the amount of the adjustment specified therein shall, subject to the provisions of Sections 4.3 and 4.5 and absent manifest error, be conclusive and binding on all interested parties.

4.8 Notice of Special Matters

The Company covenants that, so long as this Note remains outstanding, it will give notice to the Holders of its intention to fix a record date for any event referred to in Section 4.4 (other than the subdivision, redivision, reduction, combination or consolidation of Common Shares) which may give rise to an adjustment in the Conversion Price, and such notice shall specify the particulars of such event and the record date or the effective date, as applicable, for such event, provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Except where the Holders otherwise consent in writing, such notice shall be given not less than fourteen (14) days prior to the applicable record date.

4.9 Company to Reserve Shares

The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited) solely for the purpose of issuance upon conversion of this Note such number of Common Shares as shall then be issuable upon the conversion of this Note. All Common Shares which shall so be issuable shall be, upon issuance, duly and validly issued, fully paid and non-assessable.

4.9 Mandatory Offer

Within five (5) Business Days after the occurrence of any of the following events:

- (i) the sale or other disposition of all or substantially all of the business of the Company; or
- (ii) a Change of Control of the Company,

the Company shall make an offer in writing to the Holder to purchase the outstanding Principal Amount of this Note plus all accrued and unpaid Interest as of such date. The offer shall remain open for a period of at least 30 days from the date of receipt of such notice by the Holder. The

Holder may, in its sole discretion, tender the Note to the offer by so indicating to the Company by notice in writing during the offer period. Purchase of the Note, if tendered, shall occur within five Business Days of receipt by the Company of such notice, together with the tendered Note.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent

The Holder shall not be obligated to advance the Loan unless and until the following conditions precedent have been fulfilled to the Holder's satisfaction in its absolute discretion, which conditions are for the sole and exclusive benefit of the Holder, and notwithstanding anything to the contrary, which may be waived in writing by the Holder in its sole discretion:

- (a) **Note.** The Company shall have delivered to the Holder, in form and substance satisfactory to Holder, this Note and any and all other ancillary documents reasonably required by the Holder in connection with the advance of the Loan, including, without limitation, any and all consents, acknowledgements, estoppels, waivers, subordinations, priority agreements, intercreditor agreements, officer's certificates and legal opinions of the Company's counsel reasonably required by the Holder.
- (b) **Perfection of Security.** All registrations or filings required to perfect the Liens granted to the Holder shall have been made in all applicable jurisdictions and public offices necessary or desirable to provide the Holder with the priority position it requires.
- (c) **Representations, Warranties and Covenants.** The representations and warranties of the Holder shall be true, accurate, complete and correct as of the Closing Date and the Holder shall have complied with all covenants and agreements set forth herein, to the extent that the covenants can be complied with as of Closing Date.
- (d) **No Default.** No Default shall have occurred and be continuing or shall occur as a result of the transactions contemplated by this Note.

ARTICLE 6 COVENANTS OF THE COMPANY

6.1 Covenants. The Company covenants and agrees that so long as the Notes remain outstanding:

- (a) The Company shall pay the Principal Amount, Interest and all other amounts payable by the Company under the terms of this Note promptly when due on the dates and in the manner specified in this Note.
- (b) The Company will use commercially reasonable efforts to maintain its corporate existence and qualify and remain qualified to carry on business in each

jurisdiction where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

- (c) The Company will give notice in writing to the Holder of the occurrence of any Default that is continuing forthwith upon becoming aware thereof.
- (d) The Company will use commercially reasonable efforts to maintain: (i) the listing of the Common Shares on the NEO, and (ii) the Company's status as a reporting issuer not in default under Applicable Securities Laws; provided that nothing in this subsection 6.01(d) shall prevent the Company from completing any transaction which would result in the Common Shares ceasing to be listed on the NEO or the Company ceasing to be a reporting issuer under Applicable Securities Laws so long as the holders of securities of the Company receive securities of an entity which is listed on a recognized Canadian or U.S. stock exchange or cash or the holders of securities of the Company have approved the transaction in accordance with the requirements of applicable corporate law and Applicable Securities Laws.
- (e) The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or otherwise becomes limited) for the purpose of issue and delivery, and shall issue to the Holder, such number of Common Shares as shall then be issuable under the terms of this Note upon conversion as provided in Article 4, and such Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable Common Shares in the capital of the Company.

ARTICLE 7 DEFAULT AND ENFORCEMENT

7.1 Events of Default

The happening of any of the following events or conditions shall constitute an event of default ("**Default**") hereunder:

- (a) **Failure to Pay Principal Amount.** If the Company makes default in payment of the Principal Amount on the Maturity Date or when the same otherwise becomes due under any provision hereof;
- (b) **Failure to Pay Interest.** If the Company fails to make a payment of Interest when due;
- (c) **Failure to Pay Other Amounts.** If the Company fails to make payment when due of any amount payable hereunder other than the Principal Amount or Interest and such failure has not been cured within 30 days;
- (d) **Default in Other Covenants.** If, other than in respect of any covenant to pay, there is any default or failure in the observance or performance of any other act hereby required to be done or any other material covenant or condition hereby

required to be observed or performed and such default or failure has not been cured within 30 days;

- (e) **False Representations, etc.** If any representation, warranty, certificate, statement or report made or given herein or otherwise in connection hereunder is false or erroneous or misleading in any material respect at the time it was made or given;
- (f) **Insolvency.** If the Company is unable to pay debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- (g) **Voluntary Proceedings.** If the Company makes a general assignment for the benefit of creditors, or any proceedings or filing is instituted or made by the Company seeking relief on its behalf as debtor, or to adjudicate it to a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment recomposition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets; or the Company takes any corporate action to authorize any of the actions set forth in this subsection 7.1(g);
- (h) **Involuntary Proceedings.** If any notice of intention is filed or any proceeding or filing is instituted or made against the Company in any jurisdiction seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets or seeking possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or a substantial part of the assets of the Company unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or stayed within thirty (30) days of institution thereof;
- (i) **Receiver, etc.** If a receiver, liquidator, trustee, sequestrator or other officer with like powers is appointed with respect to, or an encumbrancer takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or a substantial part of the properties or assets of the Company or gives notice of its intention to do so;
- (j) **Execution, Distress.** If any writ, attachment, execution, sequestration, extent, distress or any other similar process becomes enforceable against the Company or if a distress or any analogous process is levied against all or a substantial part of the properties or assets of the Company;
- (k) **Suspension of Business.** If the Company suspends or ceases or threatens to suspend or cease its Business; and

- (l) **Sale.** If the Company sells or otherwise disposes of, or threatens to sell or otherwise dispose of, all or a substantial part of its undertaking and property and assets, whether in one transaction or a series of related transactions and the Company does not make the mandatory offer under Section 4.10.

7.2 Consequences of an Event of Default

Upon the occurrence and during the continuance of an Event of Default, all monies secured by the Lien over the Secured Property and the Obligations herein shall at the option of the Holder become forthwith due and payable.

ARTICLE 8 REMEDIES

8.1 Appointment of Receiver

- (a) **Right to Appoint:** Upon a Default which is continuing, the Holder may appoint by instrument in writing, any person to be a receiver (hereinafter called a “Receiver”, which term when used herein shall include a receiver and manager) of the Secured Property as the agent of the Company and may remove any Receiver so appointed and appoint another in his stead.
- (b) **Receiver Agent of the Company:** Any such Receiver shall, so far as concerns responsibility for their acts, be deemed the agent of the Company and not the Holder (to the extent permitted by applicable Laws) and the Holder shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any such Receiver, their servants, agents or employees other than their gross negligence or wilful misconduct.
- (c) **Power of Receiver:** Subject to the provisions of the instrument appointing them, any such Receiver shall have power to take possession of the Secured Property or any part thereof, to preserve the Secured Property or its value, to carry on or concur in the carrying on of all or part of the business of the Company and to sell or otherwise dispose of or concur in selling or otherwise disposing of all or any part of the Secured Property. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Company, enter upon, use and occupy all premises owned or occupied by the Company wherein all or any part of the Secured Property may be situated, maintain the Secured Property upon such premises, borrow money on a secured or unsecured basis and use all or any part of the Secured Property directly in carrying on the Company’s Business or otherwise, as such Receiver shall, in his discretion, determine.
- (d) **Monies Received by Receiver:** Except as may be otherwise directed by the Holder, all monies received from time to time by such Receiver in carrying out their appointment shall be received exclusively in trust for and paid over to the Holder and applied against the Obligations in such order as the Holder sees fit in its sole and absolute discretion.

- (e) **Receiver Vested with Rights of the Holder:** Every such Receiver may, in the discretion of the Holder, be vested with all or any of the rights and powers of the Holder.

8.2 **Exercise Powers of Receiver**

Upon Default, the Holder may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver hereby.

8.3 **Court Appointed Receiver**

Upon Default, the Holder may proceed in any court of competent jurisdiction for the appointment of a Receiver of all or any part of the Secured Property.

8.4 **Other Proceedings**

Upon Default, the Holder may take any other remedy or proceeding authorized or permitted hereby or by Law or equity.

8.5 **Sale of Secured Property**

Without limiting the generality of the foregoing, upon a Default which is continuing, it shall be lawful for the Holder to make any sale, lease or other disposition of the Secured Property either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper (in accordance with applicable Laws) and to sue the Company for any deficiency remaining. The Holder shall be accountable only for money actually received by it. The Holder may deliver to the purchaser of the Secured Property good and sufficient conveyances of same, free and clear of any claim by the Company. The purchaser, lessee or transferee receiving any disposition of the Secured Property or any part thereof need not inquire whether Default under this Note has actually occurred but may as to this and all other matters rely upon a statutory declaration of the Holder, which declaration shall be conclusive and any such purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security or the taking of possession of the Secured Property or the sale, lease or other disposition thereof.

8.6 **Rights as Secured Party**

In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Company and the Holder, the Holder shall have, both before and after Default which is continuing, all the rights and remedies of a secured party under the PPSA and any other applicable Law as may from time to time be in effect. The Holder shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, realize, sell or otherwise dispose of the Secured Property or any part thereof or to institute any proceedings for such purposes. Furthermore, the Holder shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Secured Property or Proceeds, whether or not in the possession of the Holder, and shall not be liable or accountable for failure to do so.

8.7 Take Possession

The Company acknowledges that the Holder or any Receiver appointed by it may take possession of the Secured Property or any part thereof wherever it may be located and by any method permitted by applicable Laws and the Company agrees that upon request from the Holder or any such Receiver to assemble and deliver possession of the Secured Property or any part thereof at such place or places as may be directed.

ARTICLE 9 RELEASE, SUBORDINATION AND THIRD PARTY BENEFICIARIES

9.1 **Release by Holder.** The Holder may, at its sole discretion, at any time release from the security interest hereby created any part or parts of the Secured Property either with or without consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Secured Property or any person from this Note.

9.2 Subordination to Senior Indebtedness.

- (a) Notwithstanding any other provision to the contrary in this Note, all rights of the Holder and the other Noteholders to receive payment of any indebtedness owing to them by the Company is and shall be expressly subordinate and junior in right of payment and exercise of remedies to the prior payment in full in cash of all present and future Senior Indebtedness to the extent and in the manner provided therein, and the Holder hereby subordinates all present and future indebtedness owing under this Note as a claim against the Company prior to the payment in full in cash of the Senior Indebtedness; *provided, however*, that the foregoing subordination restrictions (and any other restrictions contained in this Article 9) do not restrict the ability of the Holder, should the Holder so demand at any time after the Maturity Date, to be repaid the Principal Amount plus any outstanding Interest on or after the Maturity Date if this Note is not earlier converted or cancelled pursuant to its terms (provided that the Senior Indebtedness is not in default), and nothing in this Note or otherwise shall prevent repayment on Maturity Date if elected by the Holder regardless of whether the Senior Indebtedness is still outstanding (provided that the Senior Indebtedness is not in default at the relevant time).
- (b) The Holder hereby acknowledges and agrees that each security interest, pledge, assignment, mortgage, or other interest of the Subsidiary Senior Lender in the Subsidiaries' Secured Property shall have priority to the extent of all Senior Indebtedness secured thereby over any right, security interest, lien, or claim that the Holder or any other Noteholder may now have or hereafter have therein or thereto. The priorities established hereby shall be irrespective of the time or order of attachment or perfection of security interests, liens, or claims or the time or order of filing of financing statements or mortgages or otherwise. The Holder hereby waives, to the extent permitted by applicable law, all rights to notice of sale or other intended disposition of any Subsidiaries' Secured Property by the Subsidiary Senior Lender.

- (c) Subject to Section 9.2(a), except as expressly permitted by the terms of any Senior Indebtedness, or unless the Subsidiary Senior Lender otherwise consents in writing, the Company will not make, and the Holder will not accept or receive, any payment in cash of any indebtedness owing under this Note until all the Senior Indebtedness has been paid in full in cash, other than in connection with the repayment of Principal Amount and Interest on or after the Maturity Date if demanded by the Holder pursuant to this Note. If the Holder receives any payment in cash on account of the indebtedness owing under this Note (other than after the Maturity Date if elected by the Holder), in violation of this Section 9.2, then it shall hold such cash payment in trust for the benefit of the Subsidiary Senior Lender and, promptly upon discovery or notice of such violation, pay such amount over to the Subsidiary Senior Lender on behalf of such holders for application in payment of the Senior Indebtedness.
- (d) The Holder agrees that to the extent it holds any indebtedness under this Note at the relevant time, it will not take any action as the holder of any such indebtedness that will impede, interfere with or restrict or restrain the exercise by the Subsidiary Senior Lender of rights and remedies under the Senior Indebtedness. In furtherance thereof, the Holder, in its capacity as a holder of the indebtedness under this Note hereby agrees not to oppose any motion filed or supported by the Subsidiary Senior Lender for relief from stay or for adequate protection in respect of any Senior Indebtedness and not to oppose any motions supported by the Subsidiary Senior Lender for the Company's use of cash collateral or post-petition borrowing from the Subsidiary Senior Lender, provided that, the repayment of Principal plus Interest after the Maturity Date if so demanded by the Holder pursuant to the terms hereof shall not in any manner be deemed to have impeded, interfered with or restricted or restrained the Subsidiary Senior Lender's rights or remedies under the Senior Indebtedness (provided that the Senior Indebtedness is not in default at the relevant time).
- (e) The Holder, for itself and its successors and assigns, agrees for the benefit of the Subsidiary Senior Lender that so long as any Senior Indebtedness remains outstanding or committed to be advanced, the Holder will not, directly or indirectly, take any action prior to the Maturity Date to accelerate or demand payment in cash by the Company of any of the indebtedness owing under this Note, to exercise any of the remedies in respect of such indebtedness or any collateral security therefor, to initiate any litigation against the Company, or to foreclose or otherwise realize on any security given by the Company to secure such indebtedness.
- (f) The Subsidiary Senior Lender shall be entitled to the benefits under this Section 9.2 without notice thereof being given to the Holder or to any other Noteholder.
- (g) The provisions of this Section 9.2 as to subordination are solely for the purpose of defining the relative rights of the Subsidiary Senior Lender on the one hand, and the Holder and the other Noteholders on the other hand, and none of such provisions shall impair, as between the Company and the Holder, the obligations of the Company, which are unconditional and absolute, to pay to the Holder all of

the indebtedness owing under this Note in accordance with the terms hereof, nor, except as provided by this Section 9.2 or the terms of any Senior Indebtedness, shall any such provisions prevent the Holder from exercising all remedies otherwise permitted by applicable law or under the terms of this Note upon an Event of Default, subject to the rights, if any, of the Subsidiary Senior Lender under the other provisions of this Section 9.2.

- (h) Each of the Company and the Holder agree that, unless the Subsidiary Senior Lender otherwise consents thereto in writing (such consent not to be unreasonably withheld), prior to the payment in full in cash of the Senior Indebtedness, (i) it will not modify or amend this Note or any collateral or other security therefor that directly alter or amend the subordination arrangements under this Article 9 hereof or otherwise (it being understood that the terms of this Note may be amended by the mutual consent of the Company and the Holder, without the consent of the Subsidiary Senior Lender if such amendments do not otherwise modify the terms of the subordination arrangements set forth herein), and (ii) except for the security interests granted under Article 3, the Company shall not grant and the Holder will not obtain liens on or security interests in the Secured Property as security for the indebtedness owing under this Note, and that to the extent any such liens or security interests are created or exist on or in the Secured Property (by operation of law or otherwise) all such liens and security interests are and shall be fully subordinated and junior to the liens on and security interests in the Secured Property in favour of the Subsidiary Senior Lender.
- (i) Nothing in this Section 9.2 will restrict, prevent or exclude the conversion of this Note into shares in the capital of the Company in accordance with Article 4, whether automatically or at the option of the Holder.

9.3 **Third Party Beneficiaries.**

- (a) Except as set out in Section 9.1(b), the parties do not confer any legal, equitable or other rights or remedies of any nature under or by reason of this Note upon any person other than the parties to this Note and their respective successors and permitted assigns.
- (b) The parties hereby designate the Subsidiary Senior Lender as third-party beneficiaries of Article 9 of this Note having the right to enforce all sections in such Article 9, including against the Company and the Holder, jointly and severally, and this Section 9.1(b) may not be amended at any time while any obligations are owing to the Subsidiary Senior Lender without the prior written consent of the Subsidiary Senior Lender.

9.4 Permitted Encumbrances and Permitted Indebtedness. The Holders hereby acknowledge the existence of the Permitted Encumbrances and the Permitted Indebtedness listed in Schedule “C” hereto.

ARTICLE 10 GENERAL MATTERS

10.1 Amalgamation

The Company acknowledges that if it amalgamates with any other corporation or corporations (a) the term “**Company**”, where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (b) the term “**Obligations**”, where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

10.2 Costs and Expenses

The Company shall pay all reasonable costs, fees and expenses of the Holder, whether directly or for services rendered (including, without limitation, reasonably solicitors’ and other professional costs, fees and expenses) in connection with the preparation, negotiation and documentation of this Note and any and all documents ancillary thereto and the enforcement of the Holder’s rights hereunder and under any other document delivered pursuant to this Agreement provided funds including the Principal Amount are advanced as described herein. Such costs, fees and expenses shall form part of the Obligations and shall be secured hereby.

10.3 Further Assurances

The Company hereby covenants that it will, at all times do, execute, acknowledge and deliver every such further act, deed, transfer, assignment, mortgage, hypothec, charge, discharge and assurance with respect to the Secured Property as the other may reasonable require and as permitted by applicable Laws for the better assuring, mortgaging, charging, hypothecating, transferring, assigning, discharging and confirming the Secured Property unto the Holder and for the better accomplishing and effectuating the intent of this Note.

10.4 General Interest Provisions

Notwithstanding any other provision of this Note, in no event shall the aggregate “interest” (as that term is defined in Section 347 of the *Criminal Code* (Canada)) paid or payable pursuant to this Note exceed the effective annual rate of interest on the “credit advanced” (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Note, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Holder will be conclusive for the purposes of such determination. If at any time the implementation of any provision hereof results in a payment or an obligation to make a payment in contravention of this Section 10.4, the amount of the excess shall be applied as a partial prepayment of principal and the obligation to make such excess payment shall be deemed a severable obligation. The Company represents and warrants to the Holder that it has not incurred, and will not incur, any charges or expenses pursuant to this Note which may be considered to be “interest” in an aggregate amount which is in contravention of Section 347 of the *Criminal Code* (Canada). A certificate of an authorized signing officer of the Holder as to each amount or each rate of interest payable hereunder from time to time shall, in the absence of manifest error, be conclusive evidence of such amount and

of such rate.

10.5 Performance by Holder

If the Company fails to perform any of its obligations hereunder, the Holder may, after notice to the Company, but shall not be obligated to, perform any or all such obligations, and all costs, charges, expenses, fees, outlays and premiums incurred by the Holder in connection therewith shall be payable by the Company forthwith upon demand by the Holder and shall bear interest from the date incurred by the Holder at the Interest Rate, compounded quarterly and payable on demand and shall form part of the Obligations and shall be secured hereby. Any such performance by the Holder shall not constitute a waiver by the Holder of any right, power, or privilege under this Note.

10.6 No Modification

No modification, variation or amendment of any provision of this Note shall be made without the prior written consent of the Holder, and no waiver of any provision hereof shall be effective unless in writing.

10.7 Appropriation of Funds

The Company agrees that the Holder may from time to time appropriate all monies realized by the Holder from the enforcement of the Liens on or towards the payment of any part of the Obligations of the Company as the Holder in its sole discretion may determine, and the Company shall have no right to require or enforce any appropriation inconsistent therewith, and the Holder shall have the right to change the application of any such proceeds and re-apply the same to any part or parts of such Obligations as the Holder may see fit notwithstanding any previous application.

10.8 Relationship of Parties

The provisions contained in this Note shall not create or be deemed to create any relationship as between the Company and the Holder other than that of borrower and creditor. For greater certainty, nothing herein shall constitute the Holder and the Company as partners or joint venturers or impose any liability upon them as such.

10.9 Not a Shareholder

Nothing in this Note or in the holding of the Notes evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.

10.10 Notice to the Company and the Holder

Any notice to be given to the Company or the Holder shall be in writing and shall be deemed to be validly given if such notice is delivered personally, sent by prepaid registered mail or emailed, addressed as follows:

- (a) if to the Company, at:

Trees Corporation

181 Bay Street, Suite 1800
Toronto, Ontario M5E 1R4
Attention: Jeff Holmgren, President & Chief Financial Officer
Email: jeffh@treescorp.ca

- (b) if to the Holder, at the Holder's address as it appears on the records of the Company.

Notice of change of address shall also be governed by this Section. Any notice so given by personal delivery shall be deemed to have been given when received by the Company or the Holder, and by prepaid registered mail shall be deemed to have been received by the Company or the Holder on the third (3rd) Business Day after the day of such mailing and any notice so given by email transmission shall be deemed to have been received by the Company or the Holder when the appropriate confirmation of receipt of transmission is received during normal business hours, failing which notice shall be deemed to be received the next Business Day.

10.11 Replacement of Note

If the Note shall become mutilated or be lost, stolen or destroyed and in the absence of notice that the Note has been acquired by a *bona fide* purchaser, the Company in its discretion may issue a new Note upon surrender and cancellation of the mutilated Note, or, in the event that a Note is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted debenture shall be in the form hereof and the Holder shall be entitled to benefits hereof. In case of loss, theft or destruction, the Holder shall furnish to the Company such evidence of such loss, theft or destruction as shall be satisfactory to the Company in its discretion acting reasonably together with an indemnity in form and substance mutually acceptable to the Company and the Holder, each acting reasonably. The applicant shall pay reasonable expenses incidental to the issuance of any such new Note.

10.12 Successors and Assigns

This Note shall enure to the benefit of the Holder and its successors and assigns and shall be binding upon the Company and its successors.

10.13 Assignment

This Note is non-negotiable and each of the Company and the Holder covenants and agrees that it cannot, and shall not, transfer, sell, assign or pledge this Note without the prior written consent of the other party. The Holder acknowledges and agrees that any transfer, sale, assignment or pledging of this Note by it shall comply with the provisions of the Securities Act, or such other regulatory authority having jurisdiction.

10.14 Invalidity of Provisions

Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

10.15 Governing Law

This Note shall be governed by and construed, interpreted and performed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.16 Time of Essence

Time shall be of the essence of this Note and a forbearance by the Holder of the strict application of this provision shall not operate as a continuing or subsequent forbearance.

10.17 No Waiver

No failure or delay by the Holder in exercising any right, power or privilege under this Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.18 Attachment

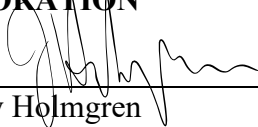
The Liens created by this Note are intended to attach when this Note is executed by the Company and delivered to the Holder or in the case of any property acquired subsequent hereto, contemporaneously with any such acquisition.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Note to be executed under its corporate seal by its duly authorized officer as of the date first written above.

TREES CORPORATION

Per:


Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

SCHEDULE "A"**CONVERSION FORM****TO: TREES CORPORATION**

All terms used herein but not defined shall have the meanings ascribed thereto in the within Note.

Pursuant to Article 4 of the Note, the undersigned registered Holder hereby irrevocably elects to convert the principal amount of \$_____ into _____ Common Shares at the Conversion Price in accordance with the terms of the Note and directs that the Common Shares issuable and deliverable upon the conversion be issued and delivered to the person indicated below.

(If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Print name in which Common Shares issued on conversion are to be issued, delivered and registered:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title: _____

SCHEDULE "B"**INTEREST PAYMENT ELECTION FORM****TO: TREES CORPORATION**

The undersigned registered holder (the "**Holder**") of the attached 12.0% secured convertible promissory note due October 20, 2025 (the "**Note**") hereby elects to receive: (Please check the **ONE** box applicable):

 Cash
OR
 Common Shares

representing payment of the interest payable for the upcoming Interest Payment Date.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Note.

If the Holder has elected to be issued Common Shares, the Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title: _____

SCHEDULE “C”**PERMITTED INDEBTEDNESS**

- (i) indebtedness incurred which is secured by the purchase money liens and other agreements described in subparagraph (vi) of the definition of Permitted Encumbrances;
- (ii) the Obligations hereunder;
- (iii) existing shareholder loans;
- (iv) unconverted debt in connection with the Company’s outstanding secured convertible debentures issued on September 10, 2021, October 28, 2021, and November 5, 2021 by way of private placement;
- (v) the Notes effective as of the date hereof in favour to other Holders of Notes issued pursuant to the Offering;
- (vi) any Senior Indebtedness; and
- (vii) such other indebtedness as may be approved by the Holder from time to time.

THIS NOTE SUPERSEDES AND REPLACES THE NOTE PREVIOUSLY ISSUED IN THE NAME OF STEVE KASZAS, WHICH CONTAINED AN ERROR IN THE NAME OF THE REGISTERED HOLDER.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE FEBRUARY 21, 2023.

TREES CORPORATION

SECURED CONVERTIBLE PROMISSORY NOTE

Date: October 20, 2022

ARTICLE 1 PRINCIPAL AND INTEREST

1.1 Promise to Pay

FOR VALUE RECEIVED, the undersigned, **TREES CORPORATION**, a corporation continued under the federal laws of Canada (the “**Company**”), hereby acknowledges itself indebted and promises to pay to BMO Nesbitt Burns ITF 365-99198-27, and its successors and assigns (the “**Holder**”), as it may direct, on the Maturity Date (as hereinafter defined) or on such earlier date as the principal amount hereof may become due in accordance with the provisions hereof, on presentation and surrender of this Note in accordance with the provisions hereof at the offices of the Company, the principal amount of one hundred thousand dollars (\$100,000) in lawful money of Canada, (the “**Principal Amount**”) and to pay interest (“**Interest**”) on the Principal Amount outstanding from time to time (after as well as before maturity, default and judgment) at a rate of interest equal to twelve percent (12%) per annum (the “**Interest Rate**”). Interest shall accrue on the Principal Amount at the Interest Rate on a non-compounded basis, from the date hereof until conversion of this Note or payment in full. Interest shall be paid annually, in Common Shares, until the achievement by the Company of the Conversion Conditions Precedent (as hereafter defined), after which interest shall be paid in cash or Common Shares at the Holder’s option by duly completing and returning to the Company, at least 5 calendar days prior to the Interest Payment Date, the Interest Payment Election Form attached hereto as Schedule “B”. In the event the Holder does not complete and return the Interest Payment Election Form to the Company within the prescribed time, the Holder shall be issued cash or Common Shares in full satisfaction of the interest owing to the Holder on the Interest Payment Date, at the Company’s option. The total amount payable under this Note will consist of the sum of the unpaid principal amount plus all accrued and unpaid Interest thereon. The number of Common Shares issuable in payment of Interest shall be determined using the volume weighted average trading price of the Common Shares on the Neo Exchange Inc. (the “**NEO**”) (or such other exchange on which the Common Shares may principally trade at such time) for the ten (10) consecutive Trading Days preceding the Interest payment record date (which record date shall be five Business Days prior to the Interest Payment Date). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

1.2 Prepayment

The Company shall have the ability to repay all or a part of the amounts outstanding hereunder at any time prior to the Maturity Date at a price equal to 112% of all then outstanding Principal Amount and Interest.

ARTICLE 2
DEFINITIONS, INTERPRETATIONS AND GENERAL PROVISIONS

2.1 Interpretation

In this Note, unless there is something in the subject matter or context inconsistent therewith:

- (a) The terms “**Goods**”, “**Chattel Paper**”, “**Documents of Title**”, “**Instruments**”, “**Intangibles**”, “**proceeds**”, “**Inventory**”, “**Investment Property**”, “**Money**”, “**Account**”, “**Equipment**” and “**Securities**”, whenever used in this Note shall have the meanings ascribed thereto in the PPSA;
- (b) “**Affiliate**” has the meaning specified in the *Canada Business Corporations Act*;
- (c) “**Applicable Securities Laws**” means, collectively, all applicable securities laws (including rules, regulations, policies and instruments enacted thereunder) in the Provinces of Ontario, Alberta and British Columbia and all applicable rules and policies of the NEO or any other stock exchange on which the Common Shares may be listed from time to time.
- (d) “**Arm’s length**” has the meaning specified in the *Income Tax Act* (Canada);
- (e) “**Business**” means the business carried on by the Company, including but not limited to the operation of independent retail cannabis stores in the Province of Ontario;
- (f) “**Business Day**” means any day, other than Saturday, Sunday or any civic or statutory holiday in the City of Toronto, Ontario;
- (g) “**Change of Control**” means any event whereby any Person or any Persons acting jointly or in concert (as that term is used in the *Securities Act* (Ontario)) with such Person, together with any Affiliate of any such Person, become(s) the beneficial owner(s) of shares of the Company, or securities exercisable or convertible into shares of the Company, carrying more than 50 percent of the votes for the election of directors and the votes carried by such shares are sufficient, if exercised, to elect a majority of the board of directors of the Company;
- (h) “**Closing**” means the issuance of the Note free from any escrow conditions on the Closing Date;
- (i) “**Closing Date**” means the date hereof;
- (j) “**Common Shares**” means the common shares in the capital of the Company, as currently constituted, and any shares into which such common shares may be changed, converted, exchanged or reclassified from time to time;

- (k) “**Contract**” means any contract (i) involving aggregate payments to or by the Company in excess of Twenty-Five Thousand Dollars (\$25,000) during any year; or (ii) which if terminated would cause a Material Adverse Change;
- (l) “**Conversion Conditions Precedent**” has the meaning given thereto in Section 4.1;
- (m) “**Conversion Price**” means \$0.015 per Common Share, subject to adjustment as provided in Section 4.4;
- (n) “**Current Market Price**” for the purposes of any computation hereunder, the “Current Market Price” at any date shall be the weighted average sale price per share for the Common Shares for the 20 consecutive Trading Days ending immediately before such date on the NEO or such other stock exchange on which the Common Shares may then be listed, or, if the Common Shares or any other security in respect of which a determination of Current Market Price is being made are not listed on any stock exchange, the Current Market Price shall be determined by the Board of Directors, acting reasonably and in good faith, which determination shall be conclusive. The weighted average price shall be determined by dividing the aggregate sale price of all such shares sold on the said exchange during the said 20 consecutive trading days by the total number of such shares so sold;
- (o) “**Equity Shares**” means the Common Shares and any shares of any other class or series of the Company which may from time to time be authorized for issue if by their terms such shares confer on the holders hereof the right to participate in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company beyond a fixed sum or a fixed sum plus accrued dividends;
- (p) “**Date of Conversion**” has the meaning given thereto in Section 4.2(b);
- (q) “**Default**” has the meaning attributed thereto in Section 7.1;
- (r) “**Director**” means a director of the Company from time to time and “**Board of Directors**” means the Board of Directors of the Company from time to time;
- (s) “**Governmental Body**” means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority or authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator);
- (t) “**Holder**” has the meaning ascribed thereto in Section 1.1 above;

- (u) “**Inchoate Lien**” means with respect to any property or asset of the Company, the following Liens:
- (i) any Lien for taxes, duties and assessments, and any Lien securing workers’ compensation, unemployment insurance or other social security obligations not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (ii) any carriers, warehousemen, mechanics or materialmen’s Liens in respect of amounts accruing in favour of any Person, so long as such amounts are not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (iii) Liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Liens or rights as a permitted encumbrance shall not prejudice the priority of the Liens created hereby, if any, over such Liens or rights as determined in accordance with applicable law); and
 - (iv) undetermined or inchoate Liens, privileges or charges incidental to current and ongoing operations of the Company which have not been filed pursuant to applicable law against any of the Company’s property or assets or which relate to obligations not yet due or delinquent;
- (v) “**Interest**” has the meaning ascribed thereto in Section 1.1;
- (w) “**Interest Payment Date**” means October 20th in each year that the Note is outstanding commencing on the date hereof.
- (x) “**Interest Payment Election Form**” means the form of election attached hereto as Schedule “B”.
- (y) “**Interest Rate**” has the meaning ascribed thereto in Section 1.1;
- (z) “**Law**” means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of any Governmental Body (whether or not having the force of law) relating to such Person, property, transaction or event, whether applicable in Canada or any other jurisdiction.
- (aa) “**Lien**” means any mortgage, hypothec, title retention, pledge, lien, claim, trust, assignment as security, right of set-off, charge, security interest or other encumbrance whatsoever, whether fixed or floating and howsoever created or arising;

- (bb) “**Loan**” means, at any time, the accommodations of credit made pursuant to this Note;
- (cc) “**Material Adverse Change**” means, as of any date of determination, any change, circumstance, state of facts or occurrence (or series of occurrences) including any litigation which, in the reasonable credit discretion of the Holder, has or is reasonably likely to have a material adverse change on:
 - (i) the business, assets, liabilities, operations, results of operations, financial condition, or prospects of the Company,
 - (ii) the ability of the Company to carry on its Business,
 - (iii) the ability of the Company to perform any of its obligations hereunder or under any Contract,
 - (iv) any Lien constituted or created by the Company in favour of the Holder;
- (dd) “**Maturity Date**” means October 20, 2025, unless the Note is converted earlier pursuant to and in accordance with the provisions hereof;
- (ee) “**NEO**” has the meaning ascribed thereto in Section 1.1 above;
- (ff) “**Note**” means this secured convertible promissory note of the Company as same may be revised, restated, replaced or supplemented from time to time;
- (gg) “**Noteholders**” means the holders of the Notes and “**Noteholder**” means any one of them;
- (hh) “**Notes**” means all of the secured Notes issued under the Offering on equal or substantially similar terms to this Note;
- (ii) “**Obligations**” has the meaning ascribed thereto in Section 3.2;
- (jj) “**Offering**” means an offering of secured convertible note units issued by the Company in one or more closings with an aggregate principal amount of \$1,000,000, where the Notes shall be: (i) in substantially the same form as this Note other than in respect of the date of issuance and corresponding commencement of interest and the maximum amounts; and (ii) shall, in relation to priority of security, rank equally and rateably without discrimination, preference or priority with all other Notes;
- (kk) “**Permitted Encumbrances**” means:
 - (i) any Inchoate Lien;
 - (ii) any right reserved to or vested in any Governmental Body, by the terms of any Permit acquired by the Company, or by any statutory provision to

terminate any such Permit or require annual or other periodic payments as a condition of the continuance thereof;

- (iii) security given by the Company to a public utility or any Governmental Body when required by such utility or Governmental Body in connection with, and incidental to, the operations of the Company in the ordinary course of its business;
- (iv) Liens incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, surety or appeal bonds, cost of litigation when required by applicable law and other similar Liens and deposits;
- (v) Liens and privileges arising out of judgments or awards in respect of which an appeal or proceeding for review has been commenced provided a stay of execution pending such appeal or proceedings for review has been obtained and satisfactory reserves have been established;
- (vi) Liens on specific Equipment or motor vehicles of the Company which secures, and is limited to, the unpaid purchase price of such Equipment or motor vehicles, provided that any such Lien is limited to the Equipment or motor vehicles so acquired and such Equipment or motor vehicles is used by the Company in the operation of its business and is not for resell, lease or rental to any Person;
- (vii) Liens in favour of the Holder;
- (viii) Liens given in respect of the Permitted Indebtedness listed on Schedule "C" hereto; and
- (ix) any Liens consented to in writing by Holder,

provided however, that the existence or consent by the Holder of any Permitted Encumbrances shall not be construed in any way as a subordination by the Holder of its Liens unless expressly subordinated in writing by the Holder pursuant to a separate and independent priority, intercreditor or subordination agreement;

- (ll) "**Permitted Indebtedness**" means, at any time, such indebtedness listed on Schedule "C" hereto;
- (mm) "**Permits**" means all material licenses, permits, approvals, consents, certificates, franchises and other authorizations required by the Company to operate the Business;
- (nn) "**Person**" means an individual, natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture, government, Governmental Body or any other entity, whether acting in an individual, fiduciary or other capacity, state or political subdivision thereof or any agency of such state or subdivision;

- (oo) “**PPSA**” means the *Personal Property Security Act* (Ontario), as amended, replaced or supplemented from time to time;
- (pp) “**Principal**” has the meaning ascribed thereto in Section 1.1;
- (qq) “**Secured Property**” has the meaning ascribed thereto in Section 3.1;
- (rr) “**Securities**” means any equity security, or any option, warrant or other right to subscribe for, or purchase, or otherwise acquire, any equity security;
- (ss) “**Securities Act**” means the *Securities Act* (Ontario), as amended, replaced or supplemented from time to time;
- (tt) “**Senior Indebtedness**” means the principal and interest on:
 - (i) indebtedness for borrowed money owed by the Company or its subsidiaries to the Subsidiary Senior Lender in connection with the Tweed Note;
 - (ii) indebtedness for borrowed money that the Company may now or hereinafter incur from a Canadian chartered bank or trust company (or such other financial institution as may be acceptable to the Company) for the purposes of term or operating facilities, to the extent the Company has granted security therefor and to the extent that the obligation to repay such borrowed money is not itself subordinated to any third party the effect of which postponement would be that the Obligations created herein would be postponed to any such third party to whom the Obligations would not otherwise be postponed; and
 - (iii) renewals, extensions, restructurings, re-financings and refundings of any such indebtedness,unless in any of the cases specified in (i), (ii) or (iii) above, it is provided by the terms of the instrument creating or evidencing such indebtedness that such indebtedness is not superior in right of payment to this Note;
- (uu) “**Subsidiaries’ Secured Property**” means the property of OCH Ontario Consulting Corp., as debtor, and Ontario Cannabis Holdings Corp., as guarantor, that is the subject of the security interest granted in favour of the Subsidiary Senior Lender in connection with the Tweed Note and pursuant to the general security agreement dated March 11, 2020 between OCH Ontario Consulting Corp., Ontario Cannabis Holdings Corp. and the Subsidiary Senior Lender;
- (vv) “**Subsidiary Senior Lender**” means Tweed Franchise Inc., a wholly-owned subsidiary of Canopy Growth Corporation;
- (ww) “**Trading Day**” means, with respect to the NEO or other market for securities, any day on which such exchange or market is open for trading or quotation;

- (xx) “**Taxes**” means all taxes of any kind or nature whatsoever including, without limitation, income taxes, sales or value-added taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body having power to tax, together with penalties, fines, additions to tax and interest thereon;
- (yy) “**Third Party**” means a Person who is at Arm’s Length from the Company, the Holders and all shareholders of the Company;
- (zz) “**This Note**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this Note and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto; and
- (aaa) “**Tweed Note**” means the secured grid promissory note of OCH Ontario Consulting Corp., a wholly-owned, indirect subsidiary of the Company, in favour of the Subsidiary Senior Lender dated March 11, 2020.

2.2 **Plurality and Gender**

Words importing the singular number only shall include the plural and vice versa and words importing one gender shall include all genders and words importing Persons shall include firms and corporations and vice versa.

2.3 **Headings, etc.**

The division of this Note into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note.

2.4 **Day Not a Business Day**

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

2.5 **Reference to Law**

Reference herein to any Law means such Law as amended, modified, codified or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder.

2.6 **Currency**

Any reference in this Note to “**Dollars**”, “**dollars**” or the sign “**\$**” shall be deemed to be a reference to lawful money of Canada.

ARTICLE 3 INDEBTEDNESS SECURED

3.1 Creation of Security Interest

As general continuing collateral security for the due payment and performance of any and all present and future Obligations of the Company to the Holder, the Company hereby grants a Lien as and by way of a fixed and floating Lien to and in favour of the Holder, in any and all of the undertaking, property and assets of the Company, real and personal, moveable and immovable, of whatsoever nature and kind whatsoever, now owned or hereafter acquired, including, without limitation, all present and future income, Money, Inventory, Equipment, Goods, Chattel Paper, Documents of Title, Intangibles, Investment Property, revenues, rents, supplies, materials, credits, bank accounts, Accounts, book debts, negotiable and non-negotiable Instruments, shares, stocks, bonds, debentures, Securities, choses in action, proceeds of insurance, contracts, agreements, goodwill, trademarks, patents and patent rights, processes, inventions, franchises, powers, privileges, licenses and all other property and things of value, real or personal, tangible or intangible, legal or equitable, which the Company may be possessed of, or entitled, to or which may at any time hereafter be acquired by the Company, save and except for the last day of any term reserved by any lease now held or hereafter acquired by the Company (collectively, referred to as the “**Secured Property**”) and the Company shall stand possessed of any such reservation in trust for the exclusive benefit of the Holder and to assign and dispose thereof as the Holder may direct.

3.2 Liens Securing Indebtedness

The Liens granted by the Company to the Holder pursuant to this Note shall constitute general continuing collateral security for the due payment and performance of any and all present and future debts, liabilities and obligations of the Company to the Holder arising out of this Note, whether actual or contingent, direct or indirect, as principal or surety, matured or not, now existing or arising hereafter, including, without limitation, the Principal Amount, Interest (at the Interest Rate) and any and all costs, fees and expenses incurred by the Holder (the “**Obligations**”).

3.3 Designation, Rank and Priority

This Note is one of several secured Notes issued or to be issued by the Company under the Offering. The ranking of the Notes set out in this Section 3.3 shall apply in all events and circumstances regardless of the date of any advance or advances made to the Company by the holders of the Notes. The provisions of this Note shall be binding on the Company, the Holder and all Persons claiming through or under them respectively and any Person shall be deemed to have notice of these provisions. For greater certainty, the security interest of the Holder in respect of this Note shall rank *pari passu* with the security interest of the other Holders in respect of their respective Notes.

ARTICLE 4 CONVERSION

4.1 Conversion Privilege

Subject to and upon compliance with the provisions of this Article 4, (a) for a period ending on the first anniversary of the Closing Date, and (b) the completion by the Company of a financing subsequent to the Offering for gross proceeds of at least \$1,000,000, all or a portion of the

Principal Amount of a Holder's Notes can only be converted into Common Shares at the Conversion Price. Upon meeting both of conditions (a) and (b) above (the "**Conversion Conditions Precedent**"), the Holder shall have the option to convert all or a portion of the Principal Amount of a Holder's Notes into Common Shares at the Conversion Price. If converted prior to the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in Common Shares within ten (10) Business Days of the date of conversion of the Principal Amount, and if converted upon or after the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in cash or Common Shares in accordance with the Holders' election to be delivered pursuant to Section 4.2 regarding receipt of the Principal Amount within ten (10) Business Days of the date of conversion of the Principal Amount. Notwithstanding the foregoing, the conversion of the Principal Amount into Common Shares shall be subject to any applicable NEO or regulatory approval.

4.2 Manner of Exercise of Right to Convert

- (a) If the Holder wishes to convert this Note into Common Shares, it shall surrender such Note to the Company together with the Conversion Form set forth in Schedule "A" hereto, duly executed by the Holder, irrevocably exercising its right to convert such Note in accordance with the provisions of this Article 4. Thereupon the Holder or its nominee or assignee shall be entitled to be entered in the books of the Company as at the Date of Conversion as the holder of the number of Common Shares into which such Note is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Company shall deliver to such Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares and, if applicable, a cheque for any amount payable under Section 4.5 in respect of fractional shares.
- (b) For the purposes hereof, the date of conversion of the Note (the "**Date of Conversion**") shall be deemed to be the date on which it is surrendered in accordance with the provisions hereof and, in the case of a Note so surrendered by mail or other means of delivery, the date on which it is received by the Company during regular business hours on a Business Day.
- (c) Upon surrender of this Note for conversion in accordance with this Section 4.2, the Holder will be entitled to receive that number of Common Shares equal to the quotient obtained when the aggregate of the Principal Amount to be converted is divided by the Conversion Price. The Common Shares issued upon conversion shall be entitled to all rights and privileges accorded to holders of record of Common Shares on and after the Date of Conversion, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.3 Mandatory Conversion

If, during the term of the Notes, the volume weighted-average share price of the Common Shares on the NEO (or such other exchange on which the Common Shares may principally trade at such time) for 20 consecutive Trading Days equals or exceeds \$0.06, the Company may, at its option, subject to providing not less than 30 days' prior notice to Holders, convert the Notes into Common Shares at the Conversion Price (subject to customary adjustments for recapitalizations, stock dividends and splits, combinations and the like), in whole or, from time to time, in part. On any such conversion of the Notes, the Holders will receive accrued and unpaid Interest on the amount converted for the period from the date of the latest payment of Interest to the Date of Conversion, in cash. The Company may only exercise its mandatory conversion right on or after the first anniversary of the Closing Date.

4.4 Adjustment Provisions

The Conversion Price will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the Maturity Date, the Company:
 - (i) issues Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of the Common Shares as a stock dividend;
 - (ii) makes a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;
 - (iii) subdivides its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidates its outstanding Common Shares into a smaller number of shares;

(any of such events in subsection 4.4(a)(i), subsection 4.4(a)(ii), subsection 4.4(a)(iii) or 4.4(a)(iv) above being called a “**Share Reorganization**”), the Conversion Price will be adjusted immediately after the effective date or record date for the happening of a Share Reorganization, as the case may be, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Shares outstanding immediately after giving effect to such Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date). Such

adjustment will be made successively whenever any event referred to in this Section 4.4 occurs;

- (b) If and whenever at any time after the date hereof the Company fixes a record date for the issuance of rights, options or warrants to the holders of all or substantially all of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares, where:
- (i) the right to subscribe for or purchase Common Shares, or the right to exchange securities for or convert securities into Common Shares, expires not more than 45 days after the date of such issue (the period from the record date to the date of expiry herein in this Section 4.4 being the “**Rights Period**”); and
 - (ii) the cost per Common Share during the Rights Period (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) (herein in this Section 4.4 called the “**Per Share Cost**”) is less than 95% of the Current Market Price of the Common Shares on the record date,

(any of such events being called a “**Rights Offering**”), then the Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

- (A) the numerator of which is the aggregate of:
 - (1) the number of Common Shares outstanding as of the record date for the Rights Offering; and
 - (2) a number determined by dividing the product of the Per Share Cost and:
 - (I) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or
 - (II) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common

Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

- (B) the denominator of which is:
- (1) in the case described in subparagraph 4.4(b)(A)(2)(I), the number of Common Shares outstanding, or
 - (2) in the case described in subparagraph 4.4(b)(A)(2)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.4(b)(A)(2)(II) had been issued,

as at the end of the Rights Period.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

If by the terms of the rights, options or warrants referred to in this Section 4.4, there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

- (1) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and
- (2) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

To the extent that any adjustment in the Conversion Price occurs pursuant to this subsection 4.4(b) as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in this subsection 4.4(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued

and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

If the Holder has converted the Note in accordance herewith during the period beginning immediately after the record date for a Rights Offering and ending on the last day of the Rights Period therefor, the Holder will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the Conversion Price in effect immediately prior to the end of such Rights Offering pursuant to this subsection is multiplied by the number of Common Shares received upon the conversion of the Notes during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this subsection; provided that the provisions of Section 4.5 will be applicable to any fractional interest in a Common Share to which such Holder might otherwise be entitled. Such additional Common Shares will be deemed to have been issued to the Holder immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to such Holder within five (5) Business Days following the end of the Rights Period.

- (c) If and whenever at any time after the date hereof the Company fixes a record date for the issue or the distribution to the holders of all or substantially all its Common Shares of:
- (iii) shares of the Company of any class other than Common Shares;
 - (iv) rights, options or warrants to acquire shares or securities exchangeable for or convertible into shares or property or other assets of the Company;
 - (v) evidence of indebtedness; or
 - (vi) any property or other assets,

and if such issuance or distribution does not constitute (A) a Share Reorganization or (B) a Rights Offering (such non-excluded events being called a “**Special Distribution**”), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (A) the numerator of which is:
- (1) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
 - (2) the aggregate fair market value (as determined by action by the directors of the Company, acting reasonably and in good faith, and subject to the prior written consent of the

NEO, if required) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

- (B) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

- (d) If and whenever at any time after the date hereof there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Share Reorganization), or a consolidation, amalgamation or merger of the Company with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Holder, upon conversion of the Notes after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which such Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon conversion of the Notes. If determined appropriate by action of the directors of the Company, acting reasonably and in good faith, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.4 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 4.4 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise hereof. Any such adjustment must be made by and set forth in an amendment to the Notes approved by action by the directors of the Company and will for all purposes be conclusively deemed to be an appropriate adjustment.
- (e) If at any time after the date hereof and prior to the Expiry Time any adjustment in the Conversion Price shall occur as a result of:
 - (vii) an event referred to in subsection 4.4(a);
 - (viii) the fixing by the Company of a record date for an event referred to in subsection 4.4(b); or

- (ix) the fixing by the Company of a record date for an event referred to in subsection 4.4(c) if such event constitutes the issue or distribution to the holders of all or substantially all of its outstanding Common Shares of (A) Equity Shares, or (B) securities exchangeable for or convertible into Equity Shares at an exchange or conversion price per Equity Shares less than the Current Market Price on such record date or (C) rights, options or warrants to acquire Equity Shares at an exercise, exchange or conversion price per Equity Share less than the Current Market Price on such record date,

then, where required, the number of Common Shares purchasable upon the subsequent conversion of the Notes shall be simultaneously adjusted by multiplying the number of Common Shares purchasable upon the conversion of the Notes immediately prior to such adjustment by a fraction which shall be the reciprocal of the fraction employed in the adjustment of the Conversion Price. To the extent any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of a distribution of exchangeable or convertible securities other than Equity Shares referred to in subsection 4.4(a) or as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in subsection 4.4(b), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number of Common Shares which would be purchasable based upon the number of Common Shares actually issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right. To the extent that any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of the fixing by the Company of a record date for the distribution of exchangeable or convertible securities other than Equity Shares or rights, options or warrants referred to in subsection 4.4(c), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number which would be purchasable pursuant to this subsection 4.4(e) if the fair market value of such securities or such rights, options or warrants had been determined for purposes of the adjustment pursuant to this subsection 4.4(e) on the basis of the number of Equity Shares issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right.

4.5 No Requirement to Issue Fractional Shares

The Company shall not issue fractional Common Shares upon the conversion of this Note. If any fractional interest in a Common Share would, except for the provisions of this Section 4.5, be deliverable upon the conversion of any Principal Amount, the Company shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Holder of such surrendered Note an amount in lawful money of Canada equal to an identical fraction of the Conversion Price of the Common Shares on the Date of Conversion.

4.6 **Taxes and Charges on Conversion**

The Company will from time to time promptly pay or make provision for the payment of all Taxes which may be imposed by applicable laws (except income tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Holder upon the exercise of its right of conversion pursuant to the terms of this Note.

4.7 **Certificate as to Adjustment**

The Company shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.4, deliver a notice to the Investors specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby including the resulting Conversion Price and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such notice and the amount of the adjustment specified therein shall, subject to the provisions of Sections 4.3 and 4.5 and absent manifest error, be conclusive and binding on all interested parties.

4.8 **Notice of Special Matters**

The Company covenants that, so long as this Note remains outstanding, it will give notice to the Holders of its intention to fix a record date for any event referred to in Section 4.4 (other than the subdivision, redivision, reduction, combination or consolidation of Common Shares) which may give rise to an adjustment in the Conversion Price, and such notice shall specify the particulars of such event and the record date or the effective date, as applicable, for such event, provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Except where the Holders otherwise consent in writing, such notice shall be given not less than fourteen (14) days prior to the applicable record date.

4.9 **Company to Reserve Shares**

The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited) solely for the purpose of issuance upon conversion of this Note such number of Common Shares as shall then be issuable upon the conversion of this Note. All Common Shares which shall so be issuable shall be, upon issuance, duly and validly issued, fully paid and non-assessable.

4.9 **Mandatory Offer**

Within five (5) Business Days after the occurrence of any of the following events:

- (i) the sale or other disposition of all or substantially all of the business of the Company; or
- (ii) a Change of Control of the Company,

the Company shall make an offer in writing to the Holder to purchase the outstanding Principal Amount of this Note plus all accrued and unpaid Interest as of such date. The offer shall remain open for a period of at least 30 days from the date of receipt of such notice by the Holder. The

Holder may, in its sole discretion, tender the Note to the offer by so indicating to the Company by notice in writing during the offer period. Purchase of the Note, if tendered, shall occur within five Business Days of receipt by the Company of such notice, together with the tendered Note.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent

The Holder shall not be obligated to advance the Loan unless and until the following conditions precedent have been fulfilled to the Holder's satisfaction in its absolute discretion, which conditions are for the sole and exclusive benefit of the Holder, and notwithstanding anything to the contrary, which may be waived in writing by the Holder in its sole discretion:

- (a) **Note.** The Company shall have delivered to the Holder, in form and substance satisfactory to Holder, this Note and any and all other ancillary documents reasonably required by the Holder in connection with the advance of the Loan, including, without limitation, any and all consents, acknowledgements, estoppels, waivers, subordinations, priority agreements, intercreditor agreements, officer's certificates and legal opinions of the Company's counsel reasonably required by the Holder.
- (b) **Perfection of Security.** All registrations or filings required to perfect the Liens granted to the Holder shall have been made in all applicable jurisdictions and public offices necessary or desirable to provide the Holder with the priority position it requires.
- (c) **Representations, Warranties and Covenants.** The representations and warranties of the Holder shall be true, accurate, complete and correct as of the Closing Date and the Holder shall have complied with all covenants and agreements set forth herein, to the extent that the covenants can be complied with as of Closing Date.
- (d) **No Default.** No Default shall have occurred and be continuing or shall occur as a result of the transactions contemplated by this Note.

ARTICLE 6 COVENANTS OF THE COMPANY

6.1 Covenants. The Company covenants and agrees that so long as the Notes remain outstanding:

- (a) The Company shall pay the Principal Amount, Interest and all other amounts payable by the Company under the terms of this Note promptly when due on the dates and in the manner specified in this Note.
- (b) The Company will use commercially reasonable efforts to maintain its corporate existence and qualify and remain qualified to carry on business in each

jurisdiction where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

- (c) The Company will give notice in writing to the Holder of the occurrence of any Default that is continuing forthwith upon becoming aware thereof.
- (d) The Company will use commercially reasonable efforts to maintain: (i) the listing of the Common Shares on the NEO, and (ii) the Company's status as a reporting issuer not in default under Applicable Securities Laws; provided that nothing in this subsection 6.01(d) shall prevent the Company from completing any transaction which would result in the Common Shares ceasing to be listed on the NEO or the Company ceasing to be a reporting issuer under Applicable Securities Laws so long as the holders of securities of the Company receive securities of an entity which is listed on a recognized Canadian or U.S. stock exchange or cash or the holders of securities of the Company have approved the transaction in accordance with the requirements of applicable corporate law and Applicable Securities Laws.
- (e) The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or otherwise becomes limited) for the purpose of issue and delivery, and shall issue to the Holder, such number of Common Shares as shall then be issuable under the terms of this Note upon conversion as provided in Article 4, and such Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable Common Shares in the capital of the Company.

ARTICLE 7 DEFAULT AND ENFORCEMENT

7.1 Events of Default

The happening of any of the following events or conditions shall constitute an event of default ("**Default**") hereunder:

- (a) **Failure to Pay Principal Amount.** If the Company makes default in payment of the Principal Amount on the Maturity Date or when the same otherwise becomes due under any provision hereof;
- (b) **Failure to Pay Interest.** If the Company fails to make a payment of Interest when due;
- (c) **Failure to Pay Other Amounts.** If the Company fails to make payment when due of any amount payable hereunder other than the Principal Amount or Interest and such failure has not been cured within 30 days;
- (d) **Default in Other Covenants.** If, other than in respect of any covenant to pay, there is any default or failure in the observance or performance of any other act hereby required to be done or any other material covenant or condition hereby

required to be observed or performed and such default or failure has not been cured within 30 days;

- (e) **False Representations, etc.** If any representation, warranty, certificate, statement or report made or given herein or otherwise in connection hereunder is false or erroneous or misleading in any material respect at the time it was made or given;
- (f) **Insolvency.** If the Company is unable to pay debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- (g) **Voluntary Proceedings.** If the Company makes a general assignment for the benefit of creditors, or any proceedings or filing is instituted or made by the Company seeking relief on its behalf as debtor, or to adjudicate it to a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment recomposition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets; or the Company takes any corporate action to authorize any of the actions set forth in this subsection 7.1(g);
- (h) **Involuntary Proceedings.** If any notice of intention is filed or any proceeding or filing is instituted or made against the Company in any jurisdiction seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets or seeking possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or a substantial part of the assets of the Company unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or stayed within thirty (30) days of institution thereof;
- (i) **Receiver, etc.** If a receiver, liquidator, trustee, sequestrator or other officer with like powers is appointed with respect to, or an encumbrancer takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or a substantial part of the properties or assets of the Company or gives notice of its intention to do so;
- (j) **Execution, Distress.** If any writ, attachment, execution, sequestration, extent, distress or any other similar process becomes enforceable against the Company or if a distress or any analogous process is levied against all or a substantial part of the properties or assets of the Company;
- (k) **Suspension of Business.** If the Company suspends or ceases or threatens to suspend or cease its Business; and

- (1) **Sale.** If the Company sells or otherwise disposes of, or threatens to sell or otherwise dispose of, all or a substantial part of its undertaking and property and assets, whether in one transaction or a series of related transactions and the Company does not make the mandatory offer under Section 4.10.

7.2 Consequences of an Event of Default

Upon the occurrence and during the continuance of an Event of Default, all monies secured by the Lien over the Secured Property and the Obligations herein shall at the option of the Holder become forthwith due and payable.

ARTICLE 8 REMEDIES

8.1 Appointment of Receiver

- (a) **Right to Appoint:** Upon a Default which is continuing, the Holder may appoint by instrument in writing, any person to be a receiver (hereinafter called a “**Receiver**”, which term when used herein shall include a receiver and manager) of the Secured Property as the agent of the Company and may remove any Receiver so appointed and appoint another in his stead.
- (b) **Receiver Agent of the Company:** Any such Receiver shall, so far as concerns responsibility for their acts, be deemed the agent of the Company and not the Holder (to the extent permitted by applicable Laws) and the Holder shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any such Receiver, their servants, agents or employees other than their gross negligence or wilful misconduct.
- (c) **Power of Receiver:** Subject to the provisions of the instrument appointing them, any such Receiver shall have power to take possession of the Secured Property or any part thereof, to preserve the Secured Property or its value, to carry on or concur in the carrying on of all or part of the business of the Company and to sell or otherwise dispose of or concur in selling or otherwise disposing of all or any part of the Secured Property. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Company, enter upon, use and occupy all premises owned or occupied by the Company wherein all or any part of the Secured Property may be situated, maintain the Secured Property upon such premises, borrow money on a secured or unsecured basis and use all or any part of the Secured Property directly in carrying on the Company’s Business or otherwise, as such Receiver shall, in his discretion, determine.
- (d) **Monies Received by Receiver:** Except as may be otherwise directed by the Holder, all monies received from time to time by such Receiver in carrying out their appointment shall be received exclusively in trust for and paid over to the Holder and applied against the Obligations in such order as the Holder sees fit in its sole and absolute discretion.

- (e) **Receiver Vested with Rights of the Holder:** Every such Receiver may, in the discretion of the Holder, be vested with all or any of the rights and powers of the Holder.

8.2 **Exercise Powers of Receiver**

Upon Default, the Holder may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver hereby.

8.3 **Court Appointed Receiver**

Upon Default, the Holder may proceed in any court of competent jurisdiction for the appointment of a Receiver of all or any part of the Secured Property.

8.4 **Other Proceedings**

Upon Default, the Holder may take any other remedy or proceeding authorized or permitted hereby or by Law or equity.

8.5 **Sale of Secured Property**

Without limiting the generality of the foregoing, upon a Default which is continuing, it shall be lawful for the Holder to make any sale, lease or other disposition of the Secured Property either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper (in accordance with applicable Laws) and to sue the Company for any deficiency remaining. The Holder shall be accountable only for money actually received by it. The Holder may deliver to the purchaser of the Secured Property good and sufficient conveyances of same, free and clear of any claim by the Company. The purchaser, lessee or transferee receiving any disposition of the Secured Property or any part thereof need not inquire whether Default under this Note has actually occurred but may as to this and all other matters rely upon a statutory declaration of the Holder, which declaration shall be conclusive and any such purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security or the taking of possession of the Secured Property or the sale, lease or other disposition thereof.

8.6 **Rights as Secured Party**

In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Company and the Holder, the Holder shall have, both before and after Default which is continuing, all the rights and remedies of a secured party under the PPSA and any other applicable Law as may from time to time be in effect. The Holder shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, realize, sell or otherwise dispose of the Secured Property or any part thereof or to institute any proceedings for such purposes. Furthermore, the Holder shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Secured Property or Proceeds, whether or not in the possession of the Holder, and shall not be liable or accountable for failure to do so.

8.7 Take Possession

The Company acknowledges that the Holder or any Receiver appointed by it may take possession of the Secured Property or any part thereof wherever it may be located and by any method permitted by applicable Laws and the Company agrees that upon request from the Holder or any such Receiver to assemble and deliver possession of the Secured Property or any part thereof at such place or places as may be directed.

ARTICLE 9 RELEASE, SUBORDINATION AND THIRD PARTY BENEFICIARIES

9.1 **Release by Holder.** The Holder may, at its sole discretion, at any time release from the security interest hereby created any part or parts of the Secured Property either with or without consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Secured Property or any person from this Note.

9.2 Subordination to Senior Indebtedness.

- (a) Notwithstanding any other provision to the contrary in this Note, all rights of the Holder and the other Noteholders to receive payment of any indebtedness owing to them by the Company is and shall be expressly subordinate and junior in right of payment and exercise of remedies to the prior payment in full in cash of all present and future Senior Indebtedness to the extent and in the manner provided therein, and the Holder hereby subordinates all present and future indebtedness owing under this Note as a claim against the Company prior to the payment in full in cash of the Senior Indebtedness; *provided, however*, that the foregoing subordination restrictions (and any other restrictions contained in this Article 9) do not restrict the ability of the Holder, should the Holder so demand at any time after the Maturity Date, to be repaid the Principal Amount plus any outstanding Interest on or after the Maturity Date if this Note is not earlier converted or cancelled pursuant to its terms (provided that the Senior Indebtedness is not in default), and nothing in this Note or otherwise shall prevent repayment on Maturity Date if elected by the Holder regardless of whether the Senior Indebtedness is still outstanding (provided that the Senior Indebtedness is not in default at the relevant time).
- (b) The Holder hereby acknowledges and agrees that each security interest, pledge, assignment, mortgage, or other interest of the Subsidiary Senior Lender in the Subsidiaries' Secured Property shall have priority to the extent of all Senior Indebtedness secured thereby over any right, security interest, lien, or claim that the Holder or any other Noteholder may now have or hereafter have therein or thereto. The priorities established hereby shall be irrespective of the time or order of attachment or perfection of security interests, liens, or claims or the time or order of filing of financing statements or mortgages or otherwise. The Holder hereby waives, to the extent permitted by applicable law, all rights to notice of sale or other intended disposition of any Subsidiaries' Secured Property by the Subsidiary Senior Lender.

- (c) Subject to Section 9.2(a), except as expressly permitted by the terms of any Senior Indebtedness, or unless the Subsidiary Senior Lender otherwise consents in writing, the Company will not make, and the Holder will not accept or receive, any payment in cash of any indebtedness owing under this Note until all the Senior Indebtedness has been paid in full in cash, other than in connection with the repayment of Principal Amount and Interest on or after the Maturity Date if demanded by the Holder pursuant to this Note. If the Holder receives any payment in cash on account of the indebtedness owing under this Note (other than after the Maturity Date if elected by the Holder), in violation of this Section 9.2, then it shall hold such cash payment in trust for the benefit of the Subsidiary Senior Lender and, promptly upon discovery or notice of such violation, pay such amount over to the Subsidiary Senior Lender on behalf of such holders for application in payment of the Senior Indebtedness.
- (d) The Holder agrees that to the extent it holds any indebtedness under this Note at the relevant time, it will not take any action as the holder of any such indebtedness that will impede, interfere with or restrict or restrain the exercise by the Subsidiary Senior Lender of rights and remedies under the Senior Indebtedness. In furtherance thereof, the Holder, in its capacity as a holder of the indebtedness under this Note hereby agrees not to oppose any motion filed or supported by the Subsidiary Senior Lender for relief from stay or for adequate protection in respect of any Senior Indebtedness and not to oppose any motions supported by the Subsidiary Senior Lender for the Company's use of cash collateral or post-petition borrowing from the Subsidiary Senior Lender, provided that, the repayment of Principal plus Interest after the Maturity Date if so demanded by the Holder pursuant to the terms hereof shall not in any manner be deemed to have impeded, interfered with or restricted or restrained the Subsidiary Senior Lender's rights or remedies under the Senior Indebtedness (provided that the Senior Indebtedness is not in default at the relevant time).
- (e) The Holder, for itself and its successors and assigns, agrees for the benefit of the Subsidiary Senior Lender that so long as any Senior Indebtedness remains outstanding or committed to be advanced, the Holder will not, directly or indirectly, take any action prior to the Maturity Date to accelerate or demand payment in cash by the Company of any of the indebtedness owing under this Note, to exercise any of the remedies in respect of such indebtedness or any collateral security therefor, to initiate any litigation against the Company, or to foreclose or otherwise realize on any security given by the Company to secure such indebtedness.
- (f) The Subsidiary Senior Lender shall be entitled to the benefits under this Section 9.2 without notice thereof being given to the Holder or to any other Noteholder.
- (g) The provisions of this Section 9.2 as to subordination are solely for the purpose of defining the relative rights of the Subsidiary Senior Lender on the one hand, and the Holder and the other Noteholders on the other hand, and none of such provisions shall impair, as between the Company and the Holder, the obligations of the Company, which are unconditional and absolute, to pay to the Holder all of

the indebtedness owing under this Note in accordance with the terms hereof, nor, except as provided by this Section 9.2 or the terms of any Senior Indebtedness, shall any such provisions prevent the Holder from exercising all remedies otherwise permitted by applicable law or under the terms of this Note upon an Event of Default, subject to the rights, if any, of the Subsidiary Senior Lender under the other provisions of this Section 9.2.

- (h) Each of the Company and the Holder agree that, unless the Subsidiary Senior Lender otherwise consents thereto in writing (such consent not to be unreasonably withheld), prior to the payment in full in cash of the Senior Indebtedness, (i) it will not modify or amend this Note or any collateral or other security therefor that directly alter or amend the subordination arrangements under this Article 9 hereof or otherwise (it being understood that the terms of this Note may be amended by the mutual consent of the Company and the Holder, without the consent of the Subsidiary Senior Lender if such amendments do not otherwise modify the terms of the subordination arrangements set forth herein), and (ii) except for the security interests granted under Article 3, the Company shall not grant and the Holder will not obtain liens on or security interests in the Secured Property as security for the indebtedness owing under this Note, and that to the extent any such liens or security interests are created or exist on or in the Secured Property (by operation of law or otherwise) all such liens and security interests are and shall be fully subordinated and junior to the liens on and security interests in the Secured Property in favour of the Subsidiary Senior Lender.
- (i) Nothing in this Section 9.2 will restrict, prevent or exclude the conversion of this Note into shares in the capital of the Company in accordance with Article 4, whether automatically or at the option of the Holder.

9.3 **Third Party Beneficiaries.**

- (a) Except as set out in Section 9.1(b), the parties do not confer any legal, equitable or other rights or remedies of any nature under or by reason of this Note upon any person other than the parties to this Note and their respective successors and permitted assigns.
- (b) The parties hereby designate the Subsidiary Senior Lender as third-party beneficiaries of Article 9 of this Note having the right to enforce all sections in such Article 9, including against the Company and the Holder, jointly and severally, and this Section 9.1(b) may not be amended at any time while any obligations are owing to the Subsidiary Senior Lender without the prior written consent of the Subsidiary Senior Lender.

9.4 Permitted Encumbrances and Permitted Indebtedness. The Holders hereby acknowledge the existence of the Permitted Encumbrances and the Permitted Indebtedness listed in Schedule "C" hereto.

ARTICLE 10 GENERAL MATTERS

10.1 Amalgamation

The Company acknowledges that if it amalgamates with any other corporation or corporations (a) the term “**Company**”, where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (b) the term “**Obligations**”, where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

10.2 Costs and Expenses

The Company shall pay all reasonable costs, fees and expenses of the Holder, whether directly or for services rendered (including, without limitation, reasonably solicitors’ and other professional costs, fees and expenses) in connection with the preparation, negotiation and documentation of this Note and any and all documents ancillary thereto and the enforcement of the Holder’s rights hereunder and under any other document delivered pursuant to this Agreement provided funds including the Principal Amount are advanced as described herein. Such costs, fees and expenses shall form part of the Obligations and shall be secured hereby.

10.3 Further Assurances

The Company hereby covenants that it will, at all times do, execute, acknowledge and deliver every such further act, deed, transfer, assignment, mortgage, hypothec, charge, discharge and assurance with respect to the Secured Property as the other may reasonable require and as permitted by applicable Laws for the better assuring, mortgaging, charging, hypothecating, transferring, assigning, discharging and confirming the Secured Property unto the Holder and for the better accomplishing and effectuating the intent of this Note.

10.4 General Interest Provisions

Notwithstanding any other provision of this Note, in no event shall the aggregate “interest” (as that term is defined in Section 347 of the *Criminal Code* (Canada)) paid or payable pursuant to this Note exceed the effective annual rate of interest on the “credit advanced” (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Note, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Holder will be conclusive for the purposes of such determination. If at any time the implementation of any provision hereof results in a payment or an obligation to make a payment in contravention of this Section 10.4, the amount of the excess shall be applied as a partial prepayment of principal and the obligation to make such excess payment shall be deemed a severable obligation. The Company represents and warrants to the Holder that it has not incurred, and will not incur, any charges or expenses pursuant to this Note which may be considered to be “interest” in an aggregate amount which is in contravention of Section 347 of the *Criminal Code* (Canada). A certificate of an authorized signing officer of the Holder as to each amount or each rate of interest payable hereunder from time to time shall, in the absence of manifest error, be conclusive evidence of such amount and

of such rate.

10.5 Performance by Holder

If the Company fails to perform any of its obligations hereunder, the Holder may, after notice to the Company, but shall not be obligated to, perform any or all such obligations, and all costs, charges, expenses, fees, outlays and premiums incurred by the Holder in connection therewith shall be payable by the Company forthwith upon demand by the Holder and shall bear interest from the date incurred by the Holder at the Interest Rate, compounded quarterly and payable on demand and shall form part of the Obligations and shall be secured hereby. Any such performance by the Holder shall not constitute a waiver by the Holder of any right, power, or privilege under this Note.

10.6 No Modification

No modification, variation or amendment of any provision of this Note shall be made without the prior written consent of the Holder, and no waiver of any provision hereof shall be effective unless in writing.

10.7 Appropriation of Funds

The Company agrees that the Holder may from time to time appropriate all monies realized by the Holder from the enforcement of the Liens on or towards the payment of any part of the Obligations of the Company as the Holder in its sole discretion may determine, and the Company shall have no right to require or enforce any appropriation inconsistent therewith, and the Holder shall have the right to change the application of any such proceeds and re-apply the same to any part or parts of such Obligations as the Holder may see fit notwithstanding any previous application.

10.8 Relationship of Parties

The provisions contained in this Note shall not create or be deemed to create any relationship as between the Company and the Holder other than that of borrower and creditor. For greater certainty, nothing herein shall constitute the Holder and the Company as partners or joint venturers or impose any liability upon them as such.

10.9 Not a Shareholder

Nothing in this Note or in the holding of the Notes evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.

10.10 Notice to the Company and the Holder

Any notice to be given to the Company or the Holder shall be in writing and shall be deemed to be validly given if such notice is delivered personally, sent by prepaid registered mail or emailed, addressed as follows:

- (a) if to the Company, at:

Trees Corporation

181 Bay Street, Suite 1800
Toronto, Ontario M5E 1R4
Attention: Jeff Holmgren, President & Chief Financial Officer
Email: jeffh@treescorp.ca

- (b) if to the Holder, at the Holder's address as it appears on the records of the Company.

Notice of change of address shall also be governed by this Section. Any notice so given by personal delivery shall be deemed to have been given when received by the Company or the Holder, and by prepaid registered mail shall be deemed to have been received by the Company or the Holder on the third (3rd) Business Day after the day of such mailing and any notice so given by email transmission shall be deemed to have been received by the Company or the Holder when the appropriate confirmation of receipt of transmission is received during normal business hours, failing which notice shall be deemed to be received the next Business Day.

10.11 Replacement of Note

If the Note shall become mutilated or be lost, stolen or destroyed and in the absence of notice that the Note has been acquired by a *bona fide* purchaser, the Company in its discretion may issue a new Note upon surrender and cancellation of the mutilated Note, or, in the event that a Note is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted debenture shall be in the form hereof and the Holder shall be entitled to benefits hereof. In case of loss, theft or destruction, the Holder shall furnish to the Company such evidence of such loss, theft or destruction as shall be satisfactory to the Company in its discretion acting reasonably together with an indemnity in form and substance mutually acceptable to the Company and the Holder, each acting reasonably. The applicant shall pay reasonable expenses incidental to the issuance of any such new Note.

10.12 Successors and Assigns

This Note shall enure to the benefit of the Holder and its successors and assigns and shall be binding upon the Company and its successors.

10.13 Assignment

This Note is non-negotiable and each of the Company and the Holder covenants and agrees that it cannot, and shall not, transfer, sell, assign or pledge this Note without the prior written consent of the other party. The Holder acknowledges and agrees that any transfer, sale, assignment or pledging of this Note by it shall comply with the provisions of the Securities Act, or such other regulatory authority having jurisdiction.

10.14 Invalidity of Provisions

Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

10.15 Governing Law

This Note shall be governed by and construed, interpreted and performed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.16 Time of Essence

Time shall be of the essence of this Note and a forbearance by the Holder of the strict application of this provision shall not operate as a continuing or subsequent forbearance.

10.17 No Waiver

No failure or delay by the Holder in exercising any right, power or privilege under this Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.18 Attachment

The Liens created by this Note are intended to attach when this Note is executed by the Company and delivered to the Holder or in the case of any property acquired subsequent hereto, contemporaneously with any such acquisition.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Note to be executed under its corporate seal by its duly authorized officer as of the date first written above.

TREES CORPORATION

DocuSigned by:

Per:

Jeff Holmgren

Name: Jeffrey Holmgren

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Title: President and Chief Financial Officer

SCHEDULE "A"

CONVERSION FORM

TO: TREES CORPORATION

All terms used herein but not defined shall have the meanings ascribed thereto in the within Note.

Pursuant to Article 4 of the Note, the undersigned registered Holder hereby irrevocably elects to convert the principal amount of \$_____ into _____ Common Shares at the Conversion Price in accordance with the terms of the Note and directs that the Common Shares issuable and deliverable upon the conversion be issued and delivered to the person indicated below.

(If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Print name in which Common Shares issued on conversion are to be issued, delivered and registered:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title:

SCHEDULE "B"

INTEREST PAYMENT ELECTION FORM

TO: TREES CORPORATION

The undersigned registered holder (the "**Holder**") of the attached 12.0% secured convertible promissory note due October 20, 2025 (the "**Note**") hereby elects to receive: (Please check the **ONE** box applicable):

- Cash
- OR**
- Common Shares

representing payment of the interest payable for the upcoming Interest Payment Date.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Note.

If the Holder has elected to be issued Common Shares, the Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

(Address) (City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title:

SCHEDULE “C”**PERMITTED INDEBTEDNESS**

- (i) indebtedness incurred which is secured by the purchase money liens and other agreements described in subparagraph (vi) of the definition of Permitted Encumbrances;
- (ii) the Obligations hereunder;
- (iii) existing shareholder loans;
- (iv) unconverted debt in connection with the Company’s outstanding secured convertible debentures issued on September 10, 2021, October 28, 2021, and November 5, 2021 by way of private placement;
- (v) the Notes effective as of the date hereof in favour to other Holders of Notes issued pursuant to the Offering;
- (vi) any Senior Indebtedness; and
- (vii) such other indebtedness as may be approved by the Holder from time to time.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE MAY 4, 2023.

TREES CORPORATION

SECURED CONVERTIBLE PROMISSORY NOTE

Date: January 3, 2023

**ARTICLE 1
PRINCIPAL AND INTEREST**

1.1 Promise to Pay

FOR VALUE RECEIVED, the undersigned, **TREES CORPORATION**, a corporation continued under the federal laws of Canada (the “**Company**”), hereby acknowledges itself indebted and promises to pay to Becher Family Holdings Ltd., and its successors and assigns (the “**Holder**”), as it may direct, on the Maturity Date (as hereinafter defined) or on such earlier date as the principal amount hereof may become due in accordance with the provisions hereof, on presentation and surrender of this Note in accordance with the provisions hereof at the offices of the Company, the principal amount of thirty thousand dollars (\$30,000) in lawful money of Canada, (the “**Principal Amount**”) and to pay interest (“**Interest**”) on the Principal Amount outstanding from time to time (after as well as before maturity, default and judgment) at a rate of interest equal to twelve percent (12%) per annum (the “**Interest Rate**”). Interest shall accrue on the Principal Amount at the Interest Rate on a non-compounded basis, from the date hereof until conversion of this Note or payment in full. Interest shall be paid annually, in Common Shares, until the achievement by the Company of the Conversion Conditions Precedent (as hereafter defined), after which interest shall be paid in cash or Common Shares at the Holder’s option by duly completing and returning to the Company, at least 5 calendar days prior to the Interest Payment Date, the Interest Payment Election Form attached hereto as Schedule “B”. In the event the Holder does not complete and return the Interest Payment Election Form to the Company within the prescribed time, the Holder shall be issued cash or Common Shares in full satisfaction of the interest owing to the Holder on the Interest Payment Date, at the Company’s option. The total amount payable under this Note will consist of the sum of the unpaid principal amount plus all accrued and unpaid Interest thereon. The number of Common Shares issuable in payment of Interest shall be determined using the volume weighted average trading price of the Common Shares on the Neo Exchange Inc. (the “**NEO**”) (or such other exchange on which the Common Shares may principally trade at such time) for the ten (10) consecutive Trading Days preceding the Interest payment record date (which record date shall be five Business Days prior to the Interest Payment Date). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

1.2 Prepayment

The Company shall have the ability to repay all or a part of the amounts outstanding hereunder at any time prior to the Maturity Date at a price equal to 112% of all then outstanding Principal Amount and Interest.

ARTICLE 2
DEFINITIONS, INTERPRETATIONS AND GENERAL PROVISIONS

2.1 Interpretation

In this Note, unless there is something in the subject matter or context inconsistent therewith:

- (a) The terms “**Goods**”, “**Chattel Paper**”, “**Documents of Title**”, “**Instruments**”, “**Intangibles**”, “**proceeds**”, “**Inventory**”, “**Investment Property**”, “**Money**”, “**Account**”, “**Equipment**” and “**Securities**”, whenever used in this Note shall have the meanings ascribed thereto in the PPSA;
- (b) “**Affiliate**” has the meaning specified in the *Canada Business Corporations Act*;
- (c) “**Applicable Securities Laws**” means, collectively, all applicable securities laws (including rules, regulations, policies and instruments enacted thereunder) in the Provinces of Ontario, Alberta and British Columbia and all applicable rules and policies of the NEO or any other stock exchange on which the Common Shares may be listed from time to time.
- (d) “**Arm’s length**” has the meaning specified in the *Income Tax Act* (Canada);
- (e) “**Business**” means the business carried on by the Company, including but not limited to the operation of independent retail cannabis stores in the Province of Ontario;
- (f) “**Business Day**” means any day, other than Saturday, Sunday or any civic or statutory holiday in the City of Toronto, Ontario;
- (g) “**Change of Control**” means any event whereby any Person or any Persons acting jointly or in concert (as that term is used in the *Securities Act* (Ontario)) with such Person, together with any Affiliate of any such Person, become(s) the beneficial owner(s) of shares of the Company, or securities exercisable or convertible into shares of the Company, carrying more than 50 percent of the votes for the election of directors and the votes carried by such shares are sufficient, if exercised, to elect a majority of the board of directors of the Company;
- (h) “**Closing**” means the issuance of the Note free from any escrow conditions on the Closing Date;
- (i) “**Closing Date**” means the date hereof;
- (j) “**Common Shares**” means the common shares in the capital of the Company, as currently constituted, and any shares into which such common shares may be changed, converted, exchanged or reclassified from time to time;

- (k) “**Contract**” means any contract (i) involving aggregate payments to or by the Company in excess of Twenty-Five Thousand Dollars (\$25,000) during any year; or (ii) which if terminated would cause a Material Adverse Change;
- (l) “**Conversion Conditions Precedent**” has the meaning given thereto in Section 4.1;
- (m) “**Conversion Price**” means \$0.015 per Common Share, subject to adjustment as provided in Section 4.4;
- (n) “**Current Market Price**” for the purposes of any computation hereunder, the “Current Market Price” at any date shall be the weighted average sale price per share for the Common Shares for the 20 consecutive Trading Days ending immediately before such date on the NEO or such other stock exchange on which the Common Shares may then be listed, or, if the Common Shares or any other security in respect of which a determination of Current Market Price is being made are not listed on any stock exchange, the Current Market Price shall be determined by the Board of Directors, acting reasonably and in good faith, which determination shall be conclusive. The weighted average price shall be determined by dividing the aggregate sale price of all such shares sold on the said exchange during the said 20 consecutive trading days by the total number of such shares so sold;
- (o) “**Equity Shares**” means the Common Shares and any shares of any other class or series of the Company which may from time to time be authorized for issue if by their terms such shares confer on the holders hereof the right to participate in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company beyond a fixed sum or a fixed sum plus accrued dividends;
- (p) “**Date of Conversion**” has the meaning given thereto in Section 4.2(b);
- (q) “**Default**” has the meaning attributed thereto in Section 7.1;
- (r) “**Director**” means a director of the Company from time to time and “**Board of Directors**” means the Board of Directors of the Company from time to time;
- (s) “**Governmental Body**” means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority or authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator);
- (t) “**Holder**” has the meaning ascribed thereto in Section 1.1 above;

- (u) **“Inchoate Lien”** means with respect to any property or asset of the Company, the following Liens:
- (i) any Lien for taxes, duties and assessments, and any Lien securing workers’ compensation, unemployment insurance or other social security obligations not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (ii) any carriers, warehousemen, mechanics or materialmen’s Liens in respect of amounts accruing in favour of any Person, so long as such amounts are not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (iii) Liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Liens or rights as a permitted encumbrance shall not prejudice the priority of the Liens created hereby, if any, over such Liens or rights as determined in accordance with applicable law); and
 - (iv) undetermined or inchoate Liens, privileges or charges incidental to current and ongoing operations of the Company which have not been filed pursuant to applicable law against any of the Company’s property or assets or which relate to obligations not yet due or delinquent;
- (v) **“Interest”** has the meaning ascribed thereto in Section 1.1;
- (w) **“Interest Payment Date”** means October 20th in each year that the Note is outstanding commencing on the date hereof.
- (x) **“Interest Payment Election Form”** means the form of election attached hereto as Schedule “B”.
- (y) **“Interest Rate”** has the meaning ascribed thereto in Section 1.1;
- (z) **“Law”** means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of any Governmental Body (whether or not having the force of law) relating to such Person, property, transaction or event, whether applicable in Canada or any other jurisdiction.
- (aa) **“Lien”** means any mortgage, hypothec, title retention, pledge, lien, claim, trust, assignment as security, right of set-off, charge, security interest or other encumbrance whatsoever, whether fixed or floating and howsoever created or arising;

- (bb) **“Loan”** means, at any time, the accommodations of credit made pursuant to this Note;
- (cc) **“Material Adverse Change”** means, as of any date of determination, any change, circumstance, state of facts or occurrence (or series of occurrences) including any litigation which, in the reasonable credit discretion of the Holder, has or is reasonably likely to have a material adverse change on:
 - (i) the business, assets, liabilities, operations, results of operations, financial condition, or prospects of the Company,
 - (ii) the ability of the Company to carry on its Business,
 - (iii) the ability of the Company to perform any of its obligations hereunder or under any Contract,
 - (iv) any Lien constituted or created by the Company in favour of the Holder;
- (dd) **“Maturity Date”** means October 20, 2025, unless the Note is converted earlier pursuant to and in accordance with the provisions hereof;
- (ee) **“NEO”** has the meaning ascribed thereto in Section 1.1 above;
- (ff) **“Note”** means this secured convertible promissory note of the Company as same may be revised, restated, replaced or supplemented from time to time;
- (gg) **“Noteholders”** means the holders of the Notes and **“Noteholder”** means any one of them;
- (hh) **“Notes”** means all of the secured Notes issued under the Offering on equal or substantially similar terms to this Note;
- (ii) **“Obligations”** has the meaning ascribed thereto in Section 3.2;
- (jj) **“Offering”** means an offering of secured convertible note units issued by the Company in one or more closings with an aggregate principal amount of \$1,000,000, where the Notes shall be: (i) in substantially the same form as this Note other than in respect of the date of issuance and corresponding commencement of interest and the maximum amounts; and (ii) shall, in relation to priority of security, rank equally and rateably without discrimination, preference or priority with all other Notes;
- (kk) **“Permitted Encumbrances”** means:
 - (i) any Inchoate Lien;
 - (ii) any right reserved to or vested in any Governmental Body, by the terms of any Permit acquired by the Company, or by any statutory provision to

terminate any such Permit or require annual or other periodic payments as a condition of the continuance thereof;

- (iii) security given by the Company to a public utility or any Governmental Body when required by such utility or Governmental Body in connection with, and incidental to, the operations of the Company in the ordinary course of its business;
- (iv) Liens incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, surety or appeal bonds, cost of litigation when required by applicable law and other similar Liens and deposits;
- (v) Liens and privileges arising out of judgments or awards in respect of which an appeal or proceeding for review has been commenced provided a stay of execution pending such appeal or proceedings for review has been obtained and satisfactory reserves have been established;
- (vi) Liens on specific Equipment or motor vehicles of the Company which secures, and is limited to, the unpaid purchase price of such Equipment or motor vehicles, provided that any such Lien is limited to the Equipment or motor vehicles so acquired and such Equipment or motor vehicles is used by the Company in the operation of its business and is not for resell, lease or rental to any Person;
- (vii) Liens in favour of the Holder;
- (viii) Liens given in respect of the Permitted Indebtedness listed on Schedule "C" hereto; and
- (ix) any Liens consented to in writing by Holder,

provided however, that the existence or consent by the Holder of any Permitted Encumbrances shall not be construed in any way as a subordination by the Holder of its Liens unless expressly subordinated in writing by the Holder pursuant to a separate and independent priority, intercreditor or subordination agreement;

- (ll) **"Permitted Indebtedness"** means, at any time, such indebtedness listed on Schedule "C" hereto;
- (mm) **"Permits"** means all material licenses, permits, approvals, consents, certificates, franchises and other authorizations required by the Company to operate the Business;
- (nn) **"Person"** means an individual, natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture, government, Governmental Body or any other entity, whether acting in an individual, fiduciary or other capacity, state or political subdivision thereof or any agency of such state or subdivision;

- (oo) “**PPSA**” means the *Personal Property Security Act* (Ontario), as amended, replaced or supplemented from time to time;
- (pp) “**Principal**” has the meaning ascribed thereto in Section 1.1;
- (qq) “**Secured Property**” has the meaning ascribed thereto in Section 3.1;
- (rr) “**Securities**” means any equity security, or any option, warrant or other right to subscribe for, or purchase, or otherwise acquire, any equity security;
- (ss) “**Securities Act**” means the *Securities Act* (Ontario), as amended, replaced or supplemented from time to time;
- (tt) “**Senior Indebtedness**” means the principal and interest on:
 - (i) indebtedness for borrowed money owed by the Company or its subsidiaries to the Subsidiary Senior Lender in connection with the Tweed Note;
 - (ii) indebtedness for borrowed money that the Company may now or hereinafter incur from a Canadian chartered bank or trust company (or such other financial institution as may be acceptable to the Company) for the purposes of term or operating facilities, to the extent the Company has granted security therefor and to the extent that the obligation to repay such borrowed money is not itself subordinated to any third party the effect of which postponement would be that the Obligations created herein would be postponed to any such third party to whom the Obligations would not otherwise be postponed; and
 - (iii) renewals, extensions, restructurings, re-financings and refundings of any such indebtedness,

unless in any of the cases specified in (i), (ii) or (iii) above, it is provided by the terms of the instrument creating or evidencing such indebtedness that such indebtedness is not superior in right of payment to this Note;
- (uu) “**Subsidiaries’ Secured Property**” means the property of OCH Ontario Consulting Corp., as debtor, and Ontario Cannabis Holdings Corp., as guarantor, that is the subject of the security interest granted in favour of the Subsidiary Senior Lender in connection with the Tweed Note and pursuant to the general security agreement dated March 11, 2020 between OCH Ontario Consulting Corp., Ontario Cannabis Holdings Corp. and the Subsidiary Senior Lender;
- (vv) “**Subsidiary Senior Lender**” means Tweed Franchise Inc., a wholly-owned subsidiary of Canopy Growth Corporation;
- (ww) “**Trading Day**” means, with respect to the NEO or other market for securities, any day on which such exchange or market is open for trading or quotation;

- (xx) “**Taxes**” means all taxes of any kind or nature whatsoever including, without limitation, income taxes, sales or value-added taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body having power to tax, together with penalties, fines, additions to tax and interest thereon;
- (yy) “**Third Party**” means a Person who is at Arm’s Length from the Company, the Holders and all shareholders of the Company;
- (zz) “**This Note**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this Note and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto; and
- (aaa) “**Tweed Note**” means the secured grid promissory note of OCH Ontario Consulting Corp., a wholly-owned, indirect subsidiary of the Company, in favour of the Subsidiary Senior Lender dated March 11, 2020.

2.2 **Plurality and Gender**

Words importing the singular number only shall include the plural and vice versa and words importing one gender shall include all genders and words importing Persons shall include firms and corporations and vice versa.

2.3 **Headings, etc.**

The division of this Note into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note.

2.4 **Day Not a Business Day**

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

2.5 **Reference to Law**

Reference herein to any Law means such Law as amended, modified, codified or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder.

2.6 **Currency**

Any reference in this Note to “**Dollars**”, “**dollars**” or the sign “**\$**” shall be deemed to be a reference to lawful money of Canada.

ARTICLE 3 INDEBTEDNESS SECURED

3.1 Creation of Security Interest

As general continuing collateral security for the due payment and performance of any and all present and future Obligations of the Company to the Holder, the Company hereby grants a Lien as and by way of a fixed and floating Lien to and in favour of the Holder, in any and all of the undertaking, property and assets of the Company, real and personal, moveable and immovable, of whatsoever nature and kind whatsoever, now owned or hereafter acquired, including, without limitation, all present and future income, Money, Inventory, Equipment, Goods, Chattel Paper, Documents of Title, Intangibles, Investment Property, revenues, rents, supplies, materials, credits, bank accounts, Accounts, book debts, negotiable and non-negotiable Instruments, shares, stocks, bonds, debentures, Securities, choses in action, proceeds of insurance, contracts, agreements, goodwill, trademarks, patents and patent rights, processes, inventions, franchises, powers, privileges, licenses and all other property and things of value, real or personal, tangible or intangible, legal or equitable, which the Company may be possessed of, or entitled, to or which may at any time hereafter be acquired by the Company, save and except for the last day of any term reserved by any lease now held or hereafter acquired by the Company (collectively, referred to as the “**Secured Property**”) and the Company shall stand possessed of any such reservation in trust for the exclusive benefit of the Holder and to assign and dispose thereof as the Holder may direct.

3.2 Liens Securing Indebtedness

The Liens granted by the Company to the Holder pursuant to this Note shall constitute general continuing collateral security for the due payment and performance of any and all present and future debts, liabilities and obligations of the Company to the Holder arising out of this Note, whether actual or contingent, direct or indirect, as principal or surety, matured or not, now existing or arising hereafter, including, without limitation, the Principal Amount, Interest (at the Interest Rate) and any and all costs, fees and expenses incurred by the Holder (the “**Obligations**”).

3.3 Designation, Rank and Priority

This Note is one of several secured Notes issued or to be issued by the Company under the Offering. The ranking of the Notes set out in this Section 3.3 shall apply in all events and circumstances regardless of the date of any advance or advances made to the Company by the holders of the Notes. The provisions of this Note shall be binding on the Company, the Holder and all Persons claiming through or under them respectively and any Person shall be deemed to have notice of these provisions. For greater certainty, the security interest of the Holder in respect of this Note shall rank *pari passu* with the security interest of the other Holders in respect of their respective Notes.

ARTICLE 4 CONVERSION

4.1 Conversion Privilege

Subject to and upon compliance with the provisions of this Article 4, (a) for a period ending on the first anniversary of the Closing Date, and (b) the completion by the Company of a financing subsequent to the Offering for gross proceeds of at least \$1,000,000, all or a portion of the

Principal Amount of a Holder's Notes can only be converted into Common Shares at the Conversion Price. Upon meeting both of conditions (a) and (b) above (the "**Conversion Conditions Precedent**"), the Holder shall have the option to convert all or a portion of the Principal Amount of a Holder's Notes into Common Shares at the Conversion Price. If converted prior to the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in Common Shares within ten (10) Business Days of the date of conversion of the Principal Amount, and if converted upon or after the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in cash or Common Shares in accordance with the Holders' election to be delivered pursuant to Section 4.2 regarding receipt of the Principal Amount within ten (10) Business Days of the date of conversion of the Principal Amount. Notwithstanding the foregoing, the conversion of the Principal Amount into Common Shares shall be subject to any applicable NEO or regulatory approval.

4.2 Manner of Exercise of Right to Convert

- (a) If the Holder wishes to convert this Note into Common Shares, it shall surrender such Note to the Company together with the Conversion Form set forth in Schedule "A" hereto, duly executed by the Holder, irrevocably exercising its right to convert such Note in accordance with the provisions of this Article 4. Thereupon the Holder or its nominee or assignee shall be entitled to be entered in the books of the Company as at the Date of Conversion as the holder of the number of Common Shares into which such Note is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Company shall deliver to such Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares and, if applicable, a cheque for any amount payable under Section 4.5 in respect of fractional shares.
- (b) For the purposes hereof, the date of conversion of the Note (the "**Date of Conversion**") shall be deemed to be the date on which it is surrendered in accordance with the provisions hereof and, in the case of a Note so surrendered by mail or other means of delivery, the date on which it is received by the Company during regular business hours on a Business Day.
- (c) Upon surrender of this Note for conversion in accordance with this Section 4.2, the Holder will be entitled to receive that number of Common Shares equal to the quotient obtained when the aggregate of the Principal Amount to be converted is divided by the Conversion Price. The Common Shares issued upon conversion shall be entitled to all rights and privileges accorded to holders of record of Common Shares on and after the Date of Conversion, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.3 Mandatory Conversion

If, during the term of the Notes, the volume weighted-average share price of the Common Shares on the NEO (or such other exchange on which the Common Shares may principally trade at such time) for 20 consecutive Trading Days equals or exceeds \$0.06, the Company may, at its option, subject to providing not less than 30 days' prior notice to Holders, convert the Notes into Common Shares at the Conversion Price (subject to customary adjustments for recapitalizations, stock dividends and splits, combinations and the like), in whole or, from time to time, in part. On any such conversion of the Notes, the Holders will receive accrued and unpaid Interest on the amount converted for the period from the date of the latest payment of Interest to the Date of Conversion, in cash. The Company may only exercise its mandatory conversion right on or after the first anniversary of the Closing Date.

4.4 Adjustment Provisions

The Conversion Price will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the Maturity Date, the Company:
 - (i) issues Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of the Common Shares as a stock dividend;
 - (ii) makes a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;
 - (iii) subdivides its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidates its outstanding Common Shares into a smaller number of shares;

(any of such events in subsection 4.4(a)(i), subsection 4.4(a)(ii), subsection 4.4(a)(iii) or 4.4(a)(iv) above being called a “**Share Reorganization**”), the Conversion Price will be adjusted immediately after the effective date or record date for the happening of a Share Reorganization, as the case may be, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Shares outstanding immediately after giving effect to such Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date). Such

adjustment will be made successively whenever any event referred to in this Section 4.4 occurs;

- (b) If and whenever at any time after the date hereof the Company fixes a record date for the issuance of rights, options or warrants to the holders of all or substantially all of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares, where:
- (i) the right to subscribe for or purchase Common Shares, or the right to exchange securities for or convert securities into Common Shares, expires not more than 45 days after the date of such issue (the period from the record date to the date of expiry herein in this Section 4.4 being the “**Rights Period**”); and
 - (ii) the cost per Common Share during the Rights Period (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) (herein in this Section 4.4 called the “**Per Share Cost**”) is less than 95% of the Current Market Price of the Common Shares on the record date,

(any of such events being called a “**Rights Offering**”), then the Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

- (A) the numerator of which is the aggregate of:
 - (1) the number of Common Shares outstanding as of the record date for the Rights Offering; and
 - (2) a number determined by dividing the product of the Per Share Cost and:
 - (I) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or
 - (II) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common

Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

- (B) the denominator of which is:
- (1) in the case described in subparagraph 4.4(b)(A)(2)(I), the number of Common Shares outstanding, or
 - (2) in the case described in subparagraph 4.4(b)(A)(2)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.4(b)(A)(2)(II) had been issued,

as at the end of the Rights Period.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

If by the terms of the rights, options or warrants referred to in this Section 4.4, there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

- (1) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and
- (2) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

To the extent that any adjustment in the Conversion Price occurs pursuant to this subsection 4.4(b) as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in this subsection 4.4(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued

and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

If the Holder has converted the Note in accordance herewith during the period beginning immediately after the record date for a Rights Offering and ending on the last day of the Rights Period therefor, the Holder will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the Conversion Price in effect immediately prior to the end of such Rights Offering pursuant to this subsection is multiplied by the number of Common Shares received upon the conversion of the Notes during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this subsection; provided that the provisions of Section 4.5 will be applicable to any fractional interest in a Common Share to which such Holder might otherwise be entitled. Such additional Common Shares will be deemed to have been issued to the Holder immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to such Holder within five (5) Business Days following the end of the Rights Period.

- (c) If and whenever at any time after the date hereof the Company fixes a record date for the issue or the distribution to the holders of all or substantially all its Common Shares of:
 - (iii) shares of the Company of any class other than Common Shares;
 - (iv) rights, options or warrants to acquire shares or securities exchangeable for or convertible into shares or property or other assets of the Company;
 - (v) evidence of indebtedness; or
 - (vi) any property or other assets,

and if such issuance or distribution does not constitute (A) a Share Reorganization or (B) a Rights Offering (such non-excluded events being called a “**Special Distribution**”), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (A) the numerator of which is:
 - (1) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
 - (2) the aggregate fair market value (as determined by action by the directors of the Company, acting reasonably and in good faith, and subject to the prior written consent of the

NEO, if required) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

- (B) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

- (d) If and whenever at any time after the date hereof there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Share Reorganization), or a consolidation, amalgamation or merger of the Company with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Holder, upon conversion of the Notes after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which such Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon conversion of the Notes. If determined appropriate by action of the directors of the Company, acting reasonably and in good faith, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.4 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 4.4 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise hereof. Any such adjustment must be made by and set forth in an amendment to the Notes approved by action by the directors of the Company and will for all purposes be conclusively deemed to be an appropriate adjustment.
- (e) If at any time after the date hereof and prior to the Expiry Time any adjustment in the Conversion Price shall occur as a result of:
- (vii) an event referred to in subsection 4.4(a);
 - (viii) the fixing by the Company of a record date for an event referred to in subsection 4.4(b); or

- (ix) the fixing by the Company of a record date for an event referred to in subsection 4.4(c) if such event constitutes the issue or distribution to the holders of all or substantially all of its outstanding Common Shares of (A) Equity Shares, or (B) securities exchangeable for or convertible into Equity Shares at an exchange or conversion price per Equity Shares less than the Current Market Price on such record date or (C) rights, options or warrants to acquire Equity Shares at an exercise, exchange or conversion price per Equity Share less than the Current Market Price on such record date,

then, where required, the number of Common Shares purchasable upon the subsequent conversion of the Notes shall be simultaneously adjusted by multiplying the number of Common Shares purchasable upon the conversion of the Notes immediately prior to such adjustment by a fraction which shall be the reciprocal of the fraction employed in the adjustment of the Conversion Price. To the extent any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of a distribution of exchangeable or convertible securities other than Equity Shares referred to in subsection 4.4(a) or as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in subsection 4.4(b), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number of Common Shares which would be purchasable based upon the number of Common Shares actually issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right. To the extent that any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of the fixing by the Company of a record date for the distribution of exchangeable or convertible securities other than Equity Shares or rights, options or warrants referred to in subsection 4.4(c), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number which would be purchasable pursuant to this subsection 4.4(e) if the fair market value of such securities or such rights, options or warrants had been determined for purposes of the adjustment pursuant to this subsection 4.4(e) on the basis of the number of Equity Shares issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right.

4.5 No Requirement to Issue Fractional Shares

The Company shall not issue fractional Common Shares upon the conversion of this Note. If any fractional interest in a Common Share would, except for the provisions of this Section 4.5, be deliverable upon the conversion of any Principal Amount, the Company shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Holder of such surrendered Note an amount in lawful money of Canada equal to an identical fraction of the Conversion Price of the Common Shares on the Date of Conversion.

4.6 **Taxes and Charges on Conversion**

The Company will from time to time promptly pay or make provision for the payment of all Taxes which may be imposed by applicable laws (except income tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Holder upon the exercise of its right of conversion pursuant to the terms of this Note.

4.7 **Certificate as to Adjustment**

The Company shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.4, deliver a notice to the Investors specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby including the resulting Conversion Price and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such notice and the amount of the adjustment specified therein shall, subject to the provisions of Sections 4.3 and 4.5 and absent manifest error, be conclusive and binding on all interested parties.

4.8 **Notice of Special Matters**

The Company covenants that, so long as this Note remains outstanding, it will give notice to the Holders of its intention to fix a record date for any event referred to in Section 4.4 (other than the subdivision, redivision, reduction, combination or consolidation of Common Shares) which may give rise to an adjustment in the Conversion Price, and such notice shall specify the particulars of such event and the record date or the effective date, as applicable, for such event, provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Except where the Holders otherwise consent in writing, such notice shall be given not less than fourteen (14) days prior to the applicable record date.

4.9 **Company to Reserve Shares**

The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited) solely for the purpose of issuance upon conversion of this Note such number of Common Shares as shall then be issuable upon the conversion of this Note. All Common Shares which shall so be issuable shall be, upon issuance, duly and validly issued, fully paid and non-assessable.

4.9 **Mandatory Offer**

Within five (5) Business Days after the occurrence of any of the following events:

- (i) the sale or other disposition of all or substantially all of the business of the Company; or
- (ii) a Change of Control of the Company,

the Company shall make an offer in writing to the Holder to purchase the outstanding Principal Amount of this Note plus all accrued and unpaid Interest as of such date. The offer shall remain open for a period of at least 30 days from the date of receipt of such notice by the Holder. The

Holder may, in its sole discretion, tender the Note to the offer by so indicating to the Company by notice in writing during the offer period. Purchase of the Note, if tendered, shall occur within five Business Days of receipt by the Company of such notice, together with the tendered Note.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent

The Holder shall not be obligated to advance the Loan unless and until the following conditions precedent have been fulfilled to the Holder's satisfaction in its absolute discretion, which conditions are for the sole and exclusive benefit of the Holder, and notwithstanding anything to the contrary, which may be waived in writing by the Holder in its sole discretion:

- (a) **Note.** The Company shall have delivered to the Holder, in form and substance satisfactory to Holder, this Note and any and all other ancillary documents reasonably required by the Holder in connection with the advance of the Loan, including, without limitation, any and all consents, acknowledgements, estoppels, waivers, subordinations, priority agreements, intercreditor agreements, officer's certificates and legal opinions of the Company's counsel reasonably required by the Holder.
- (b) **Perfection of Security.** All registrations or filings required to perfect the Liens granted to the Holder shall have been made in all applicable jurisdictions and public offices necessary or desirable to provide the Holder with the priority position it requires.
- (c) **Representations, Warranties and Covenants.** The representations and warranties of the Holder shall be true, accurate, complete and correct as of the Closing Date and the Holder shall have complied with all covenants and agreements set forth herein, to the extent that the covenants can be complied with as of Closing Date.
- (d) **No Default.** No Default shall have occurred and be continuing or shall occur as a result of the transactions contemplated by this Note.

ARTICLE 6 COVENANTS OF THE COMPANY

6.1 Covenants. The Company covenants and agrees that so long as the Notes remain outstanding:

- (a) The Company shall pay the Principal Amount, Interest and all other amounts payable by the Company under the terms of this Note promptly when due on the dates and in the manner specified in this Note.
- (b) The Company will use commercially reasonable efforts to maintain its corporate existence and qualify and remain qualified to carry on business in each

jurisdiction where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

- (c) The Company will give notice in writing to the Holder of the occurrence of any Default that is continuing forthwith upon becoming aware thereof.
- (d) The Company will use commercially reasonable efforts to maintain: (i) the listing of the Common Shares on the NEO, and (ii) the Company's status as a reporting issuer not in default under Applicable Securities Laws; provided that nothing in this subsection 6.01(d) shall prevent the Company from completing any transaction which would result in the Common Shares ceasing to be listed on the NEO or the Company ceasing to be a reporting issuer under Applicable Securities Laws so long as the holders of securities of the Company receive securities of an entity which is listed on a recognized Canadian or U.S. stock exchange or cash or the holders of securities of the Company have approved the transaction in accordance with the requirements of applicable corporate law and Applicable Securities Laws.
- (e) The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or otherwise becomes limited) for the purpose of issue and delivery, and shall issue to the Holder, such number of Common Shares as shall then be issuable under the terms of this Note upon conversion as provided in Article 4, and such Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable Common Shares in the capital of the Company.

ARTICLE 7 DEFAULT AND ENFORCEMENT

7.1 Events of Default

The happening of any of the following events or conditions shall constitute an event of default ("**Default**") hereunder:

- (a) **Failure to Pay Principal Amount.** If the Company makes default in payment of the Principal Amount on the Maturity Date or when the same otherwise becomes due under any provision hereof;
- (b) **Failure to Pay Interest.** If the Company fails to make a payment of Interest when due;
- (c) **Failure to Pay Other Amounts.** If the Company fails to make payment when due of any amount payable hereunder other than the Principal Amount or Interest and such failure has not been cured within 30 days;
- (d) **Default in Other Covenants.** If, other than in respect of any covenant to pay, there is any default or failure in the observance or performance of any other act hereby required to be done or any other material covenant or condition hereby

required to be observed or performed and such default or failure has not been cured within 30 days;

- (e) **False Representations, etc.** If any representation, warranty, certificate, statement or report made or given herein or otherwise in connection hereunder is false or erroneous or misleading in any material respect at the time it was made or given;
- (f) **Insolvency.** If the Company is unable to pay debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- (g) **Voluntary Proceedings.** If the Company makes a general assignment for the benefit of creditors, or any proceedings or filing is instituted or made by the Company seeking relief on its behalf as debtor, or to adjudicate it to a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment recomposition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets; or the Company takes any corporate action to authorize any of the actions set forth in this subsection 7.1(g);
- (h) **Involuntary Proceedings.** If any notice of intention is filed or any proceeding or filing is instituted or made against the Company in any jurisdiction seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets or seeking possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or a substantial part of the assets of the Company unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or stayed within thirty (30) days of institution thereof;
- (i) **Receiver, etc.** If a receiver, liquidator, trustee, sequestrator or other officer with like powers is appointed with respect to, or an encumbrancer takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or a substantial part of the properties or assets of the Company or gives notice of its intention to do so;
- (j) **Execution, Distress.** If any writ, attachment, execution, sequestration, extent, distress or any other similar process becomes enforceable against the Company or if a distress or any analogous process is levied against all or a substantial part of the properties or assets of the Company;
- (k) **Suspension of Business.** If the Company suspends or ceases or threatens to suspend or cease its Business; and

- (l) **Sale.** If the Company sells or otherwise disposes of, or threatens to sell or otherwise dispose of, all or a substantial part of its undertaking and property and assets, whether in one transaction or a series of related transactions and the Company does not make the mandatory offer under Section 4.10.

7.2 Consequences of an Event of Default

Upon the occurrence and during the continuance of an Event of Default, all monies secured by the Lien over the Secured Property and the Obligations herein shall at the option of the Holder become forthwith due and payable.

ARTICLE 8 REMEDIES

8.1 Appointment of Receiver

- (a) **Right to Appoint:** Upon a Default which is continuing, the Holder may appoint by instrument in writing, any person to be a receiver (hereinafter called a “Receiver”, which term when used herein shall include a receiver and manager) of the Secured Property as the agent of the Company and may remove any Receiver so appointed and appoint another in his stead.
- (b) **Receiver Agent of the Company:** Any such Receiver shall, so far as concerns responsibility for their acts, be deemed the agent of the Company and not the Holder (to the extent permitted by applicable Laws) and the Holder shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any such Receiver, their servants, agents or employees other than their gross negligence or wilful misconduct.
- (c) **Power of Receiver:** Subject to the provisions of the instrument appointing them, any such Receiver shall have power to take possession of the Secured Property or any part thereof, to preserve the Secured Property or its value, to carry on or concur in the carrying on of all or part of the business of the Company and to sell or otherwise dispose of or concur in selling or otherwise disposing of all or any part of the Secured Property. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Company, enter upon, use and occupy all premises owned or occupied by the Company wherein all or any part of the Secured Property may be situated, maintain the Secured Property upon such premises, borrow money on a secured or unsecured basis and use all or any part of the Secured Property directly in carrying on the Company’s Business or otherwise, as such Receiver shall, in his discretion, determine.
- (d) **Monies Received by Receiver:** Except as may be otherwise directed by the Holder, all monies received from time to time by such Receiver in carrying out their appointment shall be received exclusively in trust for and paid over to the Holder and applied against the Obligations in such order as the Holder sees fit in its sole and absolute discretion.

- (e) **Receiver Vested with Rights of the Holder:** Every such Receiver may, in the discretion of the Holder, be vested with all or any of the rights and powers of the Holder.

8.2 **Exercise Powers of Receiver**

Upon Default, the Holder may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver hereby.

8.3 **Court Appointed Receiver**

Upon Default, the Holder may proceed in any court of competent jurisdiction for the appointment of a Receiver of all or any part of the Secured Property.

8.4 **Other Proceedings**

Upon Default, the Holder may take any other remedy or proceeding authorized or permitted hereby or by Law or equity.

8.5 **Sale of Secured Property**

Without limiting the generality of the foregoing, upon a Default which is continuing, it shall be lawful for the Holder to make any sale, lease or other disposition of the Secured Property either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper (in accordance with applicable Laws) and to sue the Company for any deficiency remaining. The Holder shall be accountable only for money actually received by it. The Holder may deliver to the purchaser of the Secured Property good and sufficient conveyances of same, free and clear of any claim by the Company. The purchaser, lessee or transferee receiving any disposition of the Secured Property or any part thereof need not inquire whether Default under this Note has actually occurred but may as to this and all other matters rely upon a statutory declaration of the Holder, which declaration shall be conclusive and any such purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security or the taking of possession of the Secured Property or the sale, lease or other disposition thereof.

8.6 **Rights as Secured Party**

In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Company and the Holder, the Holder shall have, both before and after Default which is continuing, all the rights and remedies of a secured party under the PPSA and any other applicable Law as may from time to time be in effect. The Holder shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, realize, sell or otherwise dispose of the Secured Property or any part thereof or to institute any proceedings for such purposes. Furthermore, the Holder shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Secured Property or Proceeds, whether or not in the possession of the Holder, and shall not be liable or accountable for failure to do so.

8.7 Take Possession

The Company acknowledges that the Holder or any Receiver appointed by it may take possession of the Secured Property or any part thereof wherever it may be located and by any method permitted by applicable Laws and the Company agrees that upon request from the Holder or any such Receiver to assemble and deliver possession of the Secured Property or any part thereof at such place or places as may be directed.

ARTICLE 9 RELEASE, SUBORDINATION AND THIRD PARTY BENEFICIARIES

9.1 **Release by Holder.** The Holder may, at its sole discretion, at any time release from the security interest hereby created any part or parts of the Secured Property either with or without consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Secured Property or any person from this Note.

9.2 Subordination to Senior Indebtedness.

- (a) Notwithstanding any other provision to the contrary in this Note, all rights of the Holder and the other Noteholders to receive payment of any indebtedness owing to them by the Company is and shall be expressly subordinate and junior in right of payment and exercise of remedies to the prior payment in full in cash of all present and future Senior Indebtedness to the extent and in the manner provided therein, and the Holder hereby subordinates all present and future indebtedness owing under this Note as a claim against the Company prior to the payment in full in cash of the Senior Indebtedness; *provided, however*, that the foregoing subordination restrictions (and any other restrictions contained in this Article 9) do not restrict the ability of the Holder, should the Holder so demand at any time after the Maturity Date, to be repaid the Principal Amount plus any outstanding Interest on or after the Maturity Date if this Note is not earlier converted or cancelled pursuant to its terms (provided that the Senior Indebtedness is not in default), and nothing in this Note or otherwise shall prevent repayment on Maturity Date if elected by the Holder regardless of whether the Senior Indebtedness is still outstanding (provided that the Senior Indebtedness is not in default at the relevant time).
- (b) The Holder hereby acknowledges and agrees that each security interest, pledge, assignment, mortgage, or other interest of the Subsidiary Senior Lender in the Subsidiaries' Secured Property shall have priority to the extent of all Senior Indebtedness secured thereby over any right, security interest, lien, or claim that the Holder or any other Noteholder may now have or hereafter have therein or thereto. The priorities established hereby shall be irrespective of the time or order of attachment or perfection of security interests, liens, or claims or the time or order of filing of financing statements or mortgages or otherwise. The Holder hereby waives, to the extent permitted by applicable law, all rights to notice of sale or other intended disposition of any Subsidiaries' Secured Property by the Subsidiary Senior Lender.

- (c) Subject to Section 9.2(a), except as expressly permitted by the terms of any Senior Indebtedness, or unless the Subsidiary Senior Lender otherwise consents in writing, the Company will not make, and the Holder will not accept or receive, any payment in cash of any indebtedness owing under this Note until all the Senior Indebtedness has been paid in full in cash, other than in connection with the repayment of Principal Amount and Interest on or after the Maturity Date if demanded by the Holder pursuant to this Note. If the Holder receives any payment in cash on account of the indebtedness owing under this Note (other than after the Maturity Date if elected by the Holder), in violation of this Section 9.2, then it shall hold such cash payment in trust for the benefit of the Subsidiary Senior Lender and, promptly upon discovery or notice of such violation, pay such amount over to the Subsidiary Senior Lender on behalf of such holders for application in payment of the Senior Indebtedness.
- (d) The Holder agrees that to the extent it holds any indebtedness under this Note at the relevant time, it will not take any action as the holder of any such indebtedness that will impede, interfere with or restrict or restrain the exercise by the Subsidiary Senior Lender of rights and remedies under the Senior Indebtedness. In furtherance thereof, the Holder, in its capacity as a holder of the indebtedness under this Note hereby agrees not to oppose any motion filed or supported by the Subsidiary Senior Lender for relief from stay or for adequate protection in respect of any Senior Indebtedness and not to oppose any motions supported by the Subsidiary Senior Lender for the Company's use of cash collateral or post-petition borrowing from the Subsidiary Senior Lender, provided that, the repayment of Principal plus Interest after the Maturity Date if so demanded by the Holder pursuant to the terms hereof shall not in any manner be deemed to have impeded, interfered with or restricted or restrained the Subsidiary Senior Lender's rights or remedies under the Senior Indebtedness (provided that the Senior Indebtedness is not in default at the relevant time).
- (e) The Holder, for itself and its successors and assigns, agrees for the benefit of the Subsidiary Senior Lender that so long as any Senior Indebtedness remains outstanding or committed to be advanced, the Holder will not, directly or indirectly, take any action prior to the Maturity Date to accelerate or demand payment in cash by the Company of any of the indebtedness owing under this Note, to exercise any of the remedies in respect of such indebtedness or any collateral security therefor, to initiate any litigation against the Company, or to foreclose or otherwise realize on any security given by the Company to secure such indebtedness.
- (f) The Subsidiary Senior Lender shall be entitled to the benefits under this Section 9.2 without notice thereof being given to the Holder or to any other Noteholder.
- (g) The provisions of this Section 9.2 as to subordination are solely for the purpose of defining the relative rights of the Subsidiary Senior Lender on the one hand, and the Holder and the other Noteholders on the other hand, and none of such provisions shall impair, as between the Company and the Holder, the obligations of the Company, which are unconditional and absolute, to pay to the Holder all of

the indebtedness owing under this Note in accordance with the terms hereof, nor, except as provided by this Section 9.2 or the terms of any Senior Indebtedness, shall any such provisions prevent the Holder from exercising all remedies otherwise permitted by applicable law or under the terms of this Note upon an Event of Default, subject to the rights, if any, of the Subsidiary Senior Lender under the other provisions of this Section 9.2.

- (h) Each of the Company and the Holder agree that, unless the Subsidiary Senior Lender otherwise consents thereto in writing (such consent not to be unreasonably withheld), prior to the payment in full in cash of the Senior Indebtedness, (i) it will not modify or amend this Note or any collateral or other security therefor that directly alter or amend the subordination arrangements under this Article 9 hereof or otherwise (it being understood that the terms of this Note may be amended by the mutual consent of the Company and the Holder, without the consent of the Subsidiary Senior Lender if such amendments do not otherwise modify the terms of the subordination arrangements set forth herein), and (ii) except for the security interests granted under Article 3, the Company shall not grant and the Holder will not obtain liens on or security interests in the Secured Property as security for the indebtedness owing under this Note, and that to the extent any such liens or security interests are created or exist on or in the Secured Property (by operation of law or otherwise) all such liens and security interests are and shall be fully subordinated and junior to the liens on and security interests in the Secured Property in favour of the Subsidiary Senior Lender.
- (i) Nothing in this Section 9.2 will restrict, prevent or exclude the conversion of this Note into shares in the capital of the Company in accordance with Article 4, whether automatically or at the option of the Holder.

9.3 **Third Party Beneficiaries.**

- (a) Except as set out in Section 9.1(b), the parties do not confer any legal, equitable or other rights or remedies of any nature under or by reason of this Note upon any person other than the parties to this Note and their respective successors and permitted assigns.
- (b) The parties hereby designate the Subsidiary Senior Lender as third-party beneficiaries of Article 9 of this Note having the right to enforce all sections in such Article 9, including against the Company and the Holder, jointly and severally, and this Section 9.1(b) may not be amended at any time while any obligations are owing to the Subsidiary Senior Lender without the prior written consent of the Subsidiary Senior Lender.

9.4 Permitted Encumbrances and Permitted Indebtedness. The Holders hereby acknowledge the existence of the Permitted Encumbrances and the Permitted Indebtedness listed in Schedule "C" hereto.

ARTICLE 10 GENERAL MATTERS

10.1 Amalgamation

The Company acknowledges that if it amalgamates with any other corporation or corporations (a) the term “**Company**”, where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (b) the term “**Obligations**”, where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

10.2 Costs and Expenses

The Company shall pay all reasonable costs, fees and expenses of the Holder, whether directly or for services rendered (including, without limitation, reasonably solicitors’ and other professional costs, fees and expenses) in connection with the preparation, negotiation and documentation of this Note and any and all documents ancillary thereto and the enforcement of the Holder’s rights hereunder and under any other document delivered pursuant to this Agreement provided funds including the Principal Amount are advanced as described herein. Such costs, fees and expenses shall form part of the Obligations and shall be secured hereby.

10.3 Further Assurances

The Company hereby covenants that it will, at all times do, execute, acknowledge and deliver every such further act, deed, transfer, assignment, mortgage, hypothec, charge, discharge and assurance with respect to the Secured Property as the other may reasonable require and as permitted by applicable Laws for the better assuring, mortgaging, charging, hypothecating, transferring, assigning, discharging and confirming the Secured Property unto the Holder and for the better accomplishing and effectuating the intent of this Note.

10.4 General Interest Provisions

Notwithstanding any other provision of this Note, in no event shall the aggregate “interest” (as that term is defined in Section 347 of the *Criminal Code* (Canada)) paid or payable pursuant to this Note exceed the effective annual rate of interest on the “credit advanced” (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Note, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Holder will be conclusive for the purposes of such determination. If at any time the implementation of any provision hereof results in a payment or an obligation to make a payment in contravention of this Section 10.4, the amount of the excess shall be applied as a partial prepayment of principal and the obligation to make such excess payment shall be deemed a severable obligation. The Company represents and warrants to the Holder that it has not incurred, and will not incur, any charges or expenses pursuant to this Note which may be considered to be “interest” in an aggregate amount which is in contravention of Section 347 of the *Criminal Code* (Canada). A certificate of an authorized signing officer of the Holder as to each amount or each rate of interest payable hereunder from time to time shall, in the absence of manifest error, be conclusive evidence of such amount and

of such rate.

10.5 Performance by Holder

If the Company fails to perform any of its obligations hereunder, the Holder may, after notice to the Company, but shall not be obligated to, perform any or all such obligations, and all costs, charges, expenses, fees, outlays and premiums incurred by the Holder in connection therewith shall be payable by the Company forthwith upon demand by the Holder and shall bear interest from the date incurred by the Holder at the Interest Rate, compounded quarterly and payable on demand and shall form part of the Obligations and shall be secured hereby. Any such performance by the Holder shall not constitute a waiver by the Holder of any right, power, or privilege under this Note.

10.6 No Modification

No modification, variation or amendment of any provision of this Note shall be made without the prior written consent of the Holder, and no waiver of any provision hereof shall be effective unless in writing.

10.7 Appropriation of Funds

The Company agrees that the Holder may from time to time appropriate all monies realized by the Holder from the enforcement of the Liens on or towards the payment of any part of the Obligations of the Company as the Holder in its sole discretion may determine, and the Company shall have no right to require or enforce any appropriation inconsistent therewith, and the Holder shall have the right to change the application of any such proceeds and re-apply the same to any part or parts of such Obligations as the Holder may see fit notwithstanding any previous application.

10.8 Relationship of Parties

The provisions contained in this Note shall not create or be deemed to create any relationship as between the Company and the Holder other than that of borrower and creditor. For greater certainty, nothing herein shall constitute the Holder and the Company as partners or joint venturers or impose any liability upon them as such.

10.9 Not a Shareholder

Nothing in this Note or in the holding of the Notes evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.

10.10 Notice to the Company and the Holder

Any notice to be given to the Company or the Holder shall be in writing and shall be deemed to be validly given if such notice is delivered personally, sent by prepaid registered mail or emailed, addressed as follows:

- (a) if to the Company, at:

Trees Corporation

181 Bay Street, Suite 1800
Toronto, Ontario M5E 1R4
Attention: Jeff Holmgren, President & Chief Financial Officer
Email: jeffh@treescorp.ca

- (b) if to the Holder, at the Holder's address as it appears on the records of the Company.

Notice of change of address shall also be governed by this Section. Any notice so given by personal delivery shall be deemed to have been given when received by the Company or the Holder, and by prepaid registered mail shall be deemed to have been received by the Company or the Holder on the third (3rd) Business Day after the day of such mailing and any notice so given by email transmission shall be deemed to have been received by the Company or the Holder when the appropriate confirmation of receipt of transmission is received during normal business hours, failing which notice shall be deemed to be received the next Business Day.

10.11 Replacement of Note

If the Note shall become mutilated or be lost, stolen or destroyed and in the absence of notice that the Note has been acquired by a *bona fide* purchaser, the Company in its discretion may issue a new Note upon surrender and cancellation of the mutilated Note, or, in the event that a Note is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted debenture shall be in the form hereof and the Holder shall be entitled to benefits hereof. In case of loss, theft or destruction, the Holder shall furnish to the Company such evidence of such loss, theft or destruction as shall be satisfactory to the Company in its discretion acting reasonably together with an indemnity in form and substance mutually acceptable to the Company and the Holder, each acting reasonably. The applicant shall pay reasonable expenses incidental to the issuance of any such new Note.

10.12 Successors and Assigns

This Note shall enure to the benefit of the Holder and its successors and assigns and shall be binding upon the Company and its successors.

10.13 Assignment

This Note is non-negotiable and each of the Company and the Holder covenants and agrees that it cannot, and shall not, transfer, sell, assign or pledge this Note without the prior written consent of the other party. The Holder acknowledges and agrees that any transfer, sale, assignment or pledging of this Note by it shall comply with the provisions of the Securities Act, or such other regulatory authority having jurisdiction.

10.14 Invalidity of Provisions

Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

10.15 Governing Law

This Note shall be governed by and construed, interpreted and performed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.16 Time of Essence

Time shall be of the essence of this Note and a forbearance by the Holder of the strict application of this provision shall not operate as a continuing or subsequent forbearance.

10.17 No Waiver

No failure or delay by the Holder in exercising any right, power or privilege under this Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.18 Attachment

The Liens created by this Note are intended to attach when this Note is executed by the Company and delivered to the Holder or in the case of any property acquired subsequent hereto, contemporaneously with any such acquisition.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Note to be executed under its corporate seal by its duly authorized officer as of the date first written above.

TREES CORPORATION

Per: 

Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

SCHEDULE "A"**CONVERSION FORM****TO: TREES CORPORATION**

All terms used herein but not defined shall have the meanings ascribed thereto in the within Note.

Pursuant to Article 4 of the Note, the undersigned registered Holder hereby irrevocably elects to convert the principal amount of \$_____ into _____ Common Shares at the Conversion Price in accordance with the terms of the Note and directs that the Common Shares issuable and deliverable upon the conversion be issued and delivered to the person indicated below.

(If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Print name in which Common Shares issued on conversion are to be issued, delivered and registered:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title: _____

SCHEDULE "B"**INTEREST PAYMENT ELECTION FORM****TO: TREES CORPORATION**

The undersigned registered holder (the "**Holder**") of the attached 12.0% secured convertible promissory note due October 20, 2025 (the "**Note**") hereby elects to receive: (Please check the **ONE** box applicable):

 Cash
OR
 Common Shares

representing payment of the interest payable for the upcoming Interest Payment Date.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Note.

If the Holder has elected to be issued Common Shares, the Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title: _____

SCHEDULE “C”**PERMITTED INDEBTEDNESS**

- (i) indebtedness incurred which is secured by the purchase money liens and other agreements described in subparagraph (vi) of the definition of Permitted Encumbrances;
- (ii) the Obligations hereunder;
- (iii) existing shareholder loans;
- (iv) unconverted debt in connection with the Company’s outstanding secured convertible debentures issued on September 10, 2021, October 28, 2021, and November 5, 2021 by way of private placement;
- (v) the Notes effective as of the date hereof in favour to other Holders of Notes issued pursuant to the Offering;
- (vi) any Senior Indebtedness; and
- (vii) such other indebtedness as may be approved by the Holder from time to time.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE MAY 4, 2023.

TREES CORPORATION

SECURED CONVERTIBLE PROMISSORY NOTE

Date: January 3, 2023

**ARTICLE 1
PRINCIPAL AND INTEREST**

1.1 Promise to Pay

FOR VALUE RECEIVED, the undersigned, **TREES CORPORATION**, a corporation continued under the federal laws of Canada (the “**Company**”), hereby acknowledges itself indebted and promises to pay to Jeff Holmgren, and its successors and assigns (the “**Holder**”), as it may direct, on the Maturity Date (as hereinafter defined) or on such earlier date as the principal amount hereof may become due in accordance with the provisions hereof, on presentation and surrender of this Note in accordance with the provisions hereof at the offices of the Company, the principal amount of thirty thousand dollars (\$30,000) in lawful money of Canada, (the “**Principal Amount**”) and to pay interest (“**Interest**”) on the Principal Amount outstanding from time to time (after as well as before maturity, default and judgment) at a rate of interest equal to twelve percent (12%) per annum (the “**Interest Rate**”). Interest shall accrue on the Principal Amount at the Interest Rate on a non-compounded basis, from the date hereof until conversion of this Note or payment in full. Interest shall be paid annually, in Common Shares, until the achievement by the Company of the Conversion Conditions Precedent (as hereafter defined), after which interest shall be paid in cash or Common Shares at the Holder’s option by duly completing and returning to the Company, at least 5 calendar days prior to the Interest Payment Date, the Interest Payment Election Form attached hereto as Schedule “B”. In the event the Holder does not complete and return the Interest Payment Election Form to the Company within the prescribed time, the Holder shall be issued cash or Common Shares in full satisfaction of the interest owing to the Holder on the Interest Payment Date, at the Company’s option. The total amount payable under this Note will consist of the sum of the unpaid principal amount plus all accrued and unpaid Interest thereon. The number of Common Shares issuable in payment of Interest shall be determined using the volume weighted average trading price of the Common Shares on the Neo Exchange Inc. (the “**NEO**”) (or such other exchange on which the Common Shares may principally trade at such time) for the ten (10) consecutive Trading Days preceding the Interest payment record date (which record date shall be five Business Days prior to the Interest Payment Date). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

1.2 Prepayment

The Company shall have the ability to repay all or a part of the amounts outstanding hereunder at any time prior to the Maturity Date at a price equal to 112% of all then outstanding Principal Amount and Interest.

ARTICLE 2
DEFINITIONS, INTERPRETATIONS AND GENERAL PROVISIONS

2.1 Interpretation

In this Note, unless there is something in the subject matter or context inconsistent therewith:

- (a) The terms “**Goods**”, “**Chattel Paper**”, “**Documents of Title**”, “**Instruments**”, “**Intangibles**”, “**proceeds**”, “**Inventory**”, “**Investment Property**”, “**Money**”, “**Account**”, “**Equipment**” and “**Securities**”, whenever used in this Note shall have the meanings ascribed thereto in the PPSA;
- (b) “**Affiliate**” has the meaning specified in the *Canada Business Corporations Act*;
- (c) “**Applicable Securities Laws**” means, collectively, all applicable securities laws (including rules, regulations, policies and instruments enacted thereunder) in the Provinces of Ontario, Alberta and British Columbia and all applicable rules and policies of the NEO or any other stock exchange on which the Common Shares may be listed from time to time.
- (d) “**Arm’s length**” has the meaning specified in the *Income Tax Act* (Canada);
- (e) “**Business**” means the business carried on by the Company, including but not limited to the operation of independent retail cannabis stores in the Province of Ontario;
- (f) “**Business Day**” means any day, other than Saturday, Sunday or any civic or statutory holiday in the City of Toronto, Ontario;
- (g) “**Change of Control**” means any event whereby any Person or any Persons acting jointly or in concert (as that term is used in the *Securities Act* (Ontario)) with such Person, together with any Affiliate of any such Person, become(s) the beneficial owner(s) of shares of the Company, or securities exercisable or convertible into shares of the Company, carrying more than 50 percent of the votes for the election of directors and the votes carried by such shares are sufficient, if exercised, to elect a majority of the board of directors of the Company;
- (h) “**Closing**” means the issuance of the Note free from any escrow conditions on the Closing Date;
- (i) “**Closing Date**” means the date hereof;
- (j) “**Common Shares**” means the common shares in the capital of the Company, as currently constituted, and any shares into which such common shares may be changed, converted, exchanged or reclassified from time to time;

- (k) **“Contract”** means any contract (i) involving aggregate payments to or by the Company in excess of Twenty-Five Thousand Dollars (\$25,000) during any year; or (ii) which if terminated would cause a Material Adverse Change;
- (l) **“Conversion Conditions Precedent”** has the meaning given thereto in Section 4.1;
- (m) **“Conversion Price”** means \$0.015 per Common Share, subject to adjustment as provided in Section 4.4;
- (n) **“Current Market Price”** for the purposes of any computation hereunder, the “Current Market Price” at any date shall be the weighted average sale price per share for the Common Shares for the 20 consecutive Trading Days ending immediately before such date on the NEO or such other stock exchange on which the Common Shares may then be listed, or, if the Common Shares or any other security in respect of which a determination of Current Market Price is being made are not listed on any stock exchange, the Current Market Price shall be determined by the Board of Directors, acting reasonably and in good faith, which determination shall be conclusive. The weighted average price shall be determined by dividing the aggregate sale price of all such shares sold on the said exchange during the said 20 consecutive trading days by the total number of such shares so sold;
- (o) **“Equity Shares”** means the Common Shares and any shares of any other class or series of the Company which may from time to time be authorized for issue if by their terms such shares confer on the holders hereof the right to participate in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company beyond a fixed sum or a fixed sum plus accrued dividends;
- (p) **“Date of Conversion”** has the meaning given thereto in Section 4.2(b);
- (q) **“Default”** has the meaning attributed thereto in Section 7.1;
- (r) **“Director”** means a director of the Company from time to time and **“Board of Directors”** means the Board of Directors of the Company from time to time;
- (s) **“Governmental Body”** means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity (including any central bank, fiscal or monetary authority or authority regulating banks), having or purporting to have jurisdiction in the relevant circumstances, or any Person acting or purporting to act under the authority of any of the foregoing (including any arbitrator);
- (t) **“Holder”** has the meaning ascribed thereto in Section 1.1 above;

- (u) **“Inchoate Lien”** means with respect to any property or asset of the Company, the following Liens:
- (i) any Lien for taxes, duties and assessments, and any Lien securing workers’ compensation, unemployment insurance or other social security obligations not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (ii) any carriers, warehousemen, mechanics or materialmen’s Liens in respect of amounts accruing in favour of any Person, so long as such amounts are not yet due or are being contested in good faith by appropriate proceedings and for which a reserve satisfactory to the Holder in its absolute discretion has been provided;
 - (iii) Liens or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Liens or rights as a permitted encumbrance shall not prejudice the priority of the Liens created hereby, if any, over such Liens or rights as determined in accordance with applicable law); and
 - (iv) undetermined or inchoate Liens, privileges or charges incidental to current and ongoing operations of the Company which have not been filed pursuant to applicable law against any of the Company’s property or assets or which relate to obligations not yet due or delinquent;
- (v) **“Interest”** has the meaning ascribed thereto in Section 1.1;
- (w) **“Interest Payment Date”** means October 20th in each year that the Note is outstanding commencing on the date hereof.
- (x) **“Interest Payment Election Form”** means the form of election attached hereto as Schedule “B”.
- (y) **“Interest Rate”** has the meaning ascribed thereto in Section 1.1;
- (z) **“Law”** means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws (including zoning by-laws) and regulations, and all applicable official directives, orders, judgments and decrees, consents, exemptions, approvals, licences, guidelines and policies of any Governmental Body (whether or not having the force of law) relating to such Person, property, transaction or event, whether applicable in Canada or any other jurisdiction.
- (aa) **“Lien”** means any mortgage, hypothec, title retention, pledge, lien, claim, trust, assignment as security, right of set-off, charge, security interest or other encumbrance whatsoever, whether fixed or floating and howsoever created or arising;

- (bb) **“Loan”** means, at any time, the accommodations of credit made pursuant to this Note;
- (cc) **“Material Adverse Change”** means, as of any date of determination, any change, circumstance, state of facts or occurrence (or series of occurrences) including any litigation which, in the reasonable credit discretion of the Holder, has or is reasonably likely to have a material adverse change on:
 - (i) the business, assets, liabilities, operations, results of operations, financial condition, or prospects of the Company,
 - (ii) the ability of the Company to carry on its Business,
 - (iii) the ability of the Company to perform any of its obligations hereunder or under any Contract,
 - (iv) any Lien constituted or created by the Company in favour of the Holder;
- (dd) **“Maturity Date”** means October 20, 2025, unless the Note is converted earlier pursuant to and in accordance with the provisions hereof;
- (ee) **“NEO”** has the meaning ascribed thereto in Section 1.1 above;
- (ff) **“Note”** means this secured convertible promissory note of the Company as same may be revised, restated, replaced or supplemented from time to time;
- (gg) **“Noteholders”** means the holders of the Notes and **“Noteholder”** means any one of them;
- (hh) **“Notes”** means all of the secured Notes issued under the Offering on equal or substantially similar terms to this Note;
- (ii) **“Obligations”** has the meaning ascribed thereto in Section 3.2;
- (jj) **“Offering”** means an offering of secured convertible note units issued by the Company in one or more closings with an aggregate principal amount of \$1,000,000, where the Notes shall be: (i) in substantially the same form as this Note other than in respect of the date of issuance and corresponding commencement of interest and the maximum amounts; and (ii) shall, in relation to priority of security, rank equally and rateably without discrimination, preference or priority with all other Notes;
- (kk) **“Permitted Encumbrances”** means:
 - (i) any Inchoate Lien;
 - (ii) any right reserved to or vested in any Governmental Body, by the terms of any Permit acquired by the Company, or by any statutory provision to

terminate any such Permit or require annual or other periodic payments as a condition of the continuance thereof;

- (iii) security given by the Company to a public utility or any Governmental Body when required by such utility or Governmental Body in connection with, and incidental to, the operations of the Company in the ordinary course of its business;
- (iv) Liens incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, surety or appeal bonds, cost of litigation when required by applicable law and other similar Liens and deposits;
- (v) Liens and privileges arising out of judgments or awards in respect of which an appeal or proceeding for review has been commenced provided a stay of execution pending such appeal or proceedings for review has been obtained and satisfactory reserves have been established;
- (vi) Liens on specific Equipment or motor vehicles of the Company which secures, and is limited to, the unpaid purchase price of such Equipment or motor vehicles, provided that any such Lien is limited to the Equipment or motor vehicles so acquired and such Equipment or motor vehicles is used by the Company in the operation of its business and is not for resell, lease or rental to any Person;
- (vii) Liens in favour of the Holder;
- (viii) Liens given in respect of the Permitted Indebtedness listed on Schedule "C" hereto; and
- (ix) any Liens consented to in writing by Holder,

provided however, that the existence or consent by the Holder of any Permitted Encumbrances shall not be construed in any way as a subordination by the Holder of its Liens unless expressly subordinated in writing by the Holder pursuant to a separate and independent priority, intercreditor or subordination agreement;

- (ll) **"Permitted Indebtedness"** means, at any time, such indebtedness listed on Schedule "C" hereto;
- (mm) **"Permits"** means all material licenses, permits, approvals, consents, certificates, franchises and other authorizations required by the Company to operate the Business;
- (nn) **"Person"** means an individual, natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture, government, Governmental Body or any other entity, whether acting in an individual, fiduciary or other capacity, state or political subdivision thereof or any agency of such state or subdivision;

- (oo) “**PPSA**” means the *Personal Property Security Act* (Ontario), as amended, replaced or supplemented from time to time;
- (pp) “**Principal**” has the meaning ascribed thereto in Section 1.1;
- (qq) “**Secured Property**” has the meaning ascribed thereto in Section 3.1;
- (rr) “**Securities**” means any equity security, or any option, warrant or other right to subscribe for, or purchase, or otherwise acquire, any equity security;
- (ss) “**Securities Act**” means the *Securities Act* (Ontario), as amended, replaced or supplemented from time to time;
- (tt) “**Senior Indebtedness**” means the principal and interest on:
 - (i) indebtedness for borrowed money owed by the Company or its subsidiaries to the Subsidiary Senior Lender in connection with the Tweed Note;
 - (ii) indebtedness for borrowed money that the Company may now or hereinafter incur from a Canadian chartered bank or trust company (or such other financial institution as may be acceptable to the Company) for the purposes of term or operating facilities, to the extent the Company has granted security therefor and to the extent that the obligation to repay such borrowed money is not itself subordinated to any third party the effect of which postponement would be that the Obligations created herein would be postponed to any such third party to whom the Obligations would not otherwise be postponed; and
 - (iii) renewals, extensions, restructurings, re-financings and refundings of any such indebtedness,

unless in any of the cases specified in (i), (ii) or (iii) above, it is provided by the terms of the instrument creating or evidencing such indebtedness that such indebtedness is not superior in right of payment to this Note;
- (uu) “**Subsidiaries’ Secured Property**” means the property of OCH Ontario Consulting Corp., as debtor, and Ontario Cannabis Holdings Corp., as guarantor, that is the subject of the security interest granted in favour of the Subsidiary Senior Lender in connection with the Tweed Note and pursuant to the general security agreement dated March 11, 2020 between OCH Ontario Consulting Corp., Ontario Cannabis Holdings Corp. and the Subsidiary Senior Lender;
- (vv) “**Subsidiary Senior Lender**” means Tweed Franchise Inc., a wholly-owned subsidiary of Canopy Growth Corporation;
- (ww) “**Trading Day**” means, with respect to the NEO or other market for securities, any day on which such exchange or market is open for trading or quotation;

- (xx) **“Taxes”** means all taxes of any kind or nature whatsoever including, without limitation, income taxes, sales or value-added taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body having power to tax, together with penalties, fines, additions to tax and interest thereon;
- (yy) **“Third Party”** means a Person who is at Arm’s Length from the Company, the Holders and all shareholders of the Company;
- (zz) **“This Note”**, **“hereto”**, **“herein”**, **“hereby”**, **“hereunder”**, **“hereof”** and similar expressions refer to this Note and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto; and
- (aaa) **“Tweed Note”** means the secured grid promissory note of OCH Ontario Consulting Corp., a wholly-owned, indirect subsidiary of the Company, in favour of the Subsidiary Senior Lender dated March 11, 2020.

2.2 **Plurality and Gender**

Words importing the singular number only shall include the plural and vice versa and words importing one gender shall include all genders and words importing Persons shall include firms and corporations and vice versa.

2.3 **Headings, etc.**

The division of this Note into Articles, Sections, Subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note.

2.4 **Day Not a Business Day**

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

2.5 **Reference to Law**

Reference herein to any Law means such Law as amended, modified, codified or re-enacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder.

2.6 **Currency**

Any reference in this Note to **“Dollars”**, **“dollars”** or the sign **“\$”** shall be deemed to be a reference to lawful money of Canada.

ARTICLE 3 INDEBTEDNESS SECURED

3.1 Creation of Security Interest

As general continuing collateral security for the due payment and performance of any and all present and future Obligations of the Company to the Holder, the Company hereby grants a Lien as and by way of a fixed and floating Lien to and in favour of the Holder, in any and all of the undertaking, property and assets of the Company, real and personal, moveable and immovable, of whatsoever nature and kind whatsoever, now owned or hereafter acquired, including, without limitation, all present and future income, Money, Inventory, Equipment, Goods, Chattel Paper, Documents of Title, Intangibles, Investment Property, revenues, rents, supplies, materials, credits, bank accounts, Accounts, book debts, negotiable and non-negotiable Instruments, shares, stocks, bonds, debentures, Securities, choses in action, proceeds of insurance, contracts, agreements, goodwill, trademarks, patents and patent rights, processes, inventions, franchises, powers, privileges, licenses and all other property and things of value, real or personal, tangible or intangible, legal or equitable, which the Company may be possessed of, or entitled, to or which may at any time hereafter be acquired by the Company, save and except for the last day of any term reserved by any lease now held or hereafter acquired by the Company (collectively, referred to as the “**Secured Property**”) and the Company shall stand possessed of any such reservation in trust for the exclusive benefit of the Holder and to assign and dispose thereof as the Holder may direct.

3.2 Liens Securing Indebtedness

The Liens granted by the Company to the Holder pursuant to this Note shall constitute general continuing collateral security for the due payment and performance of any and all present and future debts, liabilities and obligations of the Company to the Holder arising out of this Note, whether actual or contingent, direct or indirect, as principal or surety, matured or not, now existing or arising hereafter, including, without limitation, the Principal Amount, Interest (at the Interest Rate) and any and all costs, fees and expenses incurred by the Holder (the “**Obligations**”).

3.3 Designation, Rank and Priority

This Note is one of several secured Notes issued or to be issued by the Company under the Offering. The ranking of the Notes set out in this Section 3.3 shall apply in all events and circumstances regardless of the date of any advance or advances made to the Company by the holders of the Notes. The provisions of this Note shall be binding on the Company, the Holder and all Persons claiming through or under them respectively and any Person shall be deemed to have notice of these provisions. For greater certainty, the security interest of the Holder in respect of this Note shall rank *pari passu* with the security interest of the other Holders in respect of their respective Notes.

ARTICLE 4 CONVERSION

4.1 Conversion Privilege

Subject to and upon compliance with the provisions of this Article 4, (a) for a period ending on the first anniversary of the Closing Date, and (b) the completion by the Company of a financing subsequent to the Offering for gross proceeds of at least \$1,000,000, all or a portion of the

Principal Amount of a Holder's Notes can only be converted into Common Shares at the Conversion Price. Upon meeting both of conditions (a) and (b) above (the "**Conversion Conditions Precedent**"), the Holder shall have the option to convert all or a portion of the Principal Amount of a Holder's Notes into Common Shares at the Conversion Price. If converted prior to the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in Common Shares within ten (10) Business Days of the date of conversion of the Principal Amount, and if converted upon or after the achievement by the Company of the Conversion Conditions Precedent, all accrued and unpaid interest in respect of the Notes from the date hereof to the date of conversion of the Principal Amount shall be satisfied by the Company in cash or Common Shares in accordance with the Holders' election to be delivered pursuant to Section 4.2 regarding receipt of the Principal Amount within ten (10) Business Days of the date of conversion of the Principal Amount. Notwithstanding the foregoing, the conversion of the Principal Amount into Common Shares shall be subject to any applicable NEO or regulatory approval.

4.2 Manner of Exercise of Right to Convert

- (a) If the Holder wishes to convert this Note into Common Shares, it shall surrender such Note to the Company together with the Conversion Form set forth in Schedule "A" hereto, duly executed by the Holder, irrevocably exercising its right to convert such Note in accordance with the provisions of this Article 4. Thereupon the Holder or its nominee or assignee shall be entitled to be entered in the books of the Company as at the Date of Conversion as the holder of the number of Common Shares into which such Note is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Company shall deliver to such Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares and, if applicable, a cheque for any amount payable under Section 4.5 in respect of fractional shares.
- (b) For the purposes hereof, the date of conversion of the Note (the "**Date of Conversion**") shall be deemed to be the date on which it is surrendered in accordance with the provisions hereof and, in the case of a Note so surrendered by mail or other means of delivery, the date on which it is received by the Company during regular business hours on a Business Day.
- (c) Upon surrender of this Note for conversion in accordance with this Section 4.2, the Holder will be entitled to receive that number of Common Shares equal to the quotient obtained when the aggregate of the Principal Amount to be converted is divided by the Conversion Price. The Common Shares issued upon conversion shall be entitled to all rights and privileges accorded to holders of record of Common Shares on and after the Date of Conversion, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.3 Mandatory Conversion

If, during the term of the Notes, the volume weighted-average share price of the Common Shares on the NEO (or such other exchange on which the Common Shares may principally trade at such time) for 20 consecutive Trading Days equals or exceeds \$0.06, the Company may, at its option, subject to providing not less than 30 days' prior notice to Holders, convert the Notes into Common Shares at the Conversion Price (subject to customary adjustments for recapitalizations, stock dividends and splits, combinations and the like), in whole or, from time to time, in part. On any such conversion of the Notes, the Holders will receive accrued and unpaid Interest on the amount converted for the period from the date of the latest payment of Interest to the Date of Conversion, in cash. The Company may only exercise its mandatory conversion right on or after the first anniversary of the Closing Date.

4.4 Adjustment Provisions

The Conversion Price will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the Maturity Date, the Company:
 - (i) issues Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all the holders of the Common Shares as a stock dividend;
 - (ii) makes a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;
 - (iii) subdivides its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidates its outstanding Common Shares into a smaller number of shares;

(any of such events in subsection 4.4(a)(i), subsection 4.4(a)(ii), subsection 4.4(a)(iii) or 4.4(a)(iv) above being called a “**Share Reorganization**”), the Conversion Price will be adjusted immediately after the effective date or record date for the happening of a Share Reorganization, as the case may be, by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which is the number of Shares outstanding immediately after giving effect to such Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date). Such

adjustment will be made successively whenever any event referred to in this Section 4.4 occurs;

- (b) If and whenever at any time after the date hereof the Company fixes a record date for the issuance of rights, options or warrants to the holders of all or substantially all of its outstanding Common Shares under which such holders are entitled to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares, where:
- (i) the right to subscribe for or purchase Common Shares, or the right to exchange securities for or convert securities into Common Shares, expires not more than 45 days after the date of such issue (the period from the record date to the date of expiry herein in this Section 4.4 being the “**Rights Period**”); and
 - (ii) the cost per Common Share during the Rights Period (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) (herein in this Section 4.4 called the “**Per Share Cost**”) is less than 95% of the Current Market Price of the Common Shares on the record date,

(any of such events being called a “**Rights Offering**”), then the Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

- (A) the numerator of which is the aggregate of:
 - (1) the number of Common Shares outstanding as of the record date for the Rights Offering; and
 - (2) a number determined by dividing the product of the Per Share Cost and:
 - (I) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or
 - (II) where the event giving rise to the application of this subsection 4.4(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common

Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price of the Common Shares as of the record date for the Rights Offering; and

- (B) the denominator of which is:
- (1) in the case described in subparagraph 4.4(b)(A)(2)(I), the number of Common Shares outstanding, or
 - (2) in the case described in subparagraph 4.4(b)(A)(2)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.4(b)(A)(2)(II) had been issued,

as at the end of the Rights Period.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

If by the terms of the rights, options or warrants referred to in this Section 4.4, there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

- (1) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and
- (2) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

To the extent that any adjustment in the Conversion Price occurs pursuant to this subsection 4.4(b) as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in this subsection 4.4(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued

and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

If the Holder has converted the Note in accordance herewith during the period beginning immediately after the record date for a Rights Offering and ending on the last day of the Rights Period therefor, the Holder will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the Conversion Price in effect immediately prior to the end of such Rights Offering pursuant to this subsection is multiplied by the number of Common Shares received upon the conversion of the Notes during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this subsection; provided that the provisions of Section 4.5 will be applicable to any fractional interest in a Common Share to which such Holder might otherwise be entitled. Such additional Common Shares will be deemed to have been issued to the Holder immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to such Holder within five (5) Business Days following the end of the Rights Period.

- (c) If and whenever at any time after the date hereof the Company fixes a record date for the issue or the distribution to the holders of all or substantially all its Common Shares of:
- (iii) shares of the Company of any class other than Common Shares;
 - (iv) rights, options or warrants to acquire shares or securities exchangeable for or convertible into shares or property or other assets of the Company;
 - (v) evidence of indebtedness; or
 - (vi) any property or other assets,

and if such issuance or distribution does not constitute (A) a Share Reorganization or (B) a Rights Offering (such non-excluded events being called a “**Special Distribution**”), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (A) the numerator of which is:
- (1) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
 - (2) the aggregate fair market value (as determined by action by the directors of the Company, acting reasonably and in good faith, and subject to the prior written consent of the

NEO, if required) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

- (B) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Company will be deemed not to be outstanding for the purpose of any such computation.

- (d) If and whenever at any time after the date hereof there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Share Reorganization), or a consolidation, amalgamation or merger of the Company with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Holder, upon conversion of the Notes after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property which such Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon conversion of the Notes. If determined appropriate by action of the directors of the Company, acting reasonably and in good faith, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.4 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 4.4 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise hereof. Any such adjustment must be made by and set forth in an amendment to the Notes approved by action by the directors of the Company and will for all purposes be conclusively deemed to be an appropriate adjustment.
- (e) If at any time after the date hereof and prior to the Expiry Time any adjustment in the Conversion Price shall occur as a result of:
- (vii) an event referred to in subsection 4.4(a);
 - (viii) the fixing by the Company of a record date for an event referred to in subsection 4.4(b); or

- (ix) the fixing by the Company of a record date for an event referred to in subsection 4.4(c) if such event constitutes the issue or distribution to the holders of all or substantially all of its outstanding Common Shares of (A) Equity Shares, or (B) securities exchangeable for or convertible into Equity Shares at an exchange or conversion price per Equity Shares less than the Current Market Price on such record date or (C) rights, options or warrants to acquire Equity Shares at an exercise, exchange or conversion price per Equity Share less than the Current Market Price on such record date,

then, where required, the number of Common Shares purchasable upon the subsequent conversion of the Notes shall be simultaneously adjusted by multiplying the number of Common Shares purchasable upon the conversion of the Notes immediately prior to such adjustment by a fraction which shall be the reciprocal of the fraction employed in the adjustment of the Conversion Price. To the extent any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of a distribution of exchangeable or convertible securities other than Equity Shares referred to in subsection 4.4(a) or as a result of the fixing by the Company of a record date for the distribution of rights, options or warrants referred to in subsection 4.4(b), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number of Common Shares which would be purchasable based upon the number of Common Shares actually issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right. To the extent that any adjustment in subscription rights occurs pursuant to this subsection 4.4(e) as a result of the fixing by the Company of a record date for the distribution of exchangeable or convertible securities other than Equity Shares or rights, options or warrants referred to in subsection 4.4(c), the number of Common Shares acquirable upon conversion of the Notes shall be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the number which would be purchasable pursuant to this subsection 4.4(e) if the fair market value of such securities or such rights, options or warrants had been determined for purposes of the adjustment pursuant to this subsection 4.4(e) on the basis of the number of Equity Shares issued and remaining issuable immediately after such expiration, and shall be further readjusted in such manner upon expiration of any further such right.

4.5 No Requirement to Issue Fractional Shares

The Company shall not issue fractional Common Shares upon the conversion of this Note. If any fractional interest in a Common Share would, except for the provisions of this Section 4.5, be deliverable upon the conversion of any Principal Amount, the Company shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the Holder of such surrendered Note an amount in lawful money of Canada equal to an identical fraction of the Conversion Price of the Common Shares on the Date of Conversion.

4.6 **Taxes and Charges on Conversion**

The Company will from time to time promptly pay or make provision for the payment of all Taxes which may be imposed by applicable laws (except income tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to the Holder upon the exercise of its right of conversion pursuant to the terms of this Note.

4.7 **Certificate as to Adjustment**

The Company shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.4, deliver a notice to the Investors specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby including the resulting Conversion Price and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such notice and the amount of the adjustment specified therein shall, subject to the provisions of Sections 4.3 and 4.5 and absent manifest error, be conclusive and binding on all interested parties.

4.8 **Notice of Special Matters**

The Company covenants that, so long as this Note remains outstanding, it will give notice to the Holders of its intention to fix a record date for any event referred to in Section 4.4 (other than the subdivision, redivision, reduction, combination or consolidation of Common Shares) which may give rise to an adjustment in the Conversion Price, and such notice shall specify the particulars of such event and the record date or the effective date, as applicable, for such event, provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Except where the Holders otherwise consent in writing, such notice shall be given not less than fourteen (14) days prior to the applicable record date.

4.9 **Company to Reserve Shares**

The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited) solely for the purpose of issuance upon conversion of this Note such number of Common Shares as shall then be issuable upon the conversion of this Note. All Common Shares which shall so be issuable shall be, upon issuance, duly and validly issued, fully paid and non-assessable.

4.9 **Mandatory Offer**

Within five (5) Business Days after the occurrence of any of the following events:

- (i) the sale or other disposition of all or substantially all of the business of the Company; or
- (ii) a Change of Control of the Company,

the Company shall make an offer in writing to the Holder to purchase the outstanding Principal Amount of this Note plus all accrued and unpaid Interest as of such date. The offer shall remain open for a period of at least 30 days from the date of receipt of such notice by the Holder. The

Holder may, in its sole discretion, tender the Note to the offer by so indicating to the Company by notice in writing during the offer period. Purchase of the Note, if tendered, shall occur within five Business Days of receipt by the Company of such notice, together with the tendered Note.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent

The Holder shall not be obligated to advance the Loan unless and until the following conditions precedent have been fulfilled to the Holder's satisfaction in its absolute discretion, which conditions are for the sole and exclusive benefit of the Holder, and notwithstanding anything to the contrary, which may be waived in writing by the Holder in its sole discretion:

- (a) **Note.** The Company shall have delivered to the Holder, in form and substance satisfactory to Holder, this Note and any and all other ancillary documents reasonably required by the Holder in connection with the advance of the Loan, including, without limitation, any and all consents, acknowledgements, estoppels, waivers, subordinations, priority agreements, intercreditor agreements, officer's certificates and legal opinions of the Company's counsel reasonably required by the Holder.
- (b) **Perfection of Security.** All registrations or filings required to perfect the Liens granted to the Holder shall have been made in all applicable jurisdictions and public offices necessary or desirable to provide the Holder with the priority position it requires.
- (c) **Representations, Warranties and Covenants.** The representations and warranties of the Holder shall be true, accurate, complete and correct as of the Closing Date and the Holder shall have complied with all covenants and agreements set forth herein, to the extent that the covenants can be complied with as of Closing Date.
- (d) **No Default.** No Default shall have occurred and be continuing or shall occur as a result of the transactions contemplated by this Note.

ARTICLE 6 COVENANTS OF THE COMPANY

6.1 **Covenants.** The Company covenants and agrees that so long as the Notes remain outstanding:

- (a) The Company shall pay the Principal Amount, Interest and all other amounts payable by the Company under the terms of this Note promptly when due on the dates and in the manner specified in this Note.
- (b) The Company will use commercially reasonable efforts to maintain its corporate existence and qualify and remain qualified to carry on business in each

jurisdiction where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

- (c) The Company will give notice in writing to the Holder of the occurrence of any Default that is continuing forthwith upon becoming aware thereof.
- (d) The Company will use commercially reasonable efforts to maintain: (i) the listing of the Common Shares on the NEO, and (ii) the Company's status as a reporting issuer not in default under Applicable Securities Laws; provided that nothing in this subsection 6.01(d) shall prevent the Company from completing any transaction which would result in the Common Shares ceasing to be listed on the NEO or the Company ceasing to be a reporting issuer under Applicable Securities Laws so long as the holders of securities of the Company receive securities of an entity which is listed on a recognized Canadian or U.S. stock exchange or cash or the holders of securities of the Company have approved the transaction in accordance with the requirements of applicable corporate law and Applicable Securities Laws.
- (e) The Company covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or otherwise becomes limited) for the purpose of issue and delivery, and shall issue to the Holder, such number of Common Shares as shall then be issuable under the terms of this Note upon conversion as provided in Article 4, and such Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable Common Shares in the capital of the Company.

ARTICLE 7 DEFAULT AND ENFORCEMENT

7.1 Events of Default

The happening of any of the following events or conditions shall constitute an event of default ("**Default**") hereunder:

- (a) **Failure to Pay Principal Amount.** If the Company makes default in payment of the Principal Amount on the Maturity Date or when the same otherwise becomes due under any provision hereof;
- (b) **Failure to Pay Interest.** If the Company fails to make a payment of Interest when due;
- (c) **Failure to Pay Other Amounts.** If the Company fails to make payment when due of any amount payable hereunder other than the Principal Amount or Interest and such failure has not been cured within 30 days;
- (d) **Default in Other Covenants.** If, other than in respect of any covenant to pay, there is any default or failure in the observance or performance of any other act hereby required to be done or any other material covenant or condition hereby

required to be observed or performed and such default or failure has not been cured within 30 days;

- (e) **False Representations, etc.** If any representation, warranty, certificate, statement or report made or given herein or otherwise in connection hereunder is false or erroneous or misleading in any material respect at the time it was made or given;
- (f) **Insolvency.** If the Company is unable to pay debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- (g) **Voluntary Proceedings.** If the Company makes a general assignment for the benefit of creditors, or any proceedings or filing is instituted or made by the Company seeking relief on its behalf as debtor, or to adjudicate it to a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment recomposition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets; or the Company takes any corporate action to authorize any of the actions set forth in this subsection 7.1(g);
- (h) **Involuntary Proceedings.** If any notice of intention is filed or any proceeding or filing is instituted or made against the Company in any jurisdiction seeking to have an order for relief entered against it as debtor or to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition of it or its debts under any Law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets or seeking possession, foreclosure or retention, or sale or other disposition of, or other proceedings to enforce security over, all or a substantial part of the assets of the Company unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or stayed within thirty (30) days of institution thereof;
- (i) **Receiver, etc.** If a receiver, liquidator, trustee, sequestrator or other officer with like powers is appointed with respect to, or an encumbrancer takes possession of, or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or a substantial part of the properties or assets of the Company or gives notice of its intention to do so;
- (j) **Execution, Distress.** If any writ, attachment, execution, sequestration, extent, distress or any other similar process becomes enforceable against the Company or if a distress or any analogous process is levied against all or a substantial part of the properties or assets of the Company;
- (k) **Suspension of Business.** If the Company suspends or ceases or threatens to suspend or cease its Business; and

- (1) **Sale.** If the Company sells or otherwise disposes of, or threatens to sell or otherwise dispose of, all or a substantial part of its undertaking and property and assets, whether in one transaction or a series of related transactions and the Company does not make the mandatory offer under Section 4.10.

7.2 Consequences of an Event of Default

Upon the occurrence and during the continuance of an Event of Default, all monies secured by the Lien over the Secured Property and the Obligations herein shall at the option of the Holder become forthwith due and payable.

ARTICLE 8 REMEDIES

8.1 Appointment of Receiver

- (a) **Right to Appoint:** Upon a Default which is continuing, the Holder may appoint by instrument in writing, any person to be a receiver (hereinafter called a “**Receiver**”, which term when used herein shall include a receiver and manager) of the Secured Property as the agent of the Company and may remove any Receiver so appointed and appoint another in his stead.
- (b) **Receiver Agent of the Company:** Any such Receiver shall, so far as concerns responsibility for their acts, be deemed the agent of the Company and not the Holder (to the extent permitted by applicable Laws) and the Holder shall not be in any way responsible for any misconduct, negligence or nonfeasance on the part of any such Receiver, their servants, agents or employees other than their gross negligence or wilful misconduct.
- (c) **Power of Receiver:** Subject to the provisions of the instrument appointing them, any such Receiver shall have power to take possession of the Secured Property or any part thereof, to preserve the Secured Property or its value, to carry on or concur in the carrying on of all or part of the business of the Company and to sell or otherwise dispose of or concur in selling or otherwise disposing of all or any part of the Secured Property. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Company, enter upon, use and occupy all premises owned or occupied by the Company wherein all or any part of the Secured Property may be situated, maintain the Secured Property upon such premises, borrow money on a secured or unsecured basis and use all or any part of the Secured Property directly in carrying on the Company’s Business or otherwise, as such Receiver shall, in his discretion, determine.
- (d) **Monies Received by Receiver:** Except as may be otherwise directed by the Holder, all monies received from time to time by such Receiver in carrying out their appointment shall be received exclusively in trust for and paid over to the Holder and applied against the Obligations in such order as the Holder sees fit in its sole and absolute discretion.

- (e) **Receiver Vested with Rights of the Holder:** Every such Receiver may, in the discretion of the Holder, be vested with all or any of the rights and powers of the Holder.

8.2 **Exercise Powers of Receiver**

Upon Default, the Holder may, either directly or through its agents or nominees, exercise all the powers and rights given to a Receiver hereby.

8.3 **Court Appointed Receiver**

Upon Default, the Holder may proceed in any court of competent jurisdiction for the appointment of a Receiver of all or any part of the Secured Property.

8.4 **Other Proceedings**

Upon Default, the Holder may take any other remedy or proceeding authorized or permitted hereby or by Law or equity.

8.5 **Sale of Secured Property**

Without limiting the generality of the foregoing, upon a Default which is continuing, it shall be lawful for the Holder to make any sale, lease or other disposition of the Secured Property either for cash or upon credit or partly for one and partly for the other upon such conditions as to terms of payment as it in its absolute discretion may deem proper (in accordance with applicable Laws) and to sue the Company for any deficiency remaining. The Holder shall be accountable only for money actually received by it. The Holder may deliver to the purchaser of the Secured Property good and sufficient conveyances of same, free and clear of any claim by the Company. The purchaser, lessee or transferee receiving any disposition of the Secured Property or any part thereof need not inquire whether Default under this Note has actually occurred but may as to this and all other matters rely upon a statutory declaration of the Holder, which declaration shall be conclusive and any such purchaser or lessee need not look to the application of the purchase money, rent or other consideration given upon such sale, lease or other disposition, which shall not be affected by any irregularity of any nature or kind relating to the crystallizing or enforcing of the security or the taking of possession of the Secured Property or the sale, lease or other disposition thereof.

8.6 **Rights as Secured Party**

In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Company and the Holder, the Holder shall have, both before and after Default which is continuing, all the rights and remedies of a secured party under the PPSA and any other applicable Law as may from time to time be in effect. The Holder shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, realize, sell or otherwise dispose of the Secured Property or any part thereof or to institute any proceedings for such purposes. Furthermore, the Holder shall have no obligation to take any steps to preserve rights against prior parties to any Instrument or Chattel Paper whether Secured Property or Proceeds, whether or not in the possession of the Holder, and shall not be liable or accountable for failure to do so.

8.7 Take Possession

The Company acknowledges that the Holder or any Receiver appointed by it may take possession of the Secured Property or any part thereof wherever it may be located and by any method permitted by applicable Laws and the Company agrees that upon request from the Holder or any such Receiver to assemble and deliver possession of the Secured Property or any part thereof at such place or places as may be directed.

ARTICLE 9 RELEASE, SUBORDINATION AND THIRD PARTY BENEFICIARIES

9.1 **Release by Holder.** The Holder may, at its sole discretion, at any time release from the security interest hereby created any part or parts of the Secured Property either with or without consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Secured Property or any person from this Note.

9.2 Subordination to Senior Indebtedness.

- (a) Notwithstanding any other provision to the contrary in this Note, all rights of the Holder and the other Noteholders to receive payment of any indebtedness owing to them by the Company is and shall be expressly subordinate and junior in right of payment and exercise of remedies to the prior payment in full in cash of all present and future Senior Indebtedness to the extent and in the manner provided therein, and the Holder hereby subordinates all present and future indebtedness owing under this Note as a claim against the Company prior to the payment in full in cash of the Senior Indebtedness; *provided, however*, that the foregoing subordination restrictions (and any other restrictions contained in this Article 9) do not restrict the ability of the Holder, should the Holder so demand at any time after the Maturity Date, to be repaid the Principal Amount plus any outstanding Interest on or after the Maturity Date if this Note is not earlier converted or cancelled pursuant to its terms (provided that the Senior Indebtedness is not in default), and nothing in this Note or otherwise shall prevent repayment on Maturity Date if elected by the Holder regardless of whether the Senior Indebtedness is still outstanding (provided that the Senior Indebtedness is not in default at the relevant time).
- (b) The Holder hereby acknowledges and agrees that each security interest, pledge, assignment, mortgage, or other interest of the Subsidiary Senior Lender in the Subsidiaries' Secured Property shall have priority to the extent of all Senior Indebtedness secured thereby over any right, security interest, lien, or claim that the Holder or any other Noteholder may now have or hereafter have therein or thereto. The priorities established hereby shall be irrespective of the time or order of attachment or perfection of security interests, liens, or claims or the time or order of filing of financing statements or mortgages or otherwise. The Holder hereby waives, to the extent permitted by applicable law, all rights to notice of sale or other intended disposition of any Subsidiaries' Secured Property by the Subsidiary Senior Lender.

- (c) Subject to Section 9.2(a), except as expressly permitted by the terms of any Senior Indebtedness, or unless the Subsidiary Senior Lender otherwise consents in writing, the Company will not make, and the Holder will not accept or receive, any payment in cash of any indebtedness owing under this Note until all the Senior Indebtedness has been paid in full in cash, other than in connection with the repayment of Principal Amount and Interest on or after the Maturity Date if demanded by the Holder pursuant to this Note. If the Holder receives any payment in cash on account of the indebtedness owing under this Note (other than after the Maturity Date if elected by the Holder), in violation of this Section 9.2, then it shall hold such cash payment in trust for the benefit of the Subsidiary Senior Lender and, promptly upon discovery or notice of such violation, pay such amount over to the Subsidiary Senior Lender on behalf of such holders for application in payment of the Senior Indebtedness.
- (d) The Holder agrees that to the extent it holds any indebtedness under this Note at the relevant time, it will not take any action as the holder of any such indebtedness that will impede, interfere with or restrict or restrain the exercise by the Subsidiary Senior Lender of rights and remedies under the Senior Indebtedness. In furtherance thereof, the Holder, in its capacity as a holder of the indebtedness under this Note hereby agrees not to oppose any motion filed or supported by the Subsidiary Senior Lender for relief from stay or for adequate protection in respect of any Senior Indebtedness and not to oppose any motions supported by the Subsidiary Senior Lender for the Company's use of cash collateral or post-petition borrowing from the Subsidiary Senior Lender, provided that, the repayment of Principal plus Interest after the Maturity Date if so demanded by the Holder pursuant to the terms hereof shall not in any manner be deemed to have impeded, interfered with or restricted or restrained the Subsidiary Senior Lender's rights or remedies under the Senior Indebtedness (provided that the Senior Indebtedness is not in default at the relevant time).
- (e) The Holder, for itself and its successors and assigns, agrees for the benefit of the Subsidiary Senior Lender that so long as any Senior Indebtedness remains outstanding or committed to be advanced, the Holder will not, directly or indirectly, take any action prior to the Maturity Date to accelerate or demand payment in cash by the Company of any of the indebtedness owing under this Note, to exercise any of the remedies in respect of such indebtedness or any collateral security therefor, to initiate any litigation against the Company, or to foreclose or otherwise realize on any security given by the Company to secure such indebtedness.
- (f) The Subsidiary Senior Lender shall be entitled to the benefits under this Section 9.2 without notice thereof being given to the Holder or to any other Noteholder.
- (g) The provisions of this Section 9.2 as to subordination are solely for the purpose of defining the relative rights of the Subsidiary Senior Lender on the one hand, and the Holder and the other Noteholders on the other hand, and none of such provisions shall impair, as between the Company and the Holder, the obligations of the Company, which are unconditional and absolute, to pay to the Holder all of

the indebtedness owing under this Note in accordance with the terms hereof, nor, except as provided by this Section 9.2 or the terms of any Senior Indebtedness, shall any such provisions prevent the Holder from exercising all remedies otherwise permitted by applicable law or under the terms of this Note upon an Event of Default, subject to the rights, if any, of the Subsidiary Senior Lender under the other provisions of this Section 9.2.

- (h) Each of the Company and the Holder agree that, unless the Subsidiary Senior Lender otherwise consents thereto in writing (such consent not to be unreasonably withheld), prior to the payment in full in cash of the Senior Indebtedness, (i) it will not modify or amend this Note or any collateral or other security therefor that directly alter or amend the subordination arrangements under this Article 9 hereof or otherwise (it being understood that the terms of this Note may be amended by the mutual consent of the Company and the Holder, without the consent of the Subsidiary Senior Lender if such amendments do not otherwise modify the terms of the subordination arrangements set forth herein), and (ii) except for the security interests granted under Article 3, the Company shall not grant and the Holder will not obtain liens on or security interests in the Secured Property as security for the indebtedness owing under this Note, and that to the extent any such liens or security interests are created or exist on or in the Secured Property (by operation of law or otherwise) all such liens and security interests are and shall be fully subordinated and junior to the liens on and security interests in the Secured Property in favour of the Subsidiary Senior Lender.
- (i) Nothing in this Section 9.2 will restrict, prevent or exclude the conversion of this Note into shares in the capital of the Company in accordance with Article 4, whether automatically or at the option of the Holder.

9.3 **Third Party Beneficiaries.**

- (a) Except as set out in Section 9.1(b), the parties do not confer any legal, equitable or other rights or remedies of any nature under or by reason of this Note upon any person other than the parties to this Note and their respective successors and permitted assigns.
- (b) The parties hereby designate the Subsidiary Senior Lender as third-party beneficiaries of Article 9 of this Note having the right to enforce all sections in such Article 9, including against the Company and the Holder, jointly and severally, and this Section 9.1(b) may not be amended at any time while any obligations are owing to the Subsidiary Senior Lender without the prior written consent of the Subsidiary Senior Lender.

9.4 Permitted Encumbrances and Permitted Indebtedness. The Holders hereby acknowledge the existence of the Permitted Encumbrances and the Permitted Indebtedness listed in Schedule “C” hereto.

ARTICLE 10 GENERAL MATTERS

10.1 Amalgamation

The Company acknowledges that if it amalgamates with any other corporation or corporations (a) the term “**Company**”, where used herein shall extend to and include each of the amalgamating corporations and the amalgamated corporation, and (b) the term “**Obligations**”, where used herein shall extend to and include the Obligations of each of the amalgamating corporations and the amalgamated corporation.

10.2 Costs and Expenses

The Company shall pay all reasonable costs, fees and expenses of the Holder, whether directly or for services rendered (including, without limitation, reasonably solicitors’ and other professional costs, fees and expenses) in connection with the preparation, negotiation and documentation of this Note and any and all documents ancillary thereto and the enforcement of the Holder’s rights hereunder and under any other document delivered pursuant to this Agreement provided funds including the Principal Amount are advanced as described herein. Such costs, fees and expenses shall form part of the Obligations and shall be secured hereby.

10.3 Further Assurances

The Company hereby covenants that it will, at all times do, execute, acknowledge and deliver every such further act, deed, transfer, assignment, mortgage, hypothec, charge, discharge and assurance with respect to the Secured Property as the other may reasonable require and as permitted by applicable Laws for the better assuring, mortgaging, charging, hypothecating, transferring, assigning, discharging and confirming the Secured Property unto the Holder and for the better accomplishing and effectuating the intent of this Note.

10.4 General Interest Provisions

Notwithstanding any other provision of this Note, in no event shall the aggregate “interest” (as that term is defined in Section 347 of the *Criminal Code* (Canada)) paid or payable pursuant to this Note exceed the effective annual rate of interest on the “credit advanced” (as defined therein) lawfully permitted under Section 347 of the *Criminal Code* (Canada). The effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term of the Note, and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Holder will be conclusive for the purposes of such determination. If at any time the implementation of any provision hereof results in a payment or an obligation to make a payment in contravention of this Section 10.4, the amount of the excess shall be applied as a partial prepayment of principal and the obligation to make such excess payment shall be deemed a severable obligation. The Company represents and warrants to the Holder that it has not incurred, and will not incur, any charges or expenses pursuant to this Note which may be considered to be “interest” in an aggregate amount which is in contravention of Section 347 of the *Criminal Code* (Canada). A certificate of an authorized signing officer of the Holder as to each amount or each rate of interest payable hereunder from time to time shall, in the absence of manifest error, be conclusive evidence of such amount and

of such rate.

10.5 Performance by Holder

If the Company fails to perform any of its obligations hereunder, the Holder may, after notice to the Company, but shall not be obligated to, perform any or all such obligations, and all costs, charges, expenses, fees, outlays and premiums incurred by the Holder in connection therewith shall be payable by the Company forthwith upon demand by the Holder and shall bear interest from the date incurred by the Holder at the Interest Rate, compounded quarterly and payable on demand and shall form part of the Obligations and shall be secured hereby. Any such performance by the Holder shall not constitute a waiver by the Holder of any right, power, or privilege under this Note.

10.6 No Modification

No modification, variation or amendment of any provision of this Note shall be made without the prior written consent of the Holder, and no waiver of any provision hereof shall be effective unless in writing.

10.7 Appropriation of Funds

The Company agrees that the Holder may from time to time appropriate all monies realized by the Holder from the enforcement of the Liens on or towards the payment of any part of the Obligations of the Company as the Holder in its sole discretion may determine, and the Company shall have no right to require or enforce any appropriation inconsistent therewith, and the Holder shall have the right to change the application of any such proceeds and re-apply the same to any part or parts of such Obligations as the Holder may see fit notwithstanding any previous application.

10.8 Relationship of Parties

The provisions contained in this Note shall not create or be deemed to create any relationship as between the Company and the Holder other than that of borrower and creditor. For greater certainty, nothing herein shall constitute the Holder and the Company as partners or joint venturers or impose any liability upon them as such.

10.9 Not a Shareholder

Nothing in this Note or in the holding of the Notes evidenced hereby shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.

10.10 Notice to the Company and the Holder

Any notice to be given to the Company or the Holder shall be in writing and shall be deemed to be validly given if such notice is delivered personally, sent by prepaid registered mail or emailed, addressed as follows:

- (a) if to the Company, at:

Trees Corporation

181 Bay Street, Suite 1800
Toronto, Ontario M5E 1R4
Attention: Jeff Holmgren, President & Chief Financial Officer
Email: jeffh@treescorp.ca

- (b) if to the Holder, at the Holder's address as it appears on the records of the Company.

Notice of change of address shall also be governed by this Section. Any notice so given by personal delivery shall be deemed to have been given when received by the Company or the Holder, and by prepaid registered mail shall be deemed to have been received by the Company or the Holder on the third (3rd) Business Day after the day of such mailing and any notice so given by email transmission shall be deemed to have been received by the Company or the Holder when the appropriate confirmation of receipt of transmission is received during normal business hours, failing which notice shall be deemed to be received the next Business Day.

10.11 Replacement of Note

If the Note shall become mutilated or be lost, stolen or destroyed and in the absence of notice that the Note has been acquired by a *bona fide* purchaser, the Company in its discretion may issue a new Note upon surrender and cancellation of the mutilated Note, or, in the event that a Note is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted debenture shall be in the form hereof and the Holder shall be entitled to benefits hereof. In case of loss, theft or destruction, the Holder shall furnish to the Company such evidence of such loss, theft or destruction as shall be satisfactory to the Company in its discretion acting reasonably together with an indemnity in form and substance mutually acceptable to the Company and the Holder, each acting reasonably. The applicant shall pay reasonable expenses incidental to the issuance of any such new Note.

10.12 Successors and Assigns

This Note shall enure to the benefit of the Holder and its successors and assigns and shall be binding upon the Company and its successors.

10.13 Assignment

This Note is non-negotiable and each of the Company and the Holder covenants and agrees that it cannot, and shall not, transfer, sell, assign or pledge this Note without the prior written consent of the other party. The Holder acknowledges and agrees that any transfer, sale, assignment or pledging of this Note by it shall comply with the provisions of the Securities Act, or such other regulatory authority having jurisdiction.

10.14 Invalidity of Provisions

Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

10.15 Governing Law

This Note shall be governed by and construed, interpreted and performed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

10.16 Time of Essence

Time shall be of the essence of this Note and a forbearance by the Holder of the strict application of this provision shall not operate as a continuing or subsequent forbearance.

10.17 No Waiver

No failure or delay by the Holder in exercising any right, power or privilege under this Note shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.18 Attachment

The Liens created by this Note are intended to attach when this Note is executed by the Company and delivered to the Holder or in the case of any property acquired subsequent hereto, contemporaneously with any such acquisition.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the Company has caused this Note to be executed under its corporate seal by its duly authorized officer as of the date first written above.

TREES CORPORATION

Per: 

Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

SCHEDULE "A"**CONVERSION FORM****TO: TREES CORPORATION**

All terms used herein but not defined shall have the meanings ascribed thereto in the within Note.

Pursuant to Article 4 of the Note, the undersigned registered Holder hereby irrevocably elects to convert the principal amount of \$_____ into _____ Common Shares at the Conversion Price in accordance with the terms of the Note and directs that the Common Shares issuable and deliverable upon the conversion be issued and delivered to the person indicated below.

(If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Print name in which Common Shares issued on conversion are to be issued, delivered and registered:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title: _____

SCHEDULE "B"**INTEREST PAYMENT ELECTION FORM****TO: TREES CORPORATION**

The undersigned registered holder (the "**Holder**") of the attached 12.0% secured convertible promissory note due October 20, 2025 (the "**Note**") hereby elects to receive: (Please check the **ONE** box applicable):

 Cash
OR
 Common Shares

representing payment of the interest payable for the upcoming Interest Payment Date.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Note.

If the Holder has elected to be issued Common Shares, the Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

(Address)

(City, Province and Postal Code)

DATED this ____ day of _____, 20__.

[HOLDER]

Per: _____

Name: _____

Title: _____

SCHEDULE “C”**PERMITTED INDEBTEDNESS**

- (i) indebtedness incurred which is secured by the purchase money liens and other agreements described in subparagraph (vi) of the definition of Permitted Encumbrances;
- (ii) the Obligations hereunder;
- (iii) existing shareholder loans;
- (iv) unconverted debt in connection with the Company’s outstanding secured convertible debentures issued on September 10, 2021, October 28, 2021, and November 5, 2021 by way of private placement;
- (v) the Notes effective as of the date hereof in favour to other Holders of Notes issued pursuant to the Offering;
- (vi) any Senior Indebtedness; and
- (vii) such other indebtedness as may be approved by the Holder from time to time.

This is Exhibit "T" referred to in the
Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of
the City of Calgary, in the Province of Alberta, before me at
the City of Toronto, in the Province of Ontario,
this 21st day of December, 2023 in accordance with
O. Reg. 431/20, Administering Oath or Declaration Remotely.

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

PROMISSORY NOTE

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PROMISSORY NOTE

Dated March 11, 2020

GRANTED BY:

OCH ONTARIO CONSULTING CORP., an Ontario corporation (the "**Borrower**")

AND:

ONTARIO CANNABIS HOLDINGS CORP., an Ontario corporation (the "**Parent Guarantor**")

IN FAVOUR OF:

TWEED FRANCHISE INC. a corporation formed under the *Canada Business Corporations Act* (the "**Lender**").

WHEREAS the Borrower is developing a business involving the establishment, development and operation of retail cannabis locations in Ontario either itself or through one or more Storefront Operators (defined below) (the "**Business**").

AND WHEREAS the Borrower desires to secure financing arrangements to facilitate the establishment, development and construction of the Business through the Storefront Operators, and has requested that the Lender assist in providing financing arrangements.

AND WHEREAS the Borrower intends to use Advances (defined below) made hereunder (i) to make Permitted Readvances (defined below) to support the Storefront Operators in the development and operation of, and (ii) for the development and operation by the Borrower of, retail cannabis locations set out in Schedule B hereto as may be updated from time to time (the "**Retail Locations**").

AND WHEREAS the Parent Guarantor has agreed to guarantee the payment and performance of all of the Borrower's obligations to the Lender pursuant to any of the Transaction Documents.

NOW THEREFORE in consideration of the credit facilities the Lender has agreed to make available to the Borrower, the Obligors (defined below) have issued this note in favour of the Lender and agree as follows:

1. Definitions.

In this note (including the recitals above), in addition to the terms defined above, the following definitions apply:

- 1.1 "Account Debtor"** means a party obligated to pay the Borrower under any account, chattel paper, or instrument including, for certainty, each of the Storefront Operators.
- 1.2 "Advances"** means any borrowing by the Borrower from the Lender, from time to time, pursuant to the terms hereof.

- 1.3 **"Affiliate"** shall have the meaning given to the term "affiliate" under the Ontario Cannabis Act.
- 1.4 **"Bankruptcy Event"** means, with respect to any Person, that:
- (a) the Person fails to pay or perform its obligations generally as they become due or admits its inability to pay its debts generally,
 - (b) the Person is an insolvent person or commits or threatens to commit an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada),
 - (c) a Bankruptcy Proceeding (excluding any Bankruptcy Proceeding instituted against that Person that is being contested by that Person in good faith by appropriate proceedings so long as enforcement remains stayed, none of the relief sought is granted (either on an interim or permanent basis), and the Bankruptcy Proceeding is dismissed within thirty (30) days of its commencement), or
 - (d) the Person takes any action to authorize any of the actions set forth above in this definition.
- 1.5 **"Bankruptcy Proceeding"** means, with respect to any Person, the commencement of any proceeding or the taking of any step, whether voluntary or involuntary or whether instituted by or against that Person, under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada), or any other similar legislation of any jurisdiction seeking any of the following or resulting, by operation of law, in the bankruptcy of that Person:
- (a) any moratorium, reorganization, adjustment, composition, proposal, compromise, arrangement, or other similar relief in respect of any or all of that Person's obligations,
 - (b) the winding up, liquidation, or dissolution of that Person or all or any part of its businesses, undertaking, properties, and assets,
 - (c) any order declaring, finding, or adjudging that Person insolvent or bankrupt, or
 - (d) the appointment (provisional, interim, or permanent) of any receiver, receiver and manager, trustee, monitor, custodian, liquidator, or other Person with similar powers.
- 1.6 **"Blocked Account Agreement"** means a blocked account agreement in form and substance satisfactory to the Lender, among the Lender, as secured party, the Borrower, as account holder, and such financial institution as specified by the Lender, made in respect of a Cash Collateral Account.
- 1.7 **"Business"** has the meaning set out in the recitals hereto.
- 1.8 **"Business Day"** means a day other than a Saturday, a Sunday, or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business.
- 1.9 **"Cannabis Legislation"** means, collectively, the *Cannabis Act* (Canada) and the regulations thereunder, the Ontario Cannabis Act and any other federal or Ontario legislation or regulations relating to and governing the cultivation, processing, sale, distribution, testing or researching of cannabis goods and services.

1.10 "Cannabis Permits" means all permits or licences of any nature (including, without limitation, any retail store authorization or retail operator licence granted pursuant to the *Cannabis Licence Act*, 2018 (Ontario)) held by any Obligor, as of the date of this note or thereafter, under any Cannabis Legislation that are necessary or desirable to lawfully conduct or maintain, directly or indirectly, its cannabis-related activities and interests in the province of Ontario.

1.11 "Cash Collateral Account" means those certain blocked accounts at such financial institution as specified by the Lender, maintained by any Obligor pursuant to a Blocked Account Agreement.

1.12 "Debt" means, for any Person, at any time,

- (a) all items (including, with respect to the Borrower, the Advances) that would then be classified as liabilities on such Person's balance sheet or in the notes to the balance sheet, and
- (b) without duplication, any item that is then to the Person, as applicable:
 - (i) an obligation in respect of borrowed money, for the deferred purchase price of property or services, or that is evidenced by a note, bond, debenture, or any other similar instrument,
 - (ii) a transfer with recourse or with an obligation to repurchase, to the extent of the Person's applicable liability,
 - (iii) an obligation secured by any Lien on any of the Person's property to the extent attributable to the Person's respective interest in that property, even though it has not assumed or become liable for its payment,
 - (iv) a capital lease obligation,
 - (v) an obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee,
 - (vi) the aggregate amount at which any shares in the Person's capital that are redeemable or retractable at the option of the holder of those shares (except where the holder is the applicable Person) may be redeemed or retracted, or
 - (vii) any other obligation arising under arrangements or agreements that, in substance, provide financing;

provided, however, that there will not be included for the purpose of this definition any item that is on account of:

- (i) issued share capital or surplus, subject to paragraph (vi) above,
- (ii) reserves for deferred income taxes or general contingencies, or
- (iii) trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course of business, unless any of the trade accounts payable or accrued liabilities under this paragraph remain

unpaid more than one hundred and twenty (120) days after the date on which they were incurred.

1.13 "Debt to Equity Ratio" means the amount determined in accordance with the formula D/EQ where:

- (a) "D" is Debt of the Borrower, and
- (b) "EQ" is Equity of the Borrower.

1.14 "Default" means the occurrence of one or more of the following events:

- (a) an Obligor defaults in the payment or performance of any obligation under any of the Transaction Documents or under any other document in respect of any other debt for borrowed money (the outstanding principal amount of which exceeds, (i) with respect to the Lender or any of the Lender's Affiliates, zero, and (ii) with respect to any Person other than the Lender or any of the Lender's Affiliates, \$200,000) when due, and such failure continues after the applicable grace period, if any, specified therein,
- (b) an Obligor defaults in the payment of any interest or other amount payable under any of the Transaction Documents when due and payable, and such failure remains unremedied for a period of ten (10) Business Days;
- (c) any Obligor fails to perform any other obligation under any of the Transaction Documents and such failure continues unremedied for a period of ten (10) Business Days upon receipt of written notice of the default from the Lender by the applicable Obligor;
- (d) any representation or warranty made by an Obligor in any Transaction Document was incorrect or misleading in any material respect, and if the same is capable of being remedied, the same is not remedied within ten (10) Business Days upon receipt of written notice thereof given to the applicable Obligor by the Lender,
- (e) an Obligor denies its obligations under any Transaction Document or an Obligor claims that any Transaction Document is invalid or has been withdrawn in whole or in part,
- (f) any legislation is enacted or any decree or order of a court, statutory board, or commission is entered into or obtained that renders any of the Transaction Documents, the financing transactions contemplated thereunder, or any other material provision of any of them unenforceable, unlawful, or otherwise changed in a manner that is materially adverse to the Lender. In circumstances where such illegality, unenforceability, or material adverse change is capable of being cured by amending or restating the applicable Transaction Document, such event shall only constitute a "Default", if the applicable Obligor does not, within ten (10) days of receipt of notice of the Transaction Document or material provision becoming unenforceable, unlawful, or otherwise changed as described above, replace the Transaction Document with a new agreement that preserves the original terms of the Transaction Document to the extent permitted by law and is otherwise in form and substance mutually satisfactory to the Lender and the applicable Obligor, each acting reasonably, or amend the Transaction Document to the satisfaction of the Lender at its discretion,
- (g) a Bankruptcy Event occurs with respect to an Obligor,

- (h) any act, matter, or thing is done, or any action or proceeding is taken, with a view to terminating an Obligor's existence,
- (i) any lender other than the Lender takes possession, by appointment of a receiver of any material portion of an Obligor's property,
- (j) an Obligor ceases to carry on its business or makes, or proposes to make, any sale of its assets in bulk or any sale of its assets out of the usual course of its business,
- (k) any Person takes possession of an Obligor's property that is material to its financial condition, business, or operations by way of or in contemplation of enforcement of security, or a distress, execution, or similar process is levied or enforced against that property,
- (l) a final judgment or decree is entered into or obtained for the payment of money due against an Obligor in an amount in excess of \$200,000 if that final judgment or decree is not satisfied, vacated, discharged, or stayed pending appeal within the applicable appeal period,
- (m) any of the grants, mortgages, charges, pledges, transfers, assignments or other security interests created in favour of the Lender pursuant to the Transaction Documents loses its status as a valid and perfected first priority security interest subject only to Permitted Liens, if the Borrower has failed to remedy this default within the earlier of ten (10) days from the date: (i) the Borrower becomes aware, using reasonable due diligence, of such default and (ii) the Lender delivers written notice of the default to the Borrower,
- (n) defaults, events of default or other similar conditions or events (however described) under three or more Sub-lending Agreements representing an aggregate sub-lending commitment equal to or greater than \$900,000 have occurred and are continuing, or have become capable of being declared due and owing or accelerated prior to the stated maturity date under such affected Sub-lending Agreements;
- (o) the parties hereto have failed to enter into the Blocked Account Agreement, or the Borrower has failed to establish the Cash Collateral Account within sixty (60) days of the date hereof.
- (p) any step is taken to issue any garnishment order or other equivalent process to the Lender to recover payment of any amount owing by an Obligor, or
- (q) any step is taken by or on behalf of the Minister of Finance of Canada to issue a requirement to pay to the Lender in respect of an Obligor.

For certainty, notwithstanding anything in this note to the contrary, cure periods shall not apply to the extent that the Default relates to a breach of Cannabis Legislation, or due to an Obligor making a disposition of its property or issuance of its Equity Securities to or in favour of a Licensed Producer other than the Lender.

1.15 "Demand Date" means the day that the Lender fixes by ninety (90) days' advance written Notice to the Borrower determined by the Lender in its sole and unfettered discretion; *provided however*, that such date shall be no earlier than the 90th day following the 9 month anniversary of this Note, unless a Default occurs prior to that day.

- 1.16 "Distribution"** means, for any Person, any payment, directly or indirectly, by that Person
- (a) of any dividends on any equity units or shares of its capital,
 - (b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement, or other acquisition of any shares of its capital or any warrants, options, or rights to acquire any such shares, or,
 - (c) of any other distribution in respect of any shares of its capital or any equivalent ownership (or profit) interests in a Person,
- 1.17 "Equity"** means, for any Person, the aggregate amount of
- (a) the stated capital of all of the outstanding shares or other ownership interest of such Person,
 - (b) such Person's accumulated retained earnings,
 - (c) the amount, without duplication, of any contributed surplus all as set forth in the financial statements for such Person as at the end of its most recently completed fiscal quarter, and
 - (d) the amount of any loans from such Person's shareholders that have been fully subordinated and postponed to the Principal on terms satisfactory to the Lender.
- 1.18 "Equity Securities"** means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of, such Person's capital, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, options or other rights exchangeable for or convertible into any of the foregoing.
- 1.19 "First Interest Payment Date"** means April 1, 2020.
- 1.20 "Going Public Transaction"** means any transaction or series of related transactions (including but not limited to an amalgamation or merger with a publicly listed entity) one of the results of which is that an Obligor becomes a reporting issuer for purposes of the *Securities Act* (Ontario) or similar legislation in another province of Canada or the United States, or any securities of an Obligor become listed and posted for trading on a stock exchange or quoted on an over-the-counter-market.
- 1.21 "Governmental Authority"** means (a) the government of Canada or any other nation, any central bank, court, tribunal, arbitral body, regulatory body (including any stock exchange), commission (including any securities commission), board, bureau, agency, authority, or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of, or pertaining to, any of the foregoing, and (b) any political or other subdivision of any of the foregoing.
- 1.22 "Grid"** means any grid attached as Schedule A (Grid).
- 1.23 "Guarantor"** means, collectively and individually, as the context demands, the Parent Guarantor and any other party who may guarantee the debts, liabilities and obligations of the Borrower under this Agreement, from time to time.

- 1.24 **"IFRS"** means International Financial Reporting Standards adopted by the International Accounting Standards Board, as applicable at the relevant time, applied on a consistent basis.
- 1.25 **"Interest"** means interest at the rate equal to 8.5% per annum, calculated monthly in arrears and payable on each Interest Payment Date.
- 1.26 **"Interest Payment Date"** means the first Business Day of each successive month starting on the First Interest Payment Date.
- 1.27 **"Investment"** in any Person means any direct or indirect investment in such Person including (i) any advances, loans or other extensions of credit, capital contributions, assumption of debt, or other contingent liabilities in the nature of capital contributions to or in respect of such Person, (ii) any Equity Securities, bonds, notes, debentures or other securities of such Person or (iii) the acquisition of all or substantially all the assets of such Person or of a business carried on by, or a division of, such Person.
- 1.28 **"Licensed Producer"** shall have the meaning given to the term "licensed producer" under the Ontario Cannabis Act and shall include for the purposes of this note any Affiliate of a Licensed Producer.
- 1.29 **"Lien"** means: (a) any interest in property created by way of mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, conditional sale agreement, sale/lease back transaction, deposit arrangement, title retention, capital lease, or discount, factoring, or securitization arrangement on recourse terms, (b) any statutory deemed trust or lien, (c) any preference, priority, adverse claim, levy, execution, seizure, attachment, garnishment, or other encumbrance that binds property, (d) any right of set-off intended to secure the payment or performance of an obligation, and (e) any agreement to grant any of the rights or interests described in any of the preceding clauses.
- 1.30 **"Maturity Date"** means March ____, 2023.
- 1.31 **"Maximum Principal Amount"** means \$3,000,000.
- 1.32 **"Maximum Readvance Amount"** means \$300,000.
- 1.33 **"Notice"** means any notice, request, direction, or other document that a party can or must make or give under this note.
- 1.34 **"Obligors"** means, together, the Borrower and each Guarantor, and their respective successors and permitted assigns, and **"Obligor"** means any one of them.
- 1.35 **"Ontario Cannabis Act"** means the *Cannabis Licence Act, 2018* (Ontario) and its regulations, as may be amended from time to time.
- 1.36 **"Permitted Liens"** means:
- (a) statutory deemed trusts and Liens in connection with claims for unpaid wages, vacation pay, worker's compensation, unemployment insurance, pension plan contributions, employee or non-resident withholding tax source deductions, unremitted sales taxes, goods and services taxes, customs duties, or similar statutory obligations secured on any

of the Obligors' respective undertaking and property, but only if the obligations secured by those deemed trusts and Liens are paid when due,

- (b) statutory liens for assessments or governmental charges or levies that are paid when due or, if overdue, the validity or amount of which is being contested in good faith by appropriate proceedings,
- (c) construction, mechanic's, carrier's, warehousemen's, storage, repairer's, and materialmen's liens, but only if the obligations secured by those liens are paid when due or such amounts are being contested by the Borrower in good faith by appropriate proceedings and appropriate action has been taken to prevent any disposal of collateral,
- (d) Liens under other agreements granted in favour of the Lender,
- (e) any other Liens that may be approved in writing by the Lender,
- (f) easements, encroachments, rights of way, servitudes, restrictive covenants, or other similar rights in land granted to or reserved by another Person, rights of way for sewers, electric lines, telegraph and telephone lines, or other similar purposes, or zoning or other restrictions as to the use of real properties, provided that they do not, in the aggregate, impair the use by the Obligors of any material property in the conduct of its respective business,
- (g) purchase-money security interests, if any, in an aggregate amount not to exceed at any time \$10,000,
- (h) Liens securing corporate credit card obligations of the Parent Guarantor in an amount not exceeding \$60,000, and
- (i) Liens in connection with subordinated debt, if any.

- 1.37 "Permitted Readvances"** means any borrowing by a Storefront Operator from the Borrower, from time to time, pursuant to the terms of a Sub-lending Agreement, to the extent that such borrowing by the applicable Storefront Operator is permitted pursuant to Section 13.11 hereunder.
- 1.38 "Person"** includes any individual, corporation, company, partnership, Governmental Authority, joint venture, association, trust, or any other entity.
- 1.39 "Principal"** means the aggregate outstanding principal amount of all advances that the Lender makes from time to time to the Borrower, as recorded by or on behalf of the Lender from time to time on the Grid, but in no event shall such amount exceed the Maximum Principal Amount.
- 1.40 "Retail Location"** has the meaning set out in the recitals hereto.
- 1.41 "Security"** means the general security agreement dated as of the date hereof between the Obligors and the Lender securing all obligations of each of the Obligors to the Lender pursuant to the Transaction Documents which shall include, without limitation a specific assignment of the Borrower's interest in each present and future Sub-lending Agreement.

- 1.42 **"Storefront Operator"** means a Person who operates the Business through a Retail Location and with whom the Borrower has entered into a Sub-lending Agreement for the purpose of making Permitted Readavances.
- 1.43 **"Sub-lending Agreement"** means, with respect to a Storefront Operator, an agreement between the Borrower, as lender, and such Storefront Operator, as borrower, pursuant to which the Borrower makes a Permitted Readvance to such Storefront Operator, in each case as the same may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time.
- 1.44 **"Transaction Documents"** means this note and the Security, and each other agreement from time to time in effect between any of the Obligor and the Lender arising pursuant to or in connection with the debts, liabilities and obligations evidenced or created hereunder.

2. References to specific terms.

- 2.1 *Accounting principles.* Unless otherwise specified, where the character or amount of any asset or liability (including, without limitation, the character or amount of Equity), item of revenue, or expense is required to be determined, or any consolidation or other accounting computation is required to be made, that determination or calculation will be made in accordance with IFRS.
- 2.2 *Currency.* Unless specified otherwise, all dollar amounts expressed in this agreement refer to Canadian currency.
- 2.3 *"Including."* Where this agreement uses the word "including," it means "including without limitation," and where it uses the word "includes," it means "includes without limitation."
- 2.4 *"Knowledge."* Where any representation, warranty, or other statement in this agreement, or in any other document delivered under this agreement, is expressed by a party to be "to its knowledge," or is otherwise expressed to be limited in scope to facts or matters known to the party or of which the party is aware, it means: (i) the current, actual knowledge of directors and officers of that party and (ii) the knowledge that would or should have come to the attention of any of them had they duly investigated the facts related to that statement and made reasonable inquiries of other individuals reasonably likely to have knowledge of facts related to that statement.
- 2.5 *Statutes, etc.* Unless specified otherwise, any reference in this agreement to a statute includes the regulations, rules, and policies made under that statute and any provision that amends, supplements, supersedes, or replaces that statute or those regulations, rules, or policies.

3. Indebtedness.

- 3.1 For value received, the Borrower promises to pay on the earlier of (a) the Maturity Date and (b) the Demand Date to, or to the order of, the Lender the Principal in lawful money of Canada in immediately available funds at 1 Hershey Drive, Smith Falls, Ontario K7A 0A8 (or as the Lender may otherwise designate in writing from time to time) in the manner provided in this note, together with interest and other monies that the Borrower may owe from time to time under this note.
- 3.2 To request an Advance, the Borrower shall provide the Lender written notice in accordance with Section 22 hereof, which shall specify:

- (a) for an Advance to be used by the Borrower: (i) the requested date of the Advance, (ii) the aggregate amount of the Advance, and (iii) the retail cannabis location to be operated by the Borrower, together with such supporting information and documentation as the Lender may reasonably request to satisfy those conditions set out in Sections 13.11(d) and 13.11(f) hereof, *mutatis mutandis* (to the extent the same was not provided prior to the delivery of such written notice requesting an Advance); and,
- (b) for an Advance to be advanced by the Borrower as a Permitted Readvance to a Storefront Operator: (i) the requested date of the Advance; (ii) the aggregate amount of the Advance; (iii) the Storefront Operator to whom the Borrower intends to advance such Advance, and, (iv) the retail cannabis location to be operated by such Storefront Operator, together with such supporting information and documentation as the Lender may reasonably request to satisfy those conditions set out in Sections 13.11(a), 13.11(d), 13.11(e) and 13.11(f) hereof (to the extent the same was not provided prior to the delivery of such written notice requesting an Advance).

In each case, following the Lender's review of such written request for Advance and supporting information and documentation, and no later than the date that is ten (10) Business Days after the Lender's receipt of such written request for Advance, the Lender shall provide the Borrower written notice advising whether the Lender agrees, in its sole discretion, to make such requested Advance. Where the Lender agrees to make such requested Advance, such Advance shall occur following satisfaction of the remaining conditions set out in Section 13.11 hereof.

4. Notations on Grid.

Each Obligor unconditionally and absolutely authorizes and directs the Lender to record on the Grid the date and amount of each:

- (a) Advance and the resulting increase in the outstanding Principal, and
- (b) repayment on account of the Principal paid to the Lender and the resulting decrease of the outstanding Principal.

Each Obligor acknowledges that, notwithstanding the state of the Grid, the actual recording of the date and amount of any Advance (and interest, fees, and other amounts due in respect of that Advance) or repayment in an account of the Borrower that the Lender maintains in connection with the Principal will be prima facie evidence of the Borrower's indebtedness and liability from time to time in connection with the Principal under this note, except that the Lender's failure to record the date or amount of any Advance or repayment in that account or on the Grid will not affect the Borrower's obligation to pay or repay that indebtedness and liability or each Guarantor's obligation to guarantee such indebtedness in accordance with the terms hereof. If there is any inconsistency between the account that the Lender maintains and the Grid, the account that the Lender maintains will, absent manifest error, govern.

5. Interest.

- 5.1** The Borrower shall pay the Lender Interest on the Principal from the date of this note, both before and after maturity, demand, default, or judgment and until actual payment in full. The first interest payment will consist of accrued interest from the date of this note until the First Interest Payment Date.

- 5.2** If the Borrower fails to pay any installment of interest or principal on the date on which the same is due, the Borrower shall pay interest on such overdue amount in an amount equal to the Interest plus two (2%) percent. Interest on overdue amounts shall be payable on demand and shall be calculated on a daily basis and compounded monthly from the date such amount becomes due and payable and for so long as such amount remains unpaid and on the basis of a year of 365 days or 366 days, as applicable.
- 5.3** For the purpose of the *Interest Act* (Canada), the yearly rate of interest applicable to amounts owing under this note will be calculated on the basis of a three hundred and sixty-five (365) day year.

6. Term.

The term of this note begins on the date of this note and ends on the earlier of (a) the Maturity Date, and (b) the Demand Date. The Principal and all accrued and unpaid Interest will become due and payable on the earlier of (a) the Maturity Date, and (b) the Demand Date.

7. Limitations Act.

The Obligors have issued this note for business purposes; accordingly, this note will be treated as a business agreement for purposes of the *Limitations Act, 2002* (Ontario). Each Obligor agrees that any limitation period applicable to this note, any proceeding relating to a claim in connection with this note, or such Obligor's obligations under this note (other than the ultimate limitation period provided for in section 15 of that Act) is suspended and will not apply to this note or the obligations that it evidences.

8. Prepayment.

- 8.1** At any time prior to demand, the Borrower may prepay the Principal either in whole at one time or in part from time to time without penalty or bonus, together with all accrued and unpaid Interest to the date fixed for repayment and, in the case of prepayment in whole, all other monies owing under this note.
- 8.2** In the event any Cannabis Permit granted to the Borrower is, at any time, fully and finally terminated or cancelled by the relevant Governmental Authority, the Borrower shall immediately (a) deliver to the Lender a statement of accounts detailing the amount of Principal used by the Borrower in respect of with such Retail Location, or Retail Locations, to which such Cannabis Permit, or Cannabis Permits related, and (b) make a repayment to the Lender in an amount equal to the Principal used by the Borrower in respect to such Retail Location, or Retail Locations, plus accrued and unpaid interest thereon.

9. Application of payments.

The Lender shall apply any amount paid in satisfaction of any indebtedness under this note first against any accrued and unpaid Interest and second against the outstanding Principal.

10. Acceleration.

When a Default occurs and is continuing, the full unpaid balance, or, at the Lender's sole discretion, any portion thereof, of the Principal and all accrued and unpaid Interest will, at the Lender's option, become immediately due and payable without any action required of the Lender.

11. Guarantee.

- 11.1** Each Guarantor irrevocably and unconditionally guarantees and covenants in favour of the Lender for the due payment, discharge and performance of all present and future indebtedness, obligations and liabilities of the Borrower at any time owing to the Lender, whether contingent or absolute, joint or several, matured or unmatured, renewed or extended, in any currency, and whether as principal debtor, guarantor, surety, or otherwise arising under, in connection with, or relating to any of the Transaction Documents.
- 11.2** This is a continuing guarantee for payment when due under the Transaction Documents and shall in all respects be valid and enforceable without regard to the form or the amount of the obligations of the Borrower to the Lender in existence at any time. This guarantee is irrevocable by the Guarantors, and each Guarantor expressly and unconditionally waives any right to terminate or amend this note or the guarantee provided for in this Section 11.
- 11.3** Each Guarantor hereby acknowledges having reviewed each of the Transaction Documents and confirms and acknowledges the terms and conditions thereof are fully acceptable for the purpose of the guarantee herein. The guarantee herein contained shall take effect and be binding upon each Guarantor, notwithstanding any defect and/or omission in the Transaction Documents or any non-registration, non-filing or defective registration in connection therewith, and notwithstanding any defect in the authorization, execution and delivery of the Transaction Documents.
- 11.4** If the Lender cannot fully recover the obligations guaranteed under section 11.1 for any reason, then, in addition to the guarantee provided by each Guarantor in section 11.1 and as a separate and distinct obligation, each Guarantor shall indemnify the Lender against all direct and indirect claims, losses, payments, and expenses that the Lender may suffer or incur in connection with the Borrower's failure to satisfy any of its obligations owed to the Lender under any of the Transaction Documents.
- 11.5** Each Guarantor shall be held to and be bound to the Lender directly as principal debtor and obligor, and not as surety only, in respect of payment of the obligations guaranteed and indemnified hereunder, and any demand made by the Lender to each Guarantor shall not release the Borrower or any other person to whom a demand was not made by the Lender from any of their respective obligations and liabilities under the Transaction Documents.

12. Representations and warranties.

Each of the Obligors represents and warrants to the Lender, acknowledging that the Lender is relying on these representations and warranties in making Advances, as follows:

- 12.1** *Existence.* It is a corporation, incorporated and existing under the laws of the jurisdiction of its incorporation.
- 12.2** *Power and capacity.* It has the corporate power and capacity to carry on business, to own properties and assets, and to execute, deliver, and perform its obligations under each of the Transaction Documents to which it is a party.
- 12.3** *Authorization.* It has taken all necessary corporate action to authorize its execution and delivery of, and the performance of its obligations under, each of the Transaction Documents to which it is a party.

- 12.4** *Execution and delivery.* It has duly executed and delivered each of the Transaction Documents to which it is a party.
- 12.5** *Enforceability.* Each of the Transaction Documents to which it is a party constitutes a legal, valid, and binding obligation of it, enforceable against it in accordance with its terms, subject to:
- (a) bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement, winding-up, and other laws of general application affecting the enforcement of creditors' rights generally, and
 - (b) general equitable principles including the principle that the granting of equitable remedies, such as injunctive relief and specific performance, is at the court's discretion.
- 12.6** *No breach.* The execution, delivery, and performance of its obligations under each of the Transaction Documents to which it is a party do not and will not breach or result in a default under:
- (a) its articles, by-laws, or any unanimous shareholders agreement,
 - (b) any law, statute, rule, or regulation to which it is subject,
 - (c) any judgment, order, or decree of any court, agency, tribunal, arbitrator, or other authority to which it is subject, or
 - (d) any agreement to which it is a party or by which it is bound.
- 12.7** *No regulatory approvals required.* It is not required to obtain any action, approval, authorization, consent, or order of, or make any filing, registration, qualification, or recording with, any Governmental Authority or any other Person in connection with the execution or delivery of, or the performance of its obligations under each of the Transaction Documents to which it is a party.
- 12.8** *Cannabis Permits.* No fact or circumstance exists or, but for the requirement for the giving of notice, lapse of time, or both, would exist, which would disqualify any Obligor from being eligible for any applicable material licenses or permits, including but not limited to Cannabis Permits required to operate the Business.
- 12.9** *Bankruptcy, etc.* No proceedings have been taken or authorized by it or, to its knowledge, by any other Person relating to the bankruptcy, insolvency, liquidation, dissolution, or winding up.

13. Covenants.

While any amount owing under this note remains unpaid or any Obligor owes any obligations under this note, each of the Obligors covenants with the Lender as follows:

- 13.1** It shall preserve and maintain its existence.
- 13.2** It shall preserve and keep in full force and effect all its rights, powers, licences, permits, franchises and goodwill necessary to the proper conduct of its business, following the issuance of the same (if applicable), and including, without limitation, such Obligor's Cannabis Permits (if applicable).

- 13.3** It shall keep accurate and complete books, records, and accounts in connection with all of its business activities in accordance with sound accounting practices and with IFRS, consistently applied.
- 13.4** The Borrower shall use the proceeds of Advances only:
- (a) for capital expense and operating expenses incurred in connection with the establishment, development and construction of the Business at Retail Locations owned and operated by the Borrower; and,
 - (b) to make Permitted Readvances.

For greater certainty, the Borrower shall not use the proceeds of Advances in connection with costs relating to obtaining any Cannabis Permit including, without limitation, any application fee.

Notwithstanding the generality of the foregoing, any Permitted Readvance repaid by the applicable Storefront Operator to the Borrower may be used by the Borrower for its general working capital purposes.

13.5 [*Intentionally deleted*]

- 13.6** It shall maintain a standard system of accounting in accordance with IFRS and shall promptly provide to the Lender any information respecting its business and financial condition that the Lender may reasonably request. The Borrower shall, and shall cause each Guarantor to, without any request from the Lender, provide to the Lender:
- (a) forthwith, a copy of the such Obligor's most recent available financial statements (whether those statements cover a monthly, quarterly, or annual reporting period),
 - (b) as soon as available and in any event within forty-five (45) days after the last day of each of such Obligor's quarterly and annual accounting periods, a copy of such Obligor's consolidated balance sheet as of the close of that period and such Obligor's consolidated statements of income, retained earnings, and cash flows and accompanying notes for the period then ended, each in reasonable detail,
 - (c) as soon as available and within one hundred and twenty (120) days after each Obligor's financial year end, a copy of such Obligor's consolidated audited, balance sheet as of the close of that financial year and such Obligor's consolidated statements of income, retained earnings, and cash flows and accompanying notes for the period then ended, each in reasonable detail,
 - (d) promptly after knowledge of either comes to the attention of any officer or director of an Obligor, written Notice of: (A) any threatened or pending litigation or governmental proceeding against such Obligor that, if adversely determined, would either have a material adverse effect or result in any Default or (B) any other event or occurrence that would have a material adverse effect or result in a Default or a default, event of default or other similar condition or events (however described) under its applicable Sub-lending Agreement, and
 - (e) promptly after knowledge of it comes to the attention of any officer or director of an Obligor, written Notice of any Default.

The Lender acknowledges that the provision of draft financial statements by any Obligor ahead of the completion of the quarterly review or annual audit, as applicable, may be subject to further adjustment and therefore no assurance can be provided by management that such draft financial statements are materially correct.

- 13.7** Unless the Debt to Equity Ratio of the Borrower will be less than or equal to 1.0:1.0 as at the end of the most recent quarterly accounting period after giving effect to payment of the items described below, the Borrower shall not, directly or indirectly, make any payment of any:
- (a) Distributions and, for certainty, all share capital of and shareholder advances to the Borrower from time to time are expressly postponed and subordinated in right of payment of the Principal and Interest, or
 - (b) management, consulting, or similar fee or any bonus payment or comparable payment by way of gift or other gratuity or by repayment of debt or other obligation to such Person; *provided, however*, that so long as the Debt to Equity Ratio will be less than or equal to 2.0:1.0 the Borrower shall be entitled to pay bonuses to management and/or consultants not to exceed 25% of the total annual estimated compensation for the year in which any such bonus is awarded notwithstanding the foregoing restriction.
- 13.8** Except for those amounts and other charges the validity or amount of which an Obligor is contesting in good faith by appropriate proceedings, an Obligor shall promptly pay all amounts and other charges that could result in the creation of a Lien in connection with the applicable Obligor's property, or any portion thereof.
- 13.9** Without the prior written consent of the Lender, which shall not be unreasonably withheld, conditioned or delayed, no Obligor shall:
- (a) consolidate, amalgamate, or merge with any other Person,
 - (b) enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, or
 - (c) liquidate, wind up, or dissolve itself, or permit any liquidation, winding-up, or dissolution.

The Borrower shall, and shall cause each Guarantor to, provide the Lender written notice advising of its intention to engage in such transaction at least thirty (30) days prior to the anticipated effective date. Notwithstanding the foregoing, the prior written consent of the Lender shall not be required for a Going Public Transaction.

- 13.10** The Borrower shall ensure that all money of the Borrower, in any currency, is at all times maintained in a Cash Collateral Account and shall direct all Account Debtors to deliver or transmit all proceeds of any accounts owed to the Borrower into a designated Cash Collateral Account.
- 13.11** The Borrower shall not make any advance of the Principal, including but not limited to any Investments, to any Person without the Lender's prior written consent. The Lender's consent to an Investment by the Borrower in a Storefront Operator may be provided upon satisfaction of the following conditions, which shall result in such Investment being deemed to be a Permitted Readvance:

- (a) the Lender has completed, to its satisfaction, a due diligence review of such Storefront Operator including a review of the capital structure of such Storefront Operator and the Borrower's interest therein;
- (b) the Borrower has delivered to the Lender an executed copy of the Sub-lending Agreement and supporting security, each in substantially the form attached hereto as Schedule C;
- (c) such Storefront Operator has delivered to the Lender a certificate of an officer of such Storefront Operator including (i) certified true copies of the articles or other charter documents, by-laws, unanimous shareholder agreements, partnership agreements, joint venture agreements, operating agreements, declarations of trust, or trust agreements, as applicable, of such Storefront Operator, (ii) the resolutions authorizing the execution, delivery, and performance of such Storefront Operator's respective obligations under the relevant Sub-lending Agreement and supporting security and (iii) certificates of incumbency of the officers of such Storefront Operator;
- (d) the Borrower has delivered to the Lender an executed copy of the lease agreement made in respect of the retail cannabis locations to be operated by such Storefront Operator, together with an updated Schedule B listing such location as a Retail Location;
- (e) the Lender is satisfied, in its sole discretion, that the Storefront Operator is in compliance with all contractual arrangements that have been made as between the Borrower and the Storefront Operator to comply with all contractual arrangements made between the Borrower and the Lender; and
- (f) the Borrower or such Storefront Operator has delivered to the Lender such other documents or items (including but not limited to legal opinions with respect to Corporate matters of the Obligor) as the Lender, or its counsel, may reasonably require.

13.12 The Borrower shall not agree to any material amendment, modification, supplement, restatement or other change of any Sub-lending Agreement, or supporting security granted in connection therewith, without the Lender's prior written consent in its sole discretion.

13.13 Each of the Obligors represents and covenants that it (i) does not and will not invest or engage (directly or indirectly) in any business or activity that is focused on serving the non-medical marijuana market internationally, including the United States, unless and until such time as the production and sale of nonmedical marijuana becomes legal under applicable laws in the respective international jurisdiction; (ii) does not and will not invest or engage (directly or indirectly) in any business or activity that is focused on serving the medical marijuana market in the United States unless and until such time as the production and sale of medical marijuana becomes legal under applicable state and federal laws in the United States; (iii) does not and will not invest or engage (directly or indirectly) in any business or activity that is focused on serving the nonmedical marijuana market in the United States unless and until such time as the production and sale of non-medical marijuana becomes legal under applicable state and federal laws in the United States; (iv) does not and will not invest or engage (directly or indirectly) in any business activity or activity that is focused on serving the medical marijuana market internationally where the production and sale of medical marijuana is legal under applicable state, provincial, or territorial laws of any such international jurisdictions but is not legal under the federal laws of such international jurisdictions, unless and until such time as the production and sale of medical marijuana becomes legal under applicable state and federal laws in the respective

international jurisdiction; and (v) does not and will not specifically target or derive (or reasonably expect to derive) revenues or funds from any of the prohibited activities described in the foregoing items (i), (ii), (iii) and (iv), unless and until such time that any such activities become legal under all applicable laws in the United States or internationally, as applicable. The Obligors further acknowledge and agree that the representations and covenants set out in this Section 13.13 shall be considered to have been relied upon by the Lender and shall (x) survive the execution and delivery of this note and the making of any Advances, regardless of any investigation made by the Lender, any Affiliate of the Lender, or on any of their behalf and notwithstanding that the Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any Advance is extended hereunder, and (y) survive and remain in full force and effect, regardless of the consummation of the transactions contemplated hereunder or hereby, the repayment of the Advances, the expiration or termination of this note or any provision hereof, in each case for so as long as the Lender or any Affiliate of the Lender holds shares or any other type of ownership interest, directly or indirectly, in any of the Obligors. Nothing herein shall prevent the Obligors or their respective subsidiaries from entering into agreements or arrangements with businesses or activities in the United States or internationally (each, a "**Foreign Opportunity**") pursuant to which such Obligor (or its subsidiary) shall have the option or ability to invest or engage in such Foreign Opportunity (each, an "**Option**"), provided that such Option is not exercisable until the date federal laws in the United States, or such other foreign law as applicable, are amended to permit the general cultivation, distribution and possession of marijuana (as defined in 21 U.S.C 802) or to remove the regulation of such activities from the federal laws of the United States. Prior to entering into any binding agreements or arrangements related to a Foreign Opportunity, the Obligors will provide draft definitive agreements to the Lender for their review and approval (not to be unreasonably withheld, conditioned or delayed).

14. Administrative Covenants

- 14.1 The Borrower acknowledges and confirms that it is sole lender under each Sub-lending Agreement, and in its capacity as sole lender hereby covenants to open and maintain books of account evidencing all advances, interest, and all other amounts that the relevant Storefront Operator owes to the Borrower under each such Sub-lending Agreement. The Borrower shall enter in those books details of all amounts that such Storefront Operator from time to time owes or repays, and shall calculate and collect interest at such times and in accordance with the terms of each such Sub-lending Agreement. For certainty, the Borrower hereby acknowledges and confirms that the Lender neither has, nor will have, any obligation to open or maintain books of account relating to the Sub-lending Agreements, or to otherwise take any other administrative action in connection with the Permitted Readvances, arising under, pursuant to, or in connection with this note.
- 14.2 While any amount owing under this note remains unpaid, the Borrower covenants with the Lender as follows:
- (a) the Borrower shall ensure at all times that the rate of interest under each Sub-lending Agreement is not less than the rate of interest established under the definition of "Interest" hereunder; and,
 - (b) on the last Business Day of each successive month following the date hereof, the Borrower shall deliver to the Lender by electronic mail a statement of account for all Sub-lending Agreements including: (i) the effective rate of interest for such calendar month; (ii) the principal then outstanding on each Sub-lending Agreement; and, (iii) the

amount of interest payable to the Borrower by each Storefront Operator on the next "Interest Payment Date" (as such term is defined in each Sub-lending Agreement).

15. Security.

Each Obligor acknowledges that the Security secures all present and future indebtedness, liabilities, and obligations evidenced by this note. The Borrower represents and warrants that valid and enforceable security shall be granted to the Borrower by each Storefront Operator, substantially in the form attached hereto as Schedule C, for all Permitted Readvances.

16. No set-off.

No Obligor shall exercise any right of set-off in connection with amounts that may be owed to such Obligor from time to time as against any amounts that such Obligor may owe under this note.

17. Further assurances.

Each Obligor, at its expense and at the Lender's request, shall sign (or cause to be signed) all further documents or do (or cause to be done) all further acts and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to this note.

18. Amendment.

This note may only be amended by a written document signed by each of the parties to this note.

19. Conflict of terms.

If there is any inconsistency between the terms of this note and those in any document entered into under this note, the terms of this note will prevail.

20. Binding effect.

This note enures to the benefit of and binds the parties and their respective successors and permitted assigns.

21. Assignment.

The Lender may assign this note in whole or in part to any Person without Notice to or the consent of the Obligors. Without the prior written consent of the Lender which may be withheld in the Lender's sole discretion, the Obligors, or any of them, may not assign this note.

22. Notice.

To be effective, a Notice must be in writing and delivered: (a) personally, either to the individual designated below for that party or to an individual having apparent authority to accept deliveries on behalf of that individual at its address set out below, (b) by registered mail, or (c) by electronic mail to the address or electronic mail address set out opposite the party's name below or to any other address or electronic mail address for a party as that party from time to time designates to the other parties in the same manner:

in the case of the Borrower, to:

OCH Ontario Consulting Corp.
201 – 620 12th Ave SW
Calgary, AB T2R 0H5

Attention: Jeff Holmgren
Email: jeff@ocholdings.ca

with a copy to:

Bennett Jones LLP
4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7

Attention: Harinder Basra
Email: Basrah@bennettjones.com

in the case of the Parent Guarantor, to:

Ontario Cannabis Holdings Corp.
201 – 620 12th Ave SW
Calgary, AB T2R 0H5

Attention: Jeff Holmgren
Email: jeff@ocholdings.ca

in the case of the Lender, to:

Tweed Franchise Group
1 Hershey Drive,
Smith Falls, ON K7A 0A8

Attention: Adam Shedletzky
Email: adam.shedletzky@canopygrowth.com

with a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: Jonathan Sherman
Email: jsherman@casselsbrock.com

Any Notice is effective: (i) if personally delivered, as described above, on the day of delivery if that day is a Business Day and it was received before 5:00 p.m. local time in the place of receipt and otherwise on the next Business Day, (ii) if sent by registered mail, on the fourth Business Day following the day on which it is mailed, except that if at any time between the date of

mailing and the fourth Business Day thereafter there is a disruption of postal service then, Notice must be given by means other than mail, or (iii) if sent by electronic mail, on the day the recipient receives the electronic mail if that day is a Business Day and if electronic mail was received before 5:00 p.m. local time in the place of receipt, and otherwise on the next Business Day.

23. Severability.

The invalidity or unenforceability of any particular term of this note will not affect or limit the validity or enforceability of the remaining terms.

24. Waiver.

24.1 *General.* No waiver of satisfaction of a condition or breach or non-performance of an obligation (including any Default) under this note is effective unless it is in writing and signed by the party granting the waiver. No waiver under this section will be deemed to extend to a subsequent occurrence, whether or not that occurrence is the same or similar to the original occurrence that was waived nor will it affect the exercise of any other rights or remedies under this note. Any failure or delay in exercising any right or remedy will not constitute, or be deemed to constitute, a waiver of that right or remedy. No single or partial exercise of any right or remedy will preclude any other or further exercise of any right or remedy.

24.2 *Specific.* The Obligors waive presentment for payment, demand, protest, Notice of any kind, and statutory days of grace in connection with this note. The Obligors agree that it is not necessary for the Lender to first bring legal action in order to enforce payment of this note.

25. Payment of costs.

The parties shall pay their own costs in connection with the drafting and negotiation, and perfection of the interests granted pursuant to the Transaction Documents. The Obligors shall, jointly and severally, pay all costs (including legal fees on a solicitor and client basis) that the Obligors, or any of them, and the Lender, or its agents on its behalf, incur in connection with the enforcement of the Lender's interest under the Transaction Documents, which will be paid immediately upon demand and form part of the indebtedness owing under this note.

26. Governing law.

The laws of Ontario and the laws of Canada applicable in that province, excluding any rule or principle of conflicts of law that may provide otherwise, govern this note.

27. Submission to jurisdiction.

The parties irrevocably attorn to the jurisdiction of the courts of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this note.


28. Copy of the note.

Each of the Obligors acknowledge receipt of an executed copy of this note.


[Signature Page to Follow]

Dated March 11, 2020.

OCH ONTARIO CONSULTING CORP.

Per: 
Name: Jon Carmichael
Title: CEO

ONTARIO CANNABIS HOLDINGS CORP.

Per: 
Name: JEFF BOLMER
Title: CEO

SCHEDULE B
Retail Locations

Storefront Operator (if applicable)	Retail Location
	St. Catharines, ON
2707461 Ontario Inc.	Burlington, ON

SCHEDULE C
Form of Sub-lending Agreement and supporting security

PROMISSORY NOTE

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PROMISSORY NOTE

Dated [month day, year]

GRANTED BY:

[BORROWER NAME], [an Ontario/a Canada [corporation][limited partnership]][an individual residing in the Province of Ontario] (the "**Borrower**")

IN FAVOUR OF:

OCH ONTARIO GROWTH CORP., an Ontario corporation (the "**Lender**").

WHEREAS the Borrower is developing a business involving the establishment, development and operation of a retail cannabis location in Ontario (the "**Business**").

AND WHEREAS the Lender has entered into certain financing arrangements with Tweed Franchise Inc. ("**Canopy**") whereby Canopy has agreed to advance certain funds to the Lender for the purpose of the Lender re-advancing those funds to certain Persons in support of such Person's business involving the establishment, development and operation of retail cannabis locations in Ontario, pursuant to the terms of the Master Lending Agreement (as defined herein).

AND WHEREAS the Borrower desires to secure financing arrangements to facilitate the establishment, development and construction of the Business, and has requested that the Lender assist in providing financing arrangements.

AND WHEREAS by virtue of the Lender satisfying all conditions precedent to make a Permitted Readvance (as such term is defined in the Master Lending Agreement) to the Borrower pursuant to the terms of the Master Lending Agreement (including, without limitation, granting Canopy a specific assignment of the Lender's rights and interests arising under, pursuant to, or in connection with this note) the Lender is permitted to re-advance certain funds advanced by Canopy under the Master Lending Agreement, up to the Maximum Principal Amount, to the Borrower pursuant to the terms hereof.

AND WHEREAS the Borrower intends to use Advances made hereunder solely in the development and operation of a retail cannabis location at ● (the "**Retail Location**").

NOW THEREFORE in consideration of the credit facilities the Lender has agreed to make available to the Borrower, the Borrower has issued this note in favour of the Lender and agree as follows:

1. Definitions.

In this note, in addition to the terms defined above, the following definitions apply:

- 1.1 "Account Debtor"** means a party obligated to pay the Borrower under any account, chattel paper, or instrument.
- 1.2 "Advances"** means any borrowing by the Borrower from the Lender, from time to time, pursuant to the terms hereof.

- 1.3 "Affiliate" shall have the meaning given to the term "affiliate" under the Ontario Cannabis Act.
- 1.4 "Bankruptcy Event" means, with respect to any Person, that:
- (a) the Person fails to pay or perform its obligations generally as they become due or admits its inability to pay its debts generally,
 - (b) the Person is an insolvent person or commits or threatens to commit an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada),
 - (c) a Bankruptcy Proceeding (excluding any Bankruptcy Proceeding instituted against that Person that is being contested by that Person in good faith by appropriate proceedings so long as enforcement remains stayed, none of the relief sought is granted (either on an interim or permanent basis), and the Bankruptcy Proceeding is dismissed within thirty (30) days of its commencement), or
 - (d) the Person takes any action to authorize any of the actions set forth above in this definition.
- 1.5 "Bankruptcy Proceeding" means, with respect to any Person, the commencement of any proceeding or the taking of any step, whether voluntary or involuntary or whether instituted by or against that Person, under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada), or any other similar legislation of any jurisdiction seeking any of the following or resulting, by operation of law, in the bankruptcy of that Person:
- (a) any moratorium, reorganization, adjustment, composition, proposal, compromise, arrangement, or other similar relief in respect of any or all of that Person's obligations,
 - (b) the winding up, liquidation, or dissolution of that Person or all or any part of its businesses, undertaking, properties, and assets,
 - (c) any order declaring, finding, or adjudging that Person insolvent or bankrupt, or
 - (d) the appointment (provisional, interim, or permanent) of any receiver, receiver and manager, trustee, monitor, custodian, liquidator, or other Person with similar powers.
- 1.6 "Business" has the meaning set out in the recitals hereto.
- 1.7 "Business Day" means a day other than a Saturday, a Sunday, or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business.
- 1.8 "Cannabis Legislation" means, collectively, the *Cannabis Act* (Canada) and the regulations thereunder, the Ontario Cannabis Act and any other federal or Ontario legislation or regulations relating to and governing the cultivation, processing, sale, distribution, testing or researching of cannabis goods and services.
- 1.9 "Cannabis Permits" means all permits or licences of any nature (including, without limitation, any retail store authorization or retail operator licence granted pursuant to the *Cannabis Licence Act, 2018* (Ontario)) held by the Borrower, as of the date of this note or thereafter, under any

Cannabis Legislation that are necessary or desirable to lawfully conduct or maintain, directly or indirectly, its cannabis-related activities and interests in the province of Ontario.

1.10 "Debt" means, for any Person, at any time,

- (a) all items (including the Advances) that would then be classified as liabilities on such Person's balance sheet or in the notes to the balance sheet, and
- (b) without duplication, any item that is then to the Person, as applicable:
 - (i) an obligation in respect of borrowed money, for the deferred purchase price of property or services, or that is evidenced by a note, bond, debenture, or any other similar instrument,
 - (ii) a transfer with recourse or with an obligation to repurchase, to the extent of the Person's applicable liability,
 - (iii) an obligation secured by any Lien on any of the Person's property to the extent attributable to the Person's respective interest in that property, even though it has not assumed or become liable for its payment,
 - (iv) a capital lease obligation,
 - (v) an obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee,
 - (vi) the aggregate amount at which any shares in the Person's capital that are redeemable or retractable at the option of the holder of those shares (except where the holder is the applicable Person) may be redeemed or retracted, or
 - (vii) any other obligation arising under arrangements or agreements that, in substance, provide financing;

provided, however, that there will not be included for the purpose of this definition any item that is on account of:

- (i) issued share capital or surplus, subject to paragraph (vi) above,
- (ii) reserves for deferred income taxes or general contingencies, or
- (iii) trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course of business, unless any of the trade accounts payable or accrued liabilities under this paragraph remain unpaid more than one hundred and twenty (120) days after the date on which they were incurred.

1.11 "Default" means the occurrence of one or more of the following events:

- (a) the Borrower defaults in the payment or performance of any obligation under any of the Transaction Documents or under any other document in respect of any other debt for borrowed money,

- (b) any representation or warranty made by the Borrower in any Transaction Document was incorrect or misleading in any material respect,
- (c) the Borrower denies its obligations under any Transaction Document or the Borrower claims that any Transaction Document is invalid or has been withdrawn in whole or in part,
- (d) any legislation is enacted or any decree or order of a court, statutory board, or commission is entered into or obtained that renders any of the Transaction Documents or any material provision of any of them unenforceable, unlawful, or otherwise changed in a manner that is materially adverse to the Lender, if the Borrower does not, within ten (10) days of receipt of notice of the Transaction Document or material provision becoming unenforceable, unlawful, or otherwise changed as described above, replace the Transaction Document with a new agreement that preserves the original terms of the Transaction Document to the extent permitted by law and is otherwise in form and substance mutually satisfactory to the Lender and the Borrower, each acting reasonably, or amend the Transaction Document to the satisfaction of the Lender at its discretion,
- (e) a Bankruptcy Event occurs with respect to the Borrower,
- (f) **[any act, matter, or thing is done, or any action or proceeding is taken, with a view to terminating the Borrower's existence,] [NTD: Inapplicable for sole proprietors]**
- (g) any lender other than the Lender takes possession, by appointment of a receiver of any material portion of the Borrower's property,
- (h) the Borrower ceases to carry on its business or makes, or proposes to make, any sale of its assets in bulk or any sale of its assets out of the usual course of its business,
- (i) any Person takes possession of the Borrower's property that is material to its financial condition, business, or operations by way of or in contemplation of enforcement of security, or a distress, execution, or similar process is levied or enforced against that property,
- (j) a final judgment or decree is entered into or obtained for the payment of money due against the Borrower in an amount in excess of \$50,000, if that final judgment or decree is not satisfied, vacated, discharged, or stayed pending appeal within the applicable appeal period,
- (k) any of the grants, mortgages, charges, pledges, transfers, assignments or other security interests created in favour of the Lender pursuant to the Transaction Documents loses its status as a valid and perfected first priority security interest subject only to Permitted Liens, if the Borrower has failed to remedy this default within the earlier of ten (10) days from the date: (i) the Borrower becomes aware, using reasonable due diligence, of such default and (ii) the Lender delivers written notice of the default to the Borrower,
- (l) any Cannabis Permit granted to the Borrower is, at any time, fully and finally terminated or cancelled by the relevant Governmental Authority,
- (m) any step is taken to issue any garnishment order or other equivalent process to the Lender to recover payment of any amount owing by the Borrower, or

- (n) any step is taken by or on behalf of the Minister of Finance of Canada to issue a requirement to pay to the Lender in respect of the Borrower.

For certainty, notwithstanding anything in this note to the contrary, cure periods shall not apply to the extent that the Default relates to a breach of Cannabis Legislation, or due to the Borrower making a disposition of its property or issuance of its Equity Securities to or in favour of a Licensed Producer other than the Lender.

- 1.12 "Demand Date"** means the day that the Lender fixes by Notice to the Borrower determined by the Lender in its sole and unfettered discretion.
- 1.13 "Distribution"** means, for any Person, any payment, directly or indirectly, by that Person
- (a) of any dividends on any equity units or shares of its capital,
 - (b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement, or other acquisition of any shares of its capital or any warrants, options, or rights to acquire any such shares, or
 - (c) of any other distribution in respect of any shares of its capital or any equivalent ownership (or profit) interests in a Person.
- 1.14 "Equity Securities"** means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of, such Person's capital, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, options or other rights exchangeable for or convertible into any of the foregoing.
- 1.15 "First Interest Payment Date"** means • [month day, year].
- 1.16 "Governmental Authority"** means (a) the government of Canada or any other nation, any central bank, court, tribunal, arbitral body, regulatory body (including any stock exchange), commission (including any securities commission), board, bureau, agency, authority, or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of, or pertaining to, any of the foregoing, and (b) any political or other subdivision of any of the foregoing.
- 1.17 "Grid"** means any grid attached as Schedule A (Grid).
- 1.18 "IFRS"** means International Financial Reporting Standards adopted by the International Accounting Standards Board, as applicable at the relevant time, applied on a consistent basis. [NTD: Change to GAAP as required]
- 1.19 "Interest"** means interest at the rate equal to 8.5% per annum, calculated monthly in arrears and payable on each Interest Payment Date.
- 1.20 "Interest Payment Date"** means the first Business Day of each successive month starting on the First Interest Payment Date.
- 1.21 "Investment"** in any Person means any direct or indirect investment in such Person including (i) any advances, loans or other extensions of credit, capital contributions, assumption of debt, or other contingent liabilities in the nature of capital contributions to or in respect of such Person,

(ii) any Equity Securities, bonds, notes, debentures or other securities of such Person or (iii) the acquisition of all or substantially all the assets of such Person or of a business carried on by, or a division of, such Person.

- 1.22** "**Licensed Producer**" shall have the meaning given to the term "licensed producer" under the Ontario Cannabis Act and shall include for the purposes of this note any Affiliate of a Licensed Producer.
- 1.23** "**Lien**" means: (a) any interest in property created by way of mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, conditional sale agreement, sale/lease back transaction, deposit arrangement, title retention, capital lease, or discount, factoring, or securitization arrangement on recourse terms, (b) any statutory deemed trust or lien, (c) any preference, priority, adverse claim, levy, execution, seizure, attachment, garnishment, or other encumbrance that binds property, (d) any right of set-off intended to secure the payment or performance of an obligation, and (e) any agreement to grant any of the rights or interests described in any of the preceding clauses.
- 1.24** "**Master Lending Agreement**" means that certain promissory note dated as of ●, granted by, *inter alios*, the Lender, as borrower, and Canopy, as lender, as the same may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time.
- 1.25** "**Maturity Date**" means November __, 2022.
- 1.26** "**Maximum Principal Amount**" means \$300,000.
- 1.27** "**Minimum Inventory Requirements**" means the maintenance by the Borrower of minimum inventory requirements such that the lesser of: (i) fifty percent (50%), and (ii) an amount which represents the maximum amount permissible under applicable Cannabis Legislation, of the retail value of the Products sold at or from the Retail Location is made up of Specified Products.
- 1.28** "**Notice**" means any notice, request, direction, or other document that a party can or must make or give under this note.
- 1.29** "**Ontario Cannabis Act**" means the *Cannabis Licence Act, 2018* (Ontario) and its regulations, as may be amended from time to time.
- 1.30** "**Permitted Liens**" means:
- (a) statutory deemed trusts and Liens in connection with claims for unpaid wages, vacation pay, worker's compensation, unemployment insurance, pension plan contributions, employee or non-resident withholding tax source deductions, unremitted sales taxes, goods and services taxes, customs duties, or similar statutory obligations secured on any of the Borrower's undertaking and property, but only if the obligations secured by those deemed trusts and Liens are paid when due,
 - (b) statutory liens for assessments or governmental charges or levies that are paid when due or, if overdue, the validity or amount of which is being contested in good faith by appropriate proceedings,
 - (c) construction, mechanic's, carrier's, warehousemen's, storage, repairer's, and materialmen's liens, but only if the obligations secured by those liens are paid when due or such

amounts are being contested by the Borrower in good faith by appropriate proceedings and appropriate action has been taken to prevent any disposal of collateral,

- (d) Liens under other agreements granted in favour of the Lender,
 - (e) Liens under other agreements granted in favour of Canopy,
 - (f) any other Liens that may be approved in writing by the Lender,
 - (g) easements, encroachments, rights of way, servitudes, restrictive covenants, or other similar rights in land granted to or reserved by another Person, rights of way for sewers, electric lines, telegraph and telephone lines, or other similar purposes, or zoning or other restrictions as to the use of real properties, provided that they do not, in the aggregate, impair the use by the Borrower of any material property in the conduct of its respective business,
 - (h) purchase-money security interests, if any, in an aggregate amount not to exceed at any time \$[10,000], and
 - (i) Liens in connection with subordinated debt, if any.
- 1.31** "Person" includes any individual, sole proprietorship, corporation, company, partnership, Governmental Authority, joint venture, association, trust, or any other entity.
- 1.32** "Principal" means the aggregate outstanding principal amount of all Advances that the Lender makes from time to time to the Borrower, as recorded by or on behalf of the Lender from time to time on the Grid, but in no event shall such amount exceed the Maximum Principal Amount.
- 1.33** "Products" means recreational cannabis products and related accessories, supplies, merchandise and goods.
- 1.34** "Retail Location" has the meaning set out in the recitals hereto.
- 1.35** "Security" means the general security agreement dated as of the date hereof between the Borrower and the Lender securing all obligations of the Borrower to the Lender pursuant to this note.
- 1.36** "Specified Products" means Products specified, from time to time, by the Lender.
- 1.37** "Transaction Documents" means this note, the Security, and each other agreement from time to time in effect between or among, *inter alios*, the Borrower and the Lender arising pursuant to or in connection with the debts, liabilities and obligations evidenced or created hereunder.
- 2. References to specific terms.**
- 2.1** *Accounting principles.* Unless otherwise specified, where the character or amount of any asset or liability, item of revenue, or expense is required to be determined, or any consolidation or other accounting computation is required to be made, that determination or calculation will be made in accordance with IFRS.
- 2.2** *Currency.* Unless specified otherwise, all dollar amounts expressed in this agreement refer to Canadian currency.

- 2.3** *"Including."* Where this agreement uses the word "including," it means "including without limitation," and where it uses the word "includes," it means "includes without limitation."
- 2.4** *"Knowledge."* Where any representation, warranty, or other statement in this agreement, or in any other document delivered under this agreement, is expressed by a party to be "to its knowledge," or is otherwise expressed to be limited in scope to facts or matters known to the party or of which the party is aware, it means: (i) the current, actual knowledge of directors and officers of that party and (ii) the knowledge that would or should have come to the attention of any of them had they duly investigated the facts related to that statement and made reasonable inquiries of other individuals reasonably likely to have knowledge of facts related to that statement.
- 2.5** *Statutes, etc.* Unless specified otherwise, any reference in this agreement to a statute includes the regulations, rules, and policies made under that statute and any provision that amends, supplements, supersedes, or replaces that statute or those regulations, rules, or policies.

3. Indebtedness.

For value received, the Borrower promises to pay on the earlier of (a) the Maturity Date and (b) Demand Date to, or to the order of, the Lender the Principal in lawful money of Canada in immediately available funds at ● (or as the Lender may otherwise designate in writing from time to time) in the manner provided in this note, together with interest and other monies that the Borrower may owe from time to time under this note.

4. Notations on Grid.

The Borrower unconditionally and absolutely authorizes and directs the Lender to record on the Grid the date and amount of each:

- (a) Advance and the resulting increase in the outstanding Principal, and
- (b) repayment on account of the Principal paid to the Lender and the resulting decrease of the outstanding Principal.

The Borrower acknowledges that, notwithstanding the state of the Grid, the actual recording of the date and amount of any Advance (and interest, fees, and other amounts due in respect of that Advance) or repayment in an account of the Borrower that the Lender maintains in connection with the Principal will be prima facie evidence of the Borrower's indebtedness and liability from time to time in connection with the Principal under this note, except that the Lender's failure to record the date or amount of any Advance or repayment in that account or on the Grid will not affect the Borrower's obligation to pay or repay that indebtedness and liability in accordance with the terms hereof. If there is any inconsistency between the account that the Lender maintains and the Grid, the account that the Lender maintains will, absent manifest error, govern.

5. Interest.

- 5.1** The Borrower shall pay the Lender Interest on the Principal from the date of this note, both before and after maturity, demand, default, or judgment and until actual payment in full. The first interest payment will consist of accrued interest from the date of this note until the First Interest Payment Date.

- 5.2** If the Borrower fails to pay any instalment of interest or principal on the date on which the same is due, the Borrower shall pay interest on such overdue amount in an amount equal to the Interest plus two (2%) percent. Interest on overdue amounts shall be payable on demand and shall be calculated on a daily basis and compounded monthly from the date such amount becomes due and payable and for so long as such amount remains unpaid and on the basis of a three hundred and sixty-five (365) day year.
- 5.3** For the purpose of the *Interest Act* (Canada), the yearly rate of interest applicable to amounts owing under this note will be calculated on the basis of a year of 365 days or 366 days, as applicable.

6. Term.

The term of this note begins on the date of this note and ends on the earlier of (a) the Maturity Date and (b) Demand Date. The Principal and all accrued and unpaid Interest will become due and payable on the earlier of (a) the Maturity Date and (b) on the Demand Date.

7. Limitations Act.

The Borrower has issued this note for business purposes; accordingly, this note will be treated as a business agreement for purposes of the *Limitations Act, 2002* (Ontario). The Borrower agrees that any limitation period applicable to this note, any proceeding relating to a claim in connection with this note, or the Borrower's obligations under this note (other than the ultimate limitation period provided for in section 15 of that Act) is suspended and will not apply to this note or the obligations that it evidences.

8. Prepayment.

At any time prior to demand, the Borrower may prepay the Principal either in whole at one time or in part from time to time without penalty or bonus, together with all accrued and unpaid Interest to the date fixed for repayment and, in the case of prepayment in whole, all other monies owing under this note.

9. Application of payments.

The Lender shall apply any amount paid in satisfaction of any indebtedness under this note first against any accrued and unpaid Interest and second against the outstanding Principal.

10. Acceleration.

Subject to Section 11, when a Default occurs and is continuing, the full unpaid balance of the Principal and all accrued and unpaid Interest will, at the Lender's option, become immediately due and payable without any action required of the Lender.

11. Canopy Assignment

The Borrower hereby acknowledges that the Lender has granted a specific assignment of this note to Canopy as security for the Lender's debts, liabilities and obligations arising under, pursuant to, or in connection with the Master Lending Agreement. The Borrower further acknowledges and agrees that immediately upon receiving written notice from Canopy advising that it has exercised its assignment of this note, this note shall be assigned by the Lender to Canopy, which assignment

shall be deemed to have been in full compliance with the provisions of this note (including, without limitation, Section 20 hereunder) with no further formality. Immediately upon such assignment the term “Lender” when used herein shall be deemed to mean Canopy, and any address associated with the Lender shall be deemed to be 1 Hershey Drive, Smith Falls, Ontario K7A 0A8 (or as Canopy otherwise designates in writing from time to time).

12. Representations and warranties.

The Borrower represents and warrants to the Lender, acknowledging that the Lender is relying on these representations and warranties in making Advances, as follows:

- 12.1 *Existence.* **[It is a corporation, incorporated and existing under the laws of the jurisdiction of its incorporation/ it is a sole proprietor resident in [●].] [NTD: Change as applicable]**
- 12.2 *Power and capacity.* It has the [*corporate*] power and capacity to carry on business, to own properties and assets, and to execute, deliver, and perform its obligations under each of the Transaction Documents to which it is a party.
- 12.3 *Authorization.* It has taken all necessary [*corporate*] action to authorize its execution and delivery of, and the performance of its obligations under, each of the Transaction Documents to which it is a party.
- 12.4 *Execution and delivery.* It has duly executed and delivered each of the Transaction Documents to which it is a party.
- 12.5 *Enforceability.* Each of the Transaction Documents to which it is a party constitutes a legal, valid, and binding obligation of it, enforceable against it in accordance with its terms, subject to:
- (a) bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement, winding-up, and other laws of general application affecting the enforcement of creditors' rights generally, and
 - (b) general equitable principles including the principle that the granting of equitable remedies, such as injunctive relief and specific performance, is at the court's discretion.
- 12.6 *No breach.* The execution, delivery, and performance of its obligations under each of the Transaction Documents to which it is a party do not and will not breach or result in a default under:
- (a) **[its articles, by-laws, or any unanimous shareholders agreement,] [NTD: Not applicable for Sole Proprietors]**
 - (b) any law, statute, rule, or regulation to which it is subject,
 - (c) any judgment, order, or decree of any court, agency, tribunal, arbitrator, or other authority to which it is subject, or
 - (d) any agreement to which it is a party or by which it is bound.
- 12.7 *No regulatory approvals required.* It is not required to obtain any action, approval, authorization, consent, or order of, or make any filing, registration, qualification, or recording with, any

Governmental Authority or any other Person in connection with the execution or delivery of, or the performance of its obligations under each of the Transaction Documents to which it is a party.

- 12.8** *Cannabis Permits.* No fact or circumstance exists or, but for the requirement for the giving of notice, lapse of time, or both, would exist, which would disqualify the Borrower from being eligible for any applicable Cannabis Permit required to operate the Business.
- 12.9** *Bankruptcy, etc.* No proceedings have been taken or authorized by it or, to its knowledge, by any other Person relating to the bankruptcy, insolvency, liquidation, dissolution, or winding up.

13. Covenants.

While any amount owing under this note remains unpaid or the Borrower owes any obligations under this note, the Borrower covenants with the Lender as follows:

13.1 [It shall preserve and maintain its existence.]

- 13.2** It shall preserve and keep in full force and effect all its rights, powers, licences, permits, franchises and goodwill necessary to the proper conduct of its business, following the issuance of the same (if applicable), and including, without limitation, its Cannabis Permits.
- 13.3** It shall keep accurate and complete books, records, and accounts in connection with all of its business activities in accordance with sound accounting practices and with IFRS, consistently applied.
- 13.4** The Borrower shall use the proceeds of Advances only for capital expenses and operating expenses incurred in connection with the establishment, development and construction of the Business at a Retail Location. For greater certainty, the Borrower shall not use the proceeds of Advances in connection with costs relating to obtaining any Cannabis Permit including, without limitation, any application fees.
- 13.5** It shall maintain a standard system of accounting in accordance with IFRS and shall promptly provide to the Lender any information respecting its business and financial condition that the Lender may reasonably request. The Borrower shall, without any request from the Lender, provide to the Lender:
- (a) forthwith, a copy of its most recent available financial statements (whether those statements cover a monthly, quarterly, or annual reporting period),
 - (b) as soon as available and in any event within forty-five (45) days after the last day of each of its quarterly and annual accounting periods, a copy of its balance sheet as of the close of that period and its statements of income, retained earnings, and cash flows for the period then ended, each in reasonable detail,
 - (c) as soon as available and within one hundred and twenty (120) days after its financial year end, a copy of its balance sheet as of the close of that financial year and its statements of income, retained earnings, and cash flows and accompanying notes for the period then ended, each in reasonable detail,
 - (d) promptly after knowledge of either comes to the attention of **[any officer or director of]** the Borrower, written Notice of: (A) any threatened or pending litigation or governmental

proceeding against it that, if adversely determined, would either have a material adverse effect or result in any Default or (B) any other event or occurrence that would have a material adverse effect or result in a Default, and

- (e) promptly after knowledge of it comes to the attention of any officer or director of the Borrower, written Notice of any Default.

The Lender acknowledges that the provision of draft financial statements by the Borrower ahead of the completion of the quarterly review or annual audit, as applicable, may be subject to further adjustment and therefore no assurance can be provided by management that such draft financial statements are materially correct.

13.6 For so long as any Principal remains outstanding hereunder, the Borrower shall not, directly or indirectly, make any payment of any:

- (a) Distributions to any Person other than the Lender,
- (b) management, consulting, or similar fee or any bonus payment or comparable payment by way of gift or other gratuity or by repayment of debt or other obligation to any Person other than the Lender, or
- (c) shareholder loans or indebtedness to any party not operating at arms' length [**for sole proprietors: in relation to the Business**].

13.7 Except for those amounts and other charges the validity or amount of which the Borrower is contesting in good faith by appropriate proceedings, the Borrower shall promptly pay all amounts and other charges that could result in the creation of a Lien in connection with the Borrower's property, or any portion thereof.

13.8 [**Without the prior written consent of the Lender, which shall not be unreasonably withheld, conditioned or delayed, the Borrower shall not:**

- (a) **consolidate, amalgamate, or merge with any other Person,**
- (b) **enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, or**
- (c) **liquidate, wind up, or dissolve itself, or permit any liquidation, winding-up, or dissolution.**

The Borrower shall provide the Lender written notice advising of its intention to engage in such transaction at least thirty (30) days prior to the anticipated effective date.] [NTD: Not applicable for Sole Proprietors]

13.9 The Borrower shall not make any advance of the Principal, including but not limited to any Investment, to any Person without the Lender's prior written consent. [*NTD: Why was this deleted?*]

13.10 The Borrower:

- (a) shall, if permissible under applicable Cannabis Legislation, or any order, rule, published policy, or regulations made thereunder, pursuant to, or in connection therewith, meet the Minimum Inventory Requirement at the Retail Location;
- (b) acknowledges and agrees that the Minimum Inventory Requirement may vary according to the market, to the extent necessary to reflect differences in customer preferences, actual or anticipated sales patterns, and other factors which may be applicable to such markets. If as a result of a shortage of supply of the Specified Products which does not permit the Borrower, using commercially reasonable efforts, to respect the Minimum Inventory Requirements, the Borrower shall be relieved from the obligation to respect the Minimum Inventory Requirements, but only for the period during which the shortage in supply of Specified Products is not resolved; and,
- (c) shall, except for the Minimum Inventory Requirement, determine the types, formats and brands of Products that will be offered for sale in the Retail Location.

14. Security.

The Borrower acknowledges that the Security secures all present and future indebtedness, liabilities, and obligations evidenced by this note.

15. No set-off.

The Borrower shall not exercise any right of set-off in connection with amounts that may be owed to it from time to time as against any amounts that it may owe under this note.

16. Further assurances.

The Borrower, at its expense and at the Lender's request, shall sign (or cause to be signed) all further documents or do (or cause to be done) all further acts and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to this note.

17. Amendment.

This note may only be amended by a written document signed by each of the parties to this note.

18. Conflict of terms.

If there is any inconsistency between the terms of this note and those in any document entered into under this note, the terms of this note will prevail.

19. Binding effect.

This note enures to the benefit of and binds the parties and their respective successors and permitted assigns.

20. Assignment.

The Lender may not assign this note in whole or in part to any Person other than Canopy. Without the prior written consent of the Lender which may be withheld in the Lender's sole discretion, the Borrower may not assign this note.

21. Notice.

To be effective, a Notice must be in writing and delivered: (a) personally, either to the individual designated below for that party or to an individual having apparent authority to accept deliveries on behalf of that individual at its address set out below, (b) by registered mail, or (c) by electronic mail to the address or electronic mail address set out opposite the party's name below or to any other address or electronic mail address for a party as that party from time to time designates to the other parties in the same manner:

in the case of the Borrower, to:

●
[ADDRESS]

Attention: ●
[Email: ●]

with a copy to: ●

in the case of the Lender, to:

OCH Ontario Growth Corp.
201 – 620 12th Avenue SW
Calgary, AB T2R 0H5

Attention: Jeff Holmgren
Email: jeff@ocholdings.ca

with a copy to:

Bennett Jones LLP
4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7

Attention: Harinder Basra
Email: Basrah@bennettjones.com

Any Notice is effective: (i) if personally delivered, as described above, on the day of delivery if that day is a Business Day and it was received before 5:00 p.m. local time in the place of receipt and otherwise on the next Business Day, (ii) if sent by registered mail, on the fourth Business Day following the day on which it is mailed, except that if at any time between the date of mailing and the fourth Business Day thereafter there is a disruption of postal service then, Notice must be given by means other than mail, or (iii) if sent by electronic mail, on the day the recipient

receives the electronic mail if that day is a Business Day and if electronic mail was received before 5:00 p.m. local time in the place of receipt, and otherwise on the next Business Day.

22. Severability.

The invalidity or unenforceability of any particular term of this note will not affect or limit the validity or enforceability of the remaining terms.

23. Waiver.

23.1 *General.* No waiver of satisfaction of a condition or breach or non-performance of an obligation (including any Default) under this note is effective unless it is in writing and signed by the party granting the waiver. No waiver under this section will be deemed to extend to a subsequent occurrence, whether or not that occurrence is the same or similar to the original occurrence that was waived nor will it affect the exercise of any other rights or remedies under this note. Any failure or delay in exercising any right or remedy will not constitute, or be deemed to constitute, a waiver of that right or remedy. No single or partial exercise of any right or remedy will preclude any other or further exercise of any right or remedy.

23.2 *Specific.* The Borrower waives presentment for payment, demand, protest, Notice of any kind, and statutory days of grace in connection with this note. The Borrower agrees that it is not necessary for the Lender to first bring legal action in order to enforce payment of this note.

24. Payment of costs.

The parties shall pay their own costs in connection with the drafting and negotiation, and perfection of the interests granted pursuant to the Transaction Documents. The Borrower shall pay all costs (including legal fees on a solicitor and client basis) that the Borrower and the Lender, or its agents on its behalf, incur in connection with the enforcement of the Lender's interest under the Transaction Documents, which will be paid immediately upon demand and form part of the indebtedness owing under this note.

25. Governing law.

The laws of Ontario and the laws of Canada applicable in that province, excluding any rule or principle of conflicts of law that may provide otherwise, govern this note.

26. Submission to jurisdiction.

The parties irrevocably attorn to the jurisdiction of the courts of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this note.

27. Copy of the note.

The Borrower acknowledges receipt of an executed copy of this note.

[Signature Page to Follow]

Dated [month day, year].

[BORROWER NAME]

Per: _____
[Name]
[Title]

Per: _____
[Name]
[Title]

This is Exhibit "U" referred to in the
Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of
the City of Calgary, in the Province of Alberta, before me at
the City of Toronto, in the Province of Ontario,
this 21st day of December, 2023 in accordance with
O. Reg. 431/20, Administering Oath or Declaration Remotely.

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

GENERAL SECURITY AGREEMENT

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GENERAL SECURITY AGREEMENT

Dated March 11, 2020

BETWEEN:

OCH ONTARIO CONSULTING CORP., an Ontario corporation (the "**Debtor**")

and

ONTARIO CANNABIS HOLDINGS CORP., an Ontario corporation, together with any other entity that may, from time to time, become party hereto, as provided herein (collectively and individually, as the context demands, the "**Guarantor**")

and

TWEED FRANCHISE INC., a corporation formed under the *Canada Business Corporations Act* (the "**Secured Party**").

WHEREAS the Debtor is now indebted or otherwise obligated to the Secured Party, including under a promissory note dated as of March ___, 2020 (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time, the "**Note**").

AND WHEREAS each of the Obligors has agreed, as a condition of the Note, to enter into this agreement and grant security to the Secured Party.

NOW THEREFORE in consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, each of the Obligors agrees as follows:

1. INTERPRETATION

1.1 Definitions

Words and expressions defined in the PPSA and the STA are used in this agreement (capitalized or not) with the defined meanings assigned to them in those statutes, unless the context otherwise requires. For greater certainty, in this agreement each of the words "accessions," "account," "chattel paper," "consumer goods," "document of title," "equipment," "goods," "instruments," "intangible," "inventory," "investment property," "money," and "proceeds" has the same meaning as its defined meaning in the PPSA and each of the terms "certificated security," "entitlement holder," "financial asset," "securities account," "securities intermediary," "security," "security entitlement," and "uncertificated security" has the same meaning as its defined meaning in the STA. In this agreement, in addition to the terms defined above, the following definitions apply:

"Account Debtor" means a party obligated to pay under any account, chattel paper, or instrument constituting Collateral.

"Applicable Law" means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation or by-law (zoning or otherwise), including, without

limitation, the Cannabis Legislation; (b) any judgment, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, protocol, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority, and having the force of law, binding on or affecting the party referred to in the context in which the term is used or binding on or affecting the property of such party, all of the foregoing as may exist as of the date hereof or as may be implemented, revised or modified from time to time after the date hereof.

"Cannabis Collateral" means any cannabis which forms any part of the Collateral.

"Collateral" means, collectively, all of the Obligors' present and after-acquired personal property (including all accounts, chattel paper, Documents, documents of title, equipment, goods, instruments (including, without limitation, the Sub-lending Agreements), intangibles, inventory, investment property, Licences, money, securities, security entitlements, undertaking, proceeds, and Replacements, together with the Obligors' interest in any of them) but excludes the Restricted Assets and any reference in this agreement to Collateral will, unless the context otherwise requires, be deemed a reference to Collateral or any part thereof.

"Default" has the meaning as set out in the Note.

"Documents" means all the Obligors' books, accounts, invoices, letters, papers, security certificates, documents, and other records (including customer lists and records, subject, however, to privacy, confidentiality, and access rights of customers), in any form evidencing or relating to any part of the Collateral, together with all agreements, licences, and other rights and benefits relating to any of them.

"Indemnified Party" has the meaning given to that term in Section 3.14 (General Indemnity).

"Intellectual Property" means all of the Obligors'

- (a) business and trade names, corporate names, brand names, and slogans,
- (b) inventions, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part, and extensions of any patent or patent application), unregistered industrial designs, applications for registration of individual designs, and registered designs,
- (c) registered copyrights and all registered and unregistered trade-marks (including the goodwill attaching to those trade-marks), registrations, and applications for trade-marks and copyrights,
- (d) rights and interests in and to processes, data, trade secrets, designs, know-how, processes, product formulae and information, manufacturing, engineering, and other drawings and manuals, technology, algorithms, blue prints, research and development reports, technical information, technical assistance, engineering data, design and engineering specifications, and similar materials recording or evidencing expertise or information,
- (e) other owned intellectual and industrial property rights throughout the world,
- (f) licences of the intellectual property listed in paragraphs (b) through (e) above, except for Shrink-Wrap Software,

- (g) all future income and proceeds from any of the intellectual property listed in paragraphs (b) through (e) above and the licences listed in paragraph (g) above, and
- (h) all rights to damages and profits by reason of the infringement of any of the intellectual property listed in paragraphs (b) through (f) above.

"Licence" means (a) any authorization from any Governmental Authority having jurisdiction relating to either of the Obligors or its businesses, undertaking, or properties, (b) any authorization from any Person granting any easement or licence relating to any real or immovable property, and (c) any Intellectual Property licence.

"Notice" means any notice, request, direction, or other document that a party can or must make or give under this agreement.

"Obligations" means all of each Obligor's present and future liabilities, obligations, and indebtedness (including all principal, interest, fees, expenses, and other amounts), whether direct or indirect, contingent or absolute, joint or several, matured or unmatured, in any currency, and whether as principal debtor, guarantor, surety, or otherwise to the Secured Party arising under, in connection with, or relating to the Transaction Documents and any other agreement entered into pursuant to the terms thereof.

"Obligors" means, collectively, the Debtor, the Guarantor and any party who becomes a guarantor of the Obligations from time to time and each, an **"Obligor"**.

"PPSA" means the *Personal Property Security Act* (Ontario).

"Receiver" means any privately or court appointed receiver, manager, or receiver and manager for the Collateral or for any of the Obligors' business, undertaking, or property appointed by the Secured Party under this agreement or by a court on application by the Secured Party.

"Recovery" means any monies received or recovered by the Secured Party after the Security Interest has become enforceable, whether under any enforcement of the Security Interest, by any suit, action, proceeding, or settlement of any claim, or otherwise.

"Related Rights" means all of the Obligors' rights arising under, by reason of, or otherwise in connection with, any agreement, right, Licence, or permit (including the right to receive payments under any of them).

"Restricted Assets" means consumer goods and Cannabis Permits.

"Replacements" means all increases, additions, improvements, and accessions to, and all substitutions for and replacements of, any part of the Collateral in which either of the Obligors now or later has rights.

"Security Interest" means, collectively, the grants, mortgages, charges, pledges, transfers, assignments, and other security interests created under this agreement.

"Shrink-Wrap Software" means shrink-wrap or off-the-shelf software used by any Obligor that was readily available for use at the time of purchase or licensing and was not customized for the applicable Obligor.

"STA" means the *Securities Transfer Act, 2006* (Ontario).

"**Storefront Operator**" has the meaning as set out in the Note.

"**Sub-lending Agreements**" means, with respect to a Storefront Operator, an agreement between the Debtor, as lender, and such Storefront Operator, as borrower, pursuant to which the Debtor makes a Permitted Readvance to such Storefront Operator, in each case as the same may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time.

"**Third Party Agreements**" means all leases (true or finance), Licences, and other agreements affecting any of the Obligors' rights, title, or interest in any of the Intellectual Property.

"**undertaking**" means all of the Obligors' present and future real and personal property, businesses, undertaking, and goodwill that are not accounts, chattel paper, Documents, documents of title, equipment, instruments, intangibles, inventory, money, or securities.

Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Note.

1.2 References to Specific Terms

- (a) *Accounting principles.* Unless otherwise specified, where the character or amount of any asset or liability, item of revenue, or expense is required to be determined, or any consolidation or other accounting computation is required to be made, that determination or calculation will be made in accordance with IFRS.
- (b) *Currency.* Unless otherwise specified, all dollar amounts expressed in this agreement refer to Canadian currency.
- (c) *Including.* Where this agreement uses the word "including," it means "including without limitation," and where it uses the word "includes," it means "includes without limitation."
- (d) *Knowledge.* Where any representation, warranty, or other statement in this agreement, or in any other document delivered under this agreement, is expressed by a party to be "to its knowledge," or is otherwise expressed to be limited in scope to facts or matters known to the party or of which the party is aware, it means (i) the current, actual knowledge of directors and officers of that party and (ii) the knowledge that would or should have come to the attention of any of them had they duly investigated the facts related to that statement and made reasonable inquiries of other individuals reasonably likely to have knowledge of facts related to that statement.
- (e) *Statutes, etc.* Unless otherwise specified, any reference in this agreement to a statute includes the regulations, rules, and policies made under that statute and any provision or instrument that amends or replaces that statute or those regulations, rules, or policies.

1.3 Headings

The headings used in this agreement and its division into articles, sections, schedules, exhibits, appendices, and other subdivisions do not affect its interpretation.

1.4 Internal References

References in this agreement to articles, sections, schedules, exhibits, appendices, and other subdivisions are to those parts of this agreement.

1.5 Number and Gender

Unless the context requires otherwise, words importing the singular number include the plural and vice versa; words importing gender include all genders.

1.6 Calculation of Time

In this agreement, a period of days begins on the first day after the event that began the period and ends at 5:00 p.m. Eastern Time on the last day of the period. If any period of time is to expire, or any action or event is to occur, on a day that is not a Business Day, the period expires, or the action or event is considered to occur, at 5:00 p.m. Eastern Time on the next Business Day.

1.7 Schedules

The following are the schedules to this agreement:

Schedule A - Location of Obligors and Collateral

Schedule B - Form of Joinder Agreement

2. GRANT OF SECURITY

2.1 Creation of Security Interest

As general and continuing security for the due payment, observance, and performance by each Obligor of all Obligations, each Obligor hereby grants to the Secured Party a Security Interest in its Collateral.

2.2 Attachment

The parties acknowledge that (a) each Obligor has rights in its Collateral, (b) the Secured Party has given value to each Obligor, (c) the parties have not agreed to postpone the time for attachment of the Security Interest, and (d) the Security Interest is intended to attach (i) as to Collateral in which any Obligor now has rights, when such Obligor executes this agreement and (ii) as to Collateral in which any Obligor subsequently acquires rights, when such Obligor first obtains those rights.

2.3 Release of Collateral

The Secured Party may, at its discretion and at any time, release from the Security Interest any of the Collateral or any other security or surety for the Obligations either with or without sufficient consideration for that Collateral without releasing any other part of the Collateral or any Person from this agreement.

2.4 Account Debtor

Upon the Security Interest becoming enforceable, the Secured Party may notify and direct any Account Debtor of any Obligor to make payment directly to the Secured Party. The Secured

Party may, at its discretion, apply the amounts received from any Account Debtor of any Obligor and any proceeds in accordance with Section 6.23 (Application of Payments) or hold them as part of the Collateral.

2.5 Leasehold Interests

- (a) The last day of the term of any lease, sublease, or agreement to lease or sublease now held or subsequently acquired by any Obligor is excluded from the Security Interest and does not form part of the Collateral. However, upon the Security Interest becoming enforceable, such Obligor will stand possessed of that last day and hold it in trust for the Security Party and shall assign it as the Secured Party directs.
- (b) If any lease, sublease, or agreement to lease or sublease contains a term that provides, in effect, that it may not be assigned, sub-leased, charged, or made the subject of any Lien without the consent of the lessor, the application of the Security Interest to that agreement will be conditional upon obtaining that consent. The applicable Obligor shall use commercially reasonable efforts to obtain that consent as soon as reasonably practicable.

2.6 Contractual Rights

- (a) To the extent that the creation of the Security Interest would constitute a breach, or cause the acceleration, of any agreement, right, Licence, or permit to which any Obligor is a party, the Security Interest will not attach to it. However, each Obligor shall hold such contractual rights in trust for the Secured Party and shall assign that agreement, right, Licence, or permit to the Secured Party immediately upon obtaining the consent of the other party.
- (b) The Security Interest will nonetheless immediately attach to any Related Rights if, to the extent that, and as at the time that attachment to the Related Rights is not illegal, is not enforceable against the Secured Party or other third parties generally, or would not result in an ineligible transfer or a material loss or expense to the Obligors. Each Obligor shall use commercially reasonable efforts to obtain all required material approvals as soon as reasonably practicable.
- (c) To the extent permitted by Applicable Law, each Obligor shall hold in trust for the Secured Party and, after a Default occurs, provide the Secured Party with the benefits of, each agreement, right, Licence, or permit and enforce all Related Rights at the direction of and for the benefit of the Secured Party or at the direction of any other Person that the Secured Party may designate.
- (d) For greater certainty, nothing in this Section 2.6 shall apply to any agreement, right, Licence or permit which is a Cannabis Permit.

2.7 Intellectual Property

Each Obligor grants the Security Interest in the Intellectual Property only as security. Before the Security Interest becomes enforceable under this agreement, the Secured Party will not be or be deemed to be the owner of any of the Intellectual Property. Further, the Secured Party will not be deemed to have assumed, or be deemed to be liable for, any covenant, agreement, or other obligation of any Obligor under any agreement, right, Licence, or permit relating to the Intellectual Property to which any Obligor is a party.

2.8 Commingled Goods

If the Collateral subsequently becomes part of a product or mass to which the security interest of another secured party attaches, the Security Interest will extend to all accounts, Replacements, or proceeds arising from any dealing with such product or mass.

2.9 Release of Security Interest

Once the Obligors have satisfied the Obligations in full, the Security Interest shall automatically be released and, upon receiving a written request from the Obligor, the Secured Party shall execute and deliver any releases and discharges that the Obligors may reasonably require. The Obligors shall pay all reasonably documented expenses incurred by the Secured Party in doing so.

3. COVENANTS OF THE OBLIGORS

Each Obligor agrees with the Secured Party that so long as the Obligations or any part thereof remain outstanding:

3.1 Payment of Obligations

Such Obligor shall satisfy the Obligations when due.

3.2 Care of Collateral

Such Obligor shall keep the Collateral in good condition, reasonable wear and tear excepted.

3.3 Liens

Such Obligor shall keep the Collateral free of all Liens, except for Permitted Liens. Such Obligor shall defend the title of the Collateral against any Person. The Secured Party may, at any time, contest the validity, effect, perfection, or priority of any Lien on the Collateral. No Lien may rank in priority to or *pari passu* with the Security Interest, except to the extent that it is entitled to priority as a purchase money security interest under the PPSA. Nothing in this agreement is intended to create any rights (including subordination rights or any release of Security Interest) in favour of any Person other than the Secured Party, any Receiver and the other Indemnified Parties.

3.4 Proceeds Held in Trust

From and after the first date on which the Secured Party exercises any remedies under Article 6 (Rights and Remedies), such Obligor shall hold any accounts, dividends, distributions, interest, proceeds, and other income that it collects in respect of the Collateral as agent and in trust for the Secured Party separate and apart from all its other property. Each Obligor shall pay any such amounts to the Secured Party immediately upon receipt.

3.5 Accessions and Fixtures

Such Obligor shall prevent the Collateral from becoming (a) an accession to any personal property not subject to this agreement or (b) affixed to any real property unless the Security Interest ranks prior to the interests of another Person in the realty.

3.6 Insurance

- (a) Such Obligor shall obtain from financially responsible insurance companies and maintain
 - (i) public liability insurance,
 - (ii) all-risks property insurance for the Collateral on a replacement cost basis, and
 - (iii) insurance for any other risks as the Secured Party may reasonably require or as required in accordance with Applicable Law.
- (b) All those policies of insurance will be in the amounts that the Secured Party may reasonably require, will include a standard mortgage clause approved by the Insurance Bureau of Canada, and will include a minimum of 30 days' notice of change or cancellation of the policy. Such Obligor shall cause the interest of the Secured Party to be noted as first mortgagee, first loss payee, and an additional insured on those policies of insurance (except public liability insurance) and shall furnish the Secured Party with certificates of insurance and certified copies of those policies. Upon request by the Secured Party, such Obligor shall execute and deliver to the Secured Party an assignment of all insurance proceeds arising under, by reason of, or otherwise in connection with, each policy of insurance maintained by each Obligor in whatever form as the Secured Party may reasonably require, duly authorized and consented to by the insurers and brokers. Immediately after any loss or damage occurs, such Obligor, at its own expense, shall provide the Secured Party with all necessary proofs and do all necessary acts to enable the Secured Party to obtain payment of the insurance monies. The Secured Party may, at its discretion, apply the insurance monies to reinstating the insured property, pay the insurance monies to such Obligor, apply the insurance monies in payment of the Obligations (whether due or not then due), or pay partly in one way and partly in another.

3.7 Notice of Change

- (a) Such Obligor shall give Notice to the Secured Party:
 - (i) immediately of (A) any material uninsured loss of or damage to any Collateral or of any suit, action, or proceeding before any Governmental Authority that could materially adversely affect the Collateral or the Security Interest, or (B) any location at which Documents are situated or any event occurring that, after notice or lapse of time, would constitute a Default,
 - (ii) at least 10 Business Days prior to (A) any change of name of such Obligor and (A) any change in or addition to the location of Collateral from those locations referred to in Schedule A (Location of Obligors and Collateral), and
 - (iii) at least 10 Business Days prior to (A) the adoption of a French or combined English and French form of name, (B) any change in the jurisdiction where such Obligor is incorporated or continued or where the registered office or chief executive office of such Obligor is located, (C) any change in the jurisdiction where the chief executive officer or any director of such Obligor resides, or (D) any change in the chief executive officer or directors of such Obligor identifying the name and jurisdiction of residence of each new chief executive officer or director.

- (b) Such Obligor hereby authorizes the Secured Party, as such Obligor's attorney under this agreement, to revise each schedule to reflect the information provided to the Secured Party under this Section.

3.8 Landlords' Acknowledgements

Upon the reasonable written request by the Secured Party, such Obligor shall use reasonable commercial efforts to obtain a written agreement from each landlord of such Obligor in favour of the Secured Party, in form and substance satisfactory to the Secured Party, in which the landlord

- (a) agrees to notify the Secured Party of any default by such Obligor under the lease and to give the Secured Party a reasonable opportunity to cure that default before the landlord exercises any remedies; and
- (b) acknowledges the Security Interest and the right of the Secured Party to enforce the Security Interest in priority to any claim of the landlord.

3.9 Information

Such Obligor shall deliver to the Secured Party any information concerning the Collateral or such Obligor that the Secured Party may reasonably request (including aged lists of inventory and accounts and annual and monthly financial statements of such Obligor).

3.10 Documents

Such Obligor shall keep proper Documents, and shall keep the Documents at the locations specified in Schedule A (Locations of Obligations and Collateral).

3.11 Maintenance of Intellectual Property

Such Obligor shall perform all covenants required under any Third Party Agreement (including promptly paying all required fees, royalties, and taxes) to maintain every material item of Intellectual Property in full force and effect. Such Obligor shall vigorously protect, preserve, and maintain all of the value of, and all of the right, title, and interest of such Obligor in, the material Intellectual Property owned by such Obligor (including the prosecution and defence against any suits concerning the validity, infringement, enforceability, ownership, or other aspects affecting any of the Intellectual Property). Notwithstanding the foregoing, such Obligor shall not be required to protect, preserve or maintain any Intellectual Property that such Obligor deems to have nominal value or is immaterial to its business.

3.12 Delivery of Certain Collateral

At the request of the Secured Party, each Obligor shall deliver to the Secured Party all items of Collateral that are chattel paper, instruments, or negotiable documents of title, endorsed to the Secured Party or in blank by an effective endorsement, as the Secured Party may reasonably request.

3.13 Registration

Such Obligor shall make all necessary filings, registrations, and other recordations to protect the interest of the Secured Party in the Collateral (including all recordations in connection with patents, trade-marks, and copyrights forming part of the Intellectual Property, upon the written request of

the Secured Party). Such Obligor shall cause its representatives to immediately register, file, and record this agreement, or notice of this agreement, on behalf of the Secured Party at all proper offices where, in the opinion of counsel to the Secured Party, registration, filing, or recordation may be necessary or advantageous to create, perfect, preserve, or protect the Security Interest in the Collateral and its priority. Such Obligor shall subsequently cause its representatives to maintain all those registrations, filings, and recordations on behalf of the Secured Party in full force and effect (including by making timely payment of any renewal or maintenance fees).

3.14 General Indemnity

- (a) Such Obligor shall indemnify the Secured Party, any Receiver, and their respective representatives (each, an "**Indemnified Party**") in connection with all claims, losses, and expenses that an Indemnified Party may suffer or incur in connection with
- (i) the exercise by the Secured Party or any Receiver of any of its rights under this agreement,
 - (ii) any breach by such Obligor of the representations or warranties of such Obligor contained in this agreement, or
 - (iii) any breach by such Obligor of, or any failure by such Obligor to observe or perform, any of the Obligations,
 - (iv) except that the Obligors will not be obliged to indemnify any Indemnified Party to the extent those claims, losses, and expenses are determined by a final judgment to have directly resulted from the wilful misconduct or gross negligence of the Indemnified Party.
- (b) The Secured Party will be constituted as the trustee of each Indemnified Party, other than itself, and shall hold and enforce each of the rights of the other Indemnified Parties under this Section or their respective benefits.

3.15 Set-off, Combination of Accounts, and Crossclaims

Each Obligor shall satisfy the Obligations without regard to any equities between the Obligors, or either of them, and the Secured Party or any assignee of the Secured Party or any right of set-off. However, the Secured Party or any assignee of the Secured Party may set off or apply against, or combine with, the Obligations any indebtedness owing by the Secured Party or any assignee of the Secured Party to the Obligors, direct or indirect, extended or renewed, actual or contingent, mutual or not, at any time before, upon, or after maturity, without demand upon or notice to anyone, and the terms of that indebtedness and Obligations will be changed to the extent necessary to permit and give effect to the set-off, application, and combination.

3.16 Limitations on Secured Party's Rights and Realization

To the fullest extent permitted by Applicable Law, such Obligor shall waive all of the rights, benefits, conditions, warranties, and protections given by the provisions of any existing or future statute that imposes limitations upon the rights of a secured party or upon the methods of realization of Security Interest.

3.17 [Reserved]**3.18 Cannabis Collateral**

To the extent that Applicable Law would prevent the Secured Party from seizing, collecting or obtaining possession of the Cannabis Collateral, or otherwise exercising any of its remedies under Article 6 (*Rights and Remedies*) with respect to the Cannabis Collateral such Obligor shall:

- (a) to the extent permitted by Applicable Law, immediately sell all of its Cannabis Collateral, as directed by the Secured Party, at its sole and absolute discretion, to: (i) another Person possessing a valid Cannabis Permit authorizing such Person to engage in the retail sale of cannabis, (ii) the Ontario Cannabis Store, or, (iii) such other Governmental Authority having legal authority to purchase or repurchase excess cannabis inventory from such Obligor; or,
- (b) to the extent that Applicable Law does not permit such Obligor to dispose of its Cannabis Collateral in a manner contemplated in Section 3.18(a), immediately dispose of its Cannabis Collateral in accordance with Applicable Law, in a manner directed by the Secured Party, at its sole and absolute discretion,

and, in either case, proceeds collected in respect of the Cannabis Collateral shall be held by such Obligor as agent and in trust for the Secured Party separate and apart from all its other property. Such Obligor shall pay any such amounts to the Secured Party immediately upon receipt.

3.19 Sub-lending Agreements.

Immediately upon entering into any new Sub-lending Agreement, the Debtor shall deliver to the Secured Party an amended Schedule C to this agreement. The Debtor and the Secured Party acknowledge and agree that, notwithstanding Section 7.3 hereof, upon receipt by the Secured Party, this agreement shall be deemed to have been amended by replacing the Schedule C then annexed to this agreement with such amended Schedule C delivered in accordance with this Section 3.19 without any further formality

4. RIGHTS OF THE OBLIGORS**4.1 Dealings with Collateral**

No Obligor shall sell, exchange, transfer, assign, or otherwise dispose of, grant a lien (other than a Permitted Lien) on, or deal in any way with the Collateral, or enter into any agreement or undertaking to do so, except that, until the first date on which the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*), each Obligor may sell, dispose of, or deal with the Collateral on ordinary commercial terms, in the ordinary course of its business, and for the purpose of carrying on its business so that the purchaser of that Collateral takes title to that Collateral free of the Security Interest, except that (i) no Obligor shall create, assume, or have outstanding any Lien on the Collateral other than Permitted Liens and (ii) all rights of each Obligor as vendor, consignor, or lessor and all resulting accounts or proceeds remain subject to the Security Interest.

4.2 Special Provisions Relating to Securities

- (a) Until the Secured Party provides notice to the contrary and exercises any remedies under Article 6 (*Rights and Remedies*), any certificates representing the securities may remain

registered in the name of the applicable Obligor. At any time upon request by the Secured Party and after the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*), the applicable Obligor shall cause any of the securities to be registered in the name of the Secured Party or its nominee; for that purpose, each Obligor hereby appoints the Secured Party as its irrevocable attorney, with full power of substitution, to cause any or all of the securities to be registered in the name of the Secured Party or its nominee after the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*).

- (b) At any time upon the request of the Secured Party, each Obligor shall
- (i) physically deliver to the Secured Party each certificated security that is in bearer form,
 - (ii) physically deliver to the Secured Party each certificated security that is in registered form together with effective endorsement in blank, in form and substance satisfactory to the Secured Party, to enable the Secured Party or its nominee to be registered as the owner of such certificated security, which the Secured Party may do upon the Secured Party having exercised any remedies under Article 6 (*Rights and Remedies*),
 - (iii) cause the issuer of any uncertificated security to agree with the Secured Party that that issuer shall comply with the Secured Party's instructions without the further consent of the applicable Obligor or any other entitlement holder, and
 - (iv) as the Secured Party directs, either (A) cause the Secured Party or its nominee to become the entitlement holder of each security entitlement but only after the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*), (B) cause the securities intermediary to agree with the Secured Party that the securities intermediary shall comply with entitlement orders in relation to each security entitlement that are originated by the Secured Party without the further consent of the applicable Obligor or any other entitlement holder, or (C) cause another Person that has control on behalf of the Secured Party, or having previously obtained control, to acknowledge that the Person has control on behalf of the Secured Party of any security entitlement in the manner contemplated by paragraphs (A) or (B) above; any security (including any security entitlement) held or controlled by the Secured Party under this paragraph will be held as Collateral under this agreement.
- (c) Subject to paragraph 4.2(d) below, all rights conferred by statute or otherwise upon a registered holder of securities will (i) with respect to any securities or security entitlement held directly by the Secured Party or its representatives, be exercised as the applicable Obligor may direct, and (ii) with respect to any securities or security entitlement held directly by such Obligor or its representatives, be exercised by such Obligor.
- (d) Until the Secured Party enforces the Security Interest each Obligor may exercise all voting rights attached to, and give consents, waivers, and ratifications in connection with, the securities, except that no Obligor may cast any vote, give any consent, waiver, or ratification, or take any action that would be prejudicial to the Security Interests of the Secured Party in the Collateral or that would have the effect of either reducing the value

of the securities as security for the Obligations or imposing any restriction on the transferability of any of the securities.

- (e) If any Obligor is in Default or if the Security Interest otherwise becomes enforceable, all rights of such Obligor to vote and give consents, waivers, and ratifications in respect of the securities will immediately cease. In that event, the Secured Party and its representatives may, at the Secured Party's discretion (in the name of the applicable Obligor or otherwise), exercise or cause to be exercised in respect of any of the securities any voting rights or rights to receive dividends, interest, principal, or other payments of money forming part of the securities and all other rights conferred on or exercisable by the bearer or holder thereof.
- (f) The Secured Party's responsibility in connection with the securities in its possession is limited to exercising the same degree of care that it gives its own valuable property at its offices where any of the securities are held. The Secured Party will not be bound under any circumstances to realize upon any of the securities, to allow any of the securities to be sold, to exercise any option or right attaching thereto, or to be responsible for any loss occasioned by any sale of the securities or by its retention or other refusal to sell them. The Secured Party is not obliged to collect or see to the payment of interest or dividends on the securities. Each Obligor shall hold in trust all interest and dividends, if and when received, for the Secured Party and shall immediately pay those amounts to the Secured Party.

4.3 Purchase Money Security Interests

Each Obligor may grant purchase-money security interests in the ordinary course of its business in connection with the purchase or lease of inventory or equipment, except that this grant will not constitute a subordination of the Security Interest to those purchase-money security interests or a waiver by the Secured Party of the requirements prescribed by statute that, if complied with, would result in those purchase-money security interests ranking in priority to the Security Interest granted under this agreement.

5. ACKNOWLEDGEMENTS

5.1 Obligor Acknowledgement

Each Obligor acknowledges that it has received, has had sufficient time to review and has reviewed, this agreement and fully understands its provisions. Each Obligor also acknowledges that it has had an adequate opportunity to be advised by advisors of its own choosing regarding all pertinent aspects of this agreement and the relationship created hereby.

5.2 No Partnership, etc.

Nothing contained in this agreement will create a partnership, joint venture, principal-and-agent relationship, or any similar relationship between the parties.

5.3 No Third Party Beneficiaries

This agreement does not confer any rights or remedies upon any Person other than the parties and their respective successors and permitted assigns.

5.4 Payment of Costs and Expenses

Each Obligor shall pay all costs and expenses (including legal fees, as applicable, on a substantial indemnity basis) that it and the Secured Party, or its agents on its behalf, incur in connection with the execution and delivery of, and the perfection (including those incurred for registration costs of any financing statement registered in connection with the Security Interest) and enforcement of the Secured Party's interest under, this agreement, which will be paid immediately upon demand and form part of the Obligations.

6. RIGHTS AND REMEDIES

Upon the occurrence of a Default which is continuing, the Secured Party may exercise any of the following rights or remedies:

6.1 Remedies Cumulative

The rights, remedies, and powers provided to a party under this agreement are cumulative and in addition to, and are not exclusive of or in substitution for, any rights, remedies, and powers otherwise available to that party.

6.2 Security in Addition

This agreement and the Security Interest are in addition to and not in substitution for any other security now or later held by the Secured Party in connection with any Obligor, the Obligations, or the Collateral. The Security Interest does not replace or otherwise affect any existing or future Lien held by the Secured Party. No taking of any suit, action, or proceeding, judicial or extra-judicial, no refraining from doing so, and no dealing with any other security for any Obligations will release or affect (a) the Security Interest or (b) any of the other Liens held by the Secured Party for the payment or performance of the Obligations.

6.3 Non-merger

- (a) This agreement will not operate by way of a merger of the Obligations or of any guarantee, agreement, or other document or instrument by which the Obligations now, or at any time subsequently, may be represented or evidenced. Neither the taking of any judgment nor the exercise of any power of seizure or disposition will extinguish the liability of any Obligor to pay and perform the Obligations nor shall the acceptance of any payment or alternate security constitute or create any novation.
- (b) The rights, obligations, representations and warranties, and covenants under this agreement, and under any other Transaction Document will not merge in any judgment.

6.4 Survival

Sections 3.14 (General Indemnity) and 5.4 (Payment of Costs and Expenses) survive the termination of this agreement.

6.5 Severability

The invalidity or unenforceability of any particular term of this agreement will not affect or limit the validity or enforceability of the remaining terms.

6.6 Waiver

- (a) *Requirements.* No waiver of satisfaction of a condition or non-performance of an obligation under this agreement is effective unless it is in writing and signed by the party granting the waiver.
- (b) *Scope of waiver.* No waiver by a party will extend to any subsequent non- satisfaction or non-performance of an obligation under this agreement, whether or not of the same or similar nature to that which was waived.
- (c) *Rights and remedies.* No waiver by a party will affect the exercise of any other rights or remedies by that party under this agreement. Any failure or delay by a party in exercising any right or remedy will not constitute, or be deemed to constitute, a waiver by that party of that right or remedy. No single or partial exercise by a party of any right or remedy will preclude any other or further exercise by that party of any right or remedy.

6.7 Acceleration and Enforcement

Upon the occurrence of a Default that is continuing, the Obligations will be accelerated and become immediately due and payable in full and the Security Interest will become immediately enforceable without the Secured Party having to take any further action.

6.8 Power of Entry

Subject to Section 3.18 (Cannabis Collateral), the Secured Party may enter any premises owned, leased, or otherwise occupied by such Obligor or where any Collateral may be located to take possession of, dispose of, disable, or remove any Collateral by any method permitted by Applicable Law. Such Obligor shall grant to the Secured Party a licence to occupy any of such Obligor's premises for the purpose of storing any Collateral and shall, immediately upon demand, deliver to the Secured Party possession of any Collateral at the place specified by the Secured Party.

6.9 Power of Sale

- (a) Subject to Section 3.18 (Cannabis Collateral), the Secured Party may sell, lease, consign, licence, assign, or otherwise dispose of any Collateral by public auction, private tender, or private contract, with or without notice, advertising, or any other formality, all of which each Obligor hereby waives to the extent permitted by Applicable Law. The Secured Party may establish the terms of disposition (including terms and conditions as to credit, upset, reserve bid, or price). The Secured Party will credit all payments made under those dispositions against the Obligations only as they are actually received. The Secured Party may buy in, rescind, or vary any contract for the disposition of Collateral and may dispose of any Collateral again without being answerable for any resulting loss. Any disposition may take place whether or not the Secured Party has taken possession of the Collateral. The exercise by the Secured Party of any power of sale does not preclude the Secured Party from any further exercise of its power of sale in accordance with this paragraph.
- (b) The Secured Party may approach a restricted number of potential purchasers to effect the sale of any Collateral constituting securities under paragraph 6.9(a) above. A sale under those circumstances may yield a lower price for Collateral than would otherwise be

obtainable if that Collateral was registered and sold in the open market. Each Obligor agrees that

- (i) if the Secured Party sells Collateral at a private sale or sales, the Secured Party has the right to rely upon the advice and opinion of any Person who regularly deals in or evaluates securities of the type constituting the Collateral as to the best price obtainable in a commercially reasonable manner, and
- (ii) that reliance will be conclusive evidence that the Secured Party handled that sale in a commercially reasonable manner.

6.10 Carrying on Business

Subject to Applicable Law, the Secured Party may carry on, or concur in the carrying on of, all or any part of the businesses or undertaking of such Obligor and may, to the exclusion of all others (including each Obligor), enter upon, occupy, and use any of the premises, buildings, and plant of, occupied or used by such Obligor and may use all or any of those premises and the equipment and other Collateral located on those premises (including fixtures) for whatever time and purposes as the Secured Party sees fit, free of charge. The Secured Party will not be liable to such Obligor for any act, omission, or negligence in doing so or in connection with any rent, charges, costs, depreciation, or damages in connection with that action.

6.11 Pay Liens

The Secured Party may pay any liability owed to any actual or threatened Lien holder against any Collateral, and borrow money to maintain, preserve, or protect any Collateral or to carry on the businesses or undertaking of such Obligor, and may charge and grant further security interests in any Collateral in priority to the Security Interest as security for the money so borrowed. Immediately upon demand by the Secured Party, such Obligor shall reimburse the Secured Party for all those payments and borrowings.

6.12 Dealing with Collateral

- (a) As soon as the Secured Party takes possession of any Collateral or appoints a Receiver over any Collateral, all rights of such Obligor in and to that Collateral will cease unless the Secured Party or any Receiver agrees in writing to specifically continue those rights.
- (b) Notwithstanding paragraph 6.12(a) above, to the extent that Applicable Law prohibits the Secured Party or a Receiver from taking possession of any Cannabis Collateral, such Obligor shall retain all rights in and to such Cannabis Collateral but only to the extent so as to dispose of such Cannabis Collateral pursuant to, and in accordance with, Section 3.18 (Cannabis Collateral) hereof.
- (c) The Secured Party may have, enjoy, and exercise all of the rights of and enjoyed by such Obligor in and to the Collateral or incidental, ancillary, attaching, or deriving from the ownership by such Obligor of the Collateral (including the right to (i) enter into agreements and grant licences over or relating to Collateral, (ii) demand, commence, continue, or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing, or obtaining possession or payment of the Collateral, (iii) grant or agree to Liens and grant or reserve profits à prendre, easements, rights of ways, rights in the nature of easements, and licences over or relating to any part

of the Collateral, and (iv) give valid receipts and discharges, and to compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to such Obligor).

- (d) The Secured Party may take any actions to maintain, preserve, and protect the Collateral or otherwise deal with any Collateral in the manner, upon the terms, and at the times it deems advisable in its discretion without notice to such Obligor, except as otherwise required by Applicable Law (including payments on account of other security interests affecting the Collateral); provided that the Secured Party will not be required to take any of those actions or make any of those expenditures. Any of the amounts that the Secured Party pays (including legal, Receiver's, accounting, or other professional fees and expenses) will be added to the Obligations and will be secured by this agreement.
- (e) The Secured Party may accept the Collateral in satisfaction of the Obligations.
- (f) The Secured Party or any Receiver has no obligation to keep Collateral identifiable or to preserve rights against prior secured creditors in connection with any Collateral.

6.13 Powers re Leases

The Secured Party may upon any sale by the Secured Party of any leasehold interest under this agreement for the purpose of vesting the one day residue of the term or its renewal in any purchase, by deed or writing appoint the purchaser or any other Person as a new trustee of the residue or renewal in place of such Obligor and may vest those rights in the new trustee so appointed free from any obligation in that Collateral.

6.14 Dealing with Accounts

The Secured Party may collect, sell, or otherwise deal with accounts (including notifying any Person obligated to any Obligor in connection with an account, chattel paper, or an instrument to make payment to the Secured Party of all present and future amounts that are due).

6.15 Collect Rents

The Secured Party may collect any rents, income, and profits received in connection with the business of such Obligor or the Collateral, without carrying on the business.

6.16 Dealing with Securities

- (a) The Secured Party may exercise or cause to be exercised all voting rights, rights to receive dividends, interest, principal, or other payments of money attached to the securities (whether or not registered in the name of the Secured Party or its nominee), give or withhold all related consents, waivers, and ratifications, exercise any rights of conversion, exchange, subscription, or other rights, privileges, or options relating to any of the securities as if the Secured Party were the absolute owner (including the right to exchange, at its discretion, any of the securities upon the merger, consolidation, reorganization, recapitalization, or other readjustment of any issuer or upon the exercise by any issuer of any right, privilege, or option relating to any of the securities), and in doing so, to deposit or deliver any of the securities with or to any committee, depository, transfer agent, registrar, or other designated agency upon the terms and conditions it may determine.

- (b) The Secured Party may comply with any limitation or restriction in connection with any proposed sale or other disposition of the securities necessary to comply with Applicable Law (including any policy imposed by any stock exchange, securities commission, or other Governmental Authority). That compliance by the Secured Party will not result in the sale being considered or deemed not to have been made in a commercially reasonable manner, nor will the Secured Party be liable or accountable to such Obligor for any discount in the sale price of the securities that may be given because those securities are sold in compliance with any limitation or restriction.

6.17 Dealing with Intellectual Property

The Secured Party may register assignments of the Intellectual Property, and use, sell, assign, licence, or sub-licence any of the Intellectual Property.

6.18 File Claims

The Secured Party may file proofs of claim and other documents in order to have the claims of the Secured Party lodged in any bankruptcy, winding-up, or other judicial proceeding relating to such Obligor or the Collateral.

6.19 Power of Attorney

Such Obligor shall appoint the Secured Party, acting by any officer, director, employee, agent, or representative for the time being of the Secured Party located at its address for notices in Section 7.8 (Notice), to be its attorney with full power of substitution to do on such Obligor's behalf anything that such Obligor can lawfully do by an attorney (including to do, make, and execute all agreements, deeds, acts, matters, or things, with the right to use the name of such Obligor) that it deems necessary or expedient and to carry out its obligations under this agreement, to revise and schedule to this agreement and to complete any missing information in this agreement. This power of attorney, being granted by way of security and coupled with an interest, is irrevocable until the Obligations are paid in full.

6.20 Retain Services

The Secured Party may retain the services of any lawyers, accountants, appraisers, and other agents, and consultants as the Secured Party deems necessary or desirable in connection with anything done or to be done by the Secured Party or with any of the rights of the Secured Party set out in this agreement and pay their reasonable documented commissions, fees, disbursements (which payments will constitute part of the Secured Party's disbursements reimbursable by such Obligor under this agreement). Such Obligor shall immediately on demand reimburse the Secured Party for all those payments.

6.21 Appointment of a Receiver

- (a) The Secured Party may
- (i) appoint, by instrument in writing, a Receiver for such Obligor, the Collateral, or both the Obligor and the Collateral, and no such Receiver need be appointed, need its appointment ratified, or need its actions in any way supervised, by a court,

- (ii) appoint an officer or employee of the Secured Party as Receiver,
 - (iii) remove any Receiver and appoint another Receiver, or
 - (iv) apply, at any time, to any court of competent jurisdiction for the appointment of a Receiver or other official, who may have powers the same as, greater or lesser than, or otherwise different from, those capable of being granted to a Receiver appointed by the Secured Party under this agreement.
- (b) If two or more Receivers are appointed to act concurrently, they will act severally and not jointly and severally.

6.22 Effect of Appointment of Receiver

Any Receiver will have the rights set out in this Article 6 (Rights and Remedies). In exercising those rights, a Receiver will act as, and for all purposes will be deemed to be, the agent of such Obligor. However, the Secured Party will not be responsible for any act, omission, negligence, misconduct, or default of any Receiver.

6.23 Application of Payments

The Secured Party, or any Receiver appointed by the Secured Party in the enforcement of the Security Interest, may hold all payments made in connection with the Obligations and all monies received as security for the Obligations (including each Recovery), or may apply those payments or monies in whatever manner they determine at their discretion. The Secured Party may at any time apply or change any application of those payments, monies, or Recoveries to any parts of the Obligations as the Secured Party may determine at its discretion. Such Obligor will remain liable to the Secured Party for any deficiency. The Secured Party shall pay any surplus funds realized after the satisfaction of all Obligations in accordance with Applicable Law.

6.24 Deficiency

If the proceeds of the realization of any Collateral are insufficient to repay all Obligations, such Obligor shall immediately pay or cause to be paid the deficiency to the Secured Party.

6.25 Limitation of Liability

Neither the Secured Party nor any Receiver will be liable for any negligence in accordance with any rent, charges, costs, depreciation, or damages in connection with any of its actions. Neither the Secured Party nor any Receiver will be liable or accountable to such Obligor for any failure to seize, collect, realize, dispose of, enforce, or otherwise deal with any Collateral, nor will any of them be bound to bring any action or proceeding for any of those purposes or to preserve any rights of any Person in any of the Collateral. Neither the Secured Party nor any Receiver will be liable or responsible for any claim, loss, and expense flowing from any failure resulting from any act, omission, negligence, misconduct, or default of the Secured Party, any Receiver, or any of their respective representatives or otherwise. If any Receiver or the Secured Party takes possession of any Collateral, neither the Secured Party nor any Receiver will have any liability as a mortgagee in possession of the Collateral or be accountable for anything except actual receipts. Further, the Secured Party will not be deemed to have assumed, or be deemed to be liable for, any covenant, agreement, or other obligation of such Obligor under any agreement, right, Licence, or permit to which such Obligor is a party.

6.26 Extensions of Time

The Secured Party and any Receiver may grant renewals, extensions of time, and other indulgences, take and give up Liens, accept compositions, grant releases and discharges, perfect or fail to perfect any Liens, release any Collateral to third parties, and otherwise deal or fail to deal with the Collateral, other Liens, such Obligor, debtors of such Obligor, guarantors of such Obligor, sureties of the such Obligor, and others as the Secured Party or such Receiver may see fit, all without prejudice to the Obligations and the rights of the Secured Party or any Receiver to hold and realize upon the Security Interest. However, no extension of time, forbearance, indulgence, or other accommodation will operate as a waiver, alteration, or amendment of the Secured Party's rights or otherwise preclude the Secured Party from enforcing those rights and nothing in this agreement obligates the Secured Party to extend the time for payment or satisfaction of any of the Obligations.

6.27 Secured Party or Receiver May Perform

If such Obligor fails to perform any Obligations, the Secured Party or any Receiver may perform those Obligations as attorney for such Obligor in accordance with Section 6.19 (Power of Attorney). The rights conferred on the Secured Party and any Receiver under this agreement are for the purpose of protecting the Security Interest in the Collateral and do not impose any obligation upon the Secured Party or any Receiver to exercise any of those rights. Such Obligor will remain liable under each agreement to which it is party or by which it or any of its businesses, undertaking, and properties is bound and shall perform all of its obligations under each of those agreements; such Obligor will not be released from any of its obligations under any agreement by the exercise of any rights by the Secured Party or any Receiver.

6.28 Validity of Sale

No Person dealing with the Secured Party, any Receiver, or any representative of the Secured Party or any Receiver has any obligation to enquire whether the Security has become enforceable, whether any right of the Secured Party or any Receiver has become exercisable, whether any Obligations remain outstanding, or otherwise as to the propriety or regularity of any dealing by the Secured Party or any Receiver with any Collateral or to see to the application of any money paid to the Secured Party or any Receiver. In the absence of fraud on the part of any Person, those dealings will be deemed to be within the rights conferred under this agreement and to be valid and effective accordingly.

6.29 No Obligation to Advance

Nothing in this agreement obligates the Secured Party to make any loan or accommodation to any Obligor or to extend the time for payment or satisfaction of any Obligation.

7. GENERAL

7.1 Entire Agreement

This agreement, together with each other Transaction Document,

- (a) constitutes the entire agreement; there are no representations, covenants, or other terms other than those set out in those agreements, and
- (b) supersedes any previous discussions, understandings, or agreements,

between the parties relating to its subject matter.

7.2 Further Assurances

Each party, upon receipt of Notice by another party, shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to this agreement and the transactions contemplated by this agreement.

7.3 Amendment

This agreement may only be amended by a written document signed by each of the parties.

7.4 Conflict of Terms

If there is any inconsistency between the terms of this agreement and those in any schedule to this agreement or in any document entered into or delivered under this agreement or under any other Transaction Document, the terms of the agreement that provides the Secured Party greater benefits, rights, or remedies will prevail. The parties shall take all necessary steps to conform the inconsistent terms to the terms of that agreement.

7.5 Binding Effect

This agreement enures to the benefit of and binds the parties and their respective successors and permitted assigns.

7.6 Obligors' Amalgamation

If any Obligor amalgamates with any other entity or entities, this agreement will continue in full force and effect and will be binding upon the amalgamated entity, and, for greater certainty

- (a) the Security Interest will (i) continue to secure all the Obligations, (ii) secure all obligations of each other amalgamating entity to the Secured Party, and (iii) secure all obligations of the amalgamated entity to the Secured Party arising after the amalgamation,
- (b) the Security Interest will (i) continue to attach to the Collateral, (ii) attach to the Collateral of each other amalgamating entity, and (iii) attach to the Collateral of the amalgamated entity after the amalgamation, and
- (c) all defined terms and other terms of this agreement will be deemed to have been amended to reflect the amalgamation, to the extent required by the context.

7.7 Assignment

The Secured Party may assign this agreement and the Obligations in whole or in part to any Person without Notice to or the consent of any Obligor. Without the prior written consent of the Secured Party, no Obligor may assign this agreement.

7.8 Notice

To be effective, any Notice shall be given in writing and may be given in the manner provided for in the Note.

7.9 Governing Law

The laws of Ontario and the laws of Canada applicable in that province, excluding any rule or principle of conflicts of law that may provide otherwise, govern this agreement.

7.10 Time of the Essence

Time shall be of the essence of this Security Agreement and of each and every part hereof.

7.11 Submission to Jurisdiction

The parties irrevocably attorn to the jurisdiction of the courts of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this agreement.

7.12 Counterparts

This agreement may be signed in any number of counterparts, each of which is an original, and all of which taken together constitute one single document.

7.13 Copy of Agreement

Each Obligor acknowledges receipt of an executed copy of this agreement and copies of the verification statements relating to the financing statements or financing change statements filed by the Secured Party or its representatives under the PPSA in connection with this agreement.

7.14 Effective Date

This agreement is effective as of the date shown at the top of the first page, even if any signatures are made after that date.

7.15 Addition of New Obligors

Additional entities may from time to time become Guarantors under this Agreement by executing and delivering to the Secured Party a supplemental agreement (together with all schedules thereto, a “**Joinder**”) to this Security Agreement, in substantially the form attached hereto as Schedule B. Effective from and after the date of the execution and delivery by any such entity to the Secured Party of a Joinder:

- (a) such entity shall be, and shall be deemed for all purposes to be, a Guarantor under this Security Agreement with the same force and effect, and subject to the same agreements, representations, indemnities, liabilities and obligations (including, without limitation, the granting of a Security Interest thereunder), as if such entity had been an original signatory to this Agreement as Guarantor;
- (b) all of the property and undertaking of such entity, which such entity then owns or thereafter acquires (excluding, for certainty, the Restricted Assets), shall be, and shall be deemed for all purposes to be, “**Collateral**” of such entity for the purposes of this

Security Agreement and subject to a Security Interest granted by such entity in accordance with the provisions of this Security Agreement as security for the payment and performance of the Obligations in accordance with the provisions of this Security Agreement; and

- (c) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by such entity to the Secured Party, or any one or more of them, in any currency, under, in connection with or pursuant to the Note and any other Transaction Document, and whether incurred alone or jointly with another or others and whether as principal, guarantor or surety and whether incurred prior to, at the time of or subsequent to the execution and delivery of such Joinder, shall be, and shall be deemed for all purposes to be, “**Obligations**” of such entity for the purposes of this Security Agreement, the payment and performance of which being secured by the Security Interest granted by such entity in accordance with the provisions of this Security Agreement.

The execution and delivery of a Joinder by any additional entity shall not require the consent of any Obligor and all of the liabilities and obligations of any Obligor under this Security Agreement, and all Security Interests granted by the Obligors, shall remain in full force and effect and shall not be affected or diminished by the addition of any other Obligor hereunder.


[Signature page follows]


This agreement has been executed by the parties.

OCH ONTARIO CONSULTING CORP.

By: 
Name Ian Cornwall
Title CEO

ONTARIO CANNABIS HOLDINGS CORP.

By: 
Name Ian Cornwall
Title CEO

By: 
Name Jeff Holm
Title CEO

TWEED FRANCHISE INC.

By: _____
Name
Title

This agreement has been executed by the parties.

OCH ONTARIO CONSULTING CORP.


By: _____
Name
Title

ONTARIO CANNABIS HOLDINGS CORP.

By: _____
Name
Title

By: _____
Name
Title

TWEED FRANCHISE INC.

By:  _____
Name: Phil Shaer
Title: Chief Legal Officer

SCHEDULE A

Location of Obligors and Collateral

Full Name:	OCH ONTARIO CONSULTING CORP.
Jurisdiction of Incorporation or Formation:	Ontario
Registered Office:	3400 – 100 King Street West, Toronto, ON M5X 1A4
Chief Executive Office:	201, 620 12 th Avenue SW Calgary, AB T2R 0H5
Places of Business:	Ontario
Locations of Records:	201, 620 12 th Avenue SW Calgary, AB T2R 0H5

Full Name:	ONTARIO CANNABIS HOLDINGS CORP.
Jurisdiction of Incorporation or Formation:	Ontario
Registered Office:	3400 – 100 King Street West, Toronto, ON M5X 1A4
Chief Executive Office:	201, 620 12 th Avenue SW Calgary, AB T2R 0H5
Places of Business:	Ontario
Locations of Records:	201, 620 12 th Avenue SW Calgary, AB T2R 0H5

**SCHEDULE B
FORM OF JOINDER AGREEMENT**

THIS JOINDER AGREEMENT is made as of [●], 20[●] by ● (the “**New Obligor**”) in favour of Tweed Franchise Inc. (the “**Secured Party**”).

RECITALS:

- A. Reference is made to the general security agreement [**as amended by ●**] ([**as so amended, and**] as [**further**] amended, restated, extended, supplemented, replaced, continued, renewed or otherwise modified from time to time, the “**Security Agreement**”) made as of March 11, 2020 between the OCH Ontario Consulting Corp., as Debtor, and Ontario Cannabis Holdings Corp., as Guarantor, and the other obligors party thereto and the Secured Party.
- B. Section 7.15 of the Security Agreement provides that additional entities may from time to time become Guarantors under the Security Agreement by executing and delivering to the Secured Party a supplemental agreement to the Secured Party in the form of this Joinder.
- C. Reference is made to that promissory note (as amended, restated, extended, supplemented, replaced, continued, renewed or otherwise modified from time to time, the “**Note**”) dated as of March 11, 2020 between, *inter alios*, the Secured Party, as lender, and the Debtor, as borrower, pursuant to which the New Obligor has agreed to guarantee the present and future obligations of the Debtor to the Secured Party arising under, pursuant to, or in connection with the Note.
- D. As a condition to the Secured Party continuing to make certain financial accommodations available to the Debtor under the Note, the New Obligor has agreed to execute and deliver this Joinder to the Secured Party.

NOW THEREFORE, for good and a valuable consideration, it is agreed:

- 1. Capitalized terms (including in the recitals hereto) used but not otherwise defined in this Joinder have the meanings given to such terms in the Security Agreement or the Note, as applicable.
- 2. The New Obligor has received a copy of, and has reviewed, the Security Agreement and is executing and delivering this Joinder to the Secured Party pursuant to Section 7.15 of the Security Agreement.
- 3. Effective from and after the date this Joinder is executed and delivered to the Secured Party by the New Obligor:
 - (a) the New Obligor shall be, and shall be deemed for all purposes to be, a Guarantor under the Security Agreement with the same force and effect, and subject to the same agreements, representations, indemnities, liabilities and obligations (including, without limitation, the granting of a security interest thereunder), as if the New Obligor had been an original signatory to the Security Agreement as an Obligor; and
 - (b) all of the property and undertaking of the New Obligor, which the New Obligor now owns or hereafter acquires (excluding, for certainty, the Restricted Assets), shall be, and shall be deemed for all purposes to be, “**Collateral**” of the New Obligor for the purposes

of the Security Agreement and subject to a security interest granted by the New Obligor in accordance with the provisions of the Security Agreement as security for the payment and performance of the Obligations in accordance with the provisions of the Security Agreement; and

- (c) all debts, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the New Obligor to the Secured Party, or any one or more of them, in any currency, under, in connection with or pursuant to the Note and any other Transaction Document, and whether incurred alone or jointly with another or others and whether as principal, guarantor or surety and whether incurred prior to, at the time of or subsequent to the date hereof, shall be, and shall be deemed for all purposes to be, “**Obligations**” of the New Obligor for the purposes of the Security Agreement, the payment and performance of which being secured by the security interest granted by the New Obligor in accordance with the provisions of the Security Agreement.

In furtherance of the foregoing, the New Obligor, as continuing security for the payment and the performance of its Obligations, grants to the Secured Party, a mortgage, charge and security interest in all of its Collateral. Each reference to an Obligor in the Security Agreement shall be deemed to include the New Obligor. The terms and provisions of the Security Agreement are incorporated by reference in this Joinder.

- 4. The New Obligor represents and warrants to the Secured Party that the attached supplements to Schedule A to the Security Agreement completely set forth all additional information required pursuant to the Security Agreement, and the New Obligor hereby agrees that such supplements to Schedule A shall constitute part of the Schedule A to the Security Agreement, and (c) except as otherwise set forth in such supplements, each of the representations and warranties made or deemed to have been made by it under the Security Agreement as an Obligor are true and correct on the date of this Joinder.
- 5. This Joinder may be effectively delivered by email or other electronic means.
- 6. This Joinder is a contract made under, and shall be governed by and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario without prejudice to or limitation of any other rights or remedies available under the laws of any jurisdiction where property or assets of the New Obligor may be found.
- 7. This Joinder may be assigned by the Secured Party in accordance with the terms of the Security Agreement. The New Obligor may not assign this Joinder or any of its rights or obligations under this Joinder without the prior written consent of the Secured Party. All of the Secured Party's rights under this Agreement shall enure to the benefit of its successors and permitted assigns and all of any the New Obligor's obligations under this Agreement shall bind the New Obligor and its successors and permitted assigns.

IN WITNESS WHEREOF the New Obligor has duly executed this Joinder.

[NEW OBLIGOR]

Per: _____
Authorized Signing Officer

Contact Information:

-

EXHIBIT A
Location of Obligators and Collateral

Full Name:	•
Jurisdiction of Incorporation or Formation:	•
Registered Office:	•
Chief Executive Office:	•
Places of Business:	•
Locations of Records:	•

This is Exhibit "V" referred to in the
Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of
the City of Calgary, in the Province of Alberta, before me at
the City of Toronto, in the Province of Ontario,
this 21st day of December, 2023 in accordance with
O. Reg. 431/20, Administering Oath or Declaration Remotely.

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

ONTARIO CANNABIS HOLDINGS CORP.**SECURED GRID PROMISSORY NOTE**

FOR VALUE RECEIVED, Ontario Cannabis Holdings Corp., a corporation existing under the *Business Corporations Act* (Ontario) (the "Company"), promises to pay to CJ Marketing Ltd. ("Holder"), or its assigns, in lawful money of Canada, the principal amount outstanding as recorded by the Holder in the column entitled "Unpaid Principal Balance" on the record (the "Grid") attached to and forming part of this Note (the "Principal Amount"). The outstanding Principal Amount shall bear interest at the rate of 15% per annum from the date of advance noted on the Grid. All unpaid Principal Amount together with the foregoing interest accrued and unpaid thereon (the "Indebtedness") shall be immediately due and payable on the earlier of (i) a written demand made by the Majority Holders (as defined below); (ii) upon the closing of a Change of Control (as defined below); or (iii) upon the occurrence of an Event of Default (as defined below).

The Holder shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (a) the date and amount of each advance made by the Holder and the resulting increase in the Principal Amount, and (b) the date and amount of each repayment on account of principal paid to the Holder and the resulting decrease of the Principal Amount. Such notations, in the absence of manifest mathematical error, is evidence of such advances, repayments and the Principal Amount; provided that the failure of the Holder to record the same shall not affect the obligations of the Company to pay such amounts to the Holder.

This Note may be one of a series of secured promissory notes issued by the Company to certain other holders (collectively, together with this Note, the "Notes"). The Notes shall rank *pari passu* with each other in the right to repayment. The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. **Definitions.** As used in this Note, the following capitalized terms have the following meanings:

(a) "Affiliate" means any person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified person, including, without limitation, any general partner, officer, director or manager of such person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such person. For the purposes of this Section 1(a), the expression "control" has the meaning attributed to it under the *Business Corporations Act* (Ontario).

(b) "Change of Control" means a transaction or a series of related transactions whereby (i) the Company shall (A) sell, convey, lease, out-license (other than as part of the Company's generally available commercial product or service), or otherwise dispose of, whether accomplished in a single transaction or in a series of related transactions, all or substantially all of its property or business; (B) amalgamate or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or other entity or person; (C) effect any other

corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, amalgamation, arrangement, merger or reorganization, own less than 50% of the voting power of the surviving entity immediately after such consolidation, amalgamation, arrangement, merger or reorganization; or (D) effect any other transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of; or (ii) a person or a group of related persons acquires from the shareholders of the Company, shares representing more than 50% of the outstanding voting power of the Company.

(c) "Event of Default" means the occurrence of any of the following:

(i) the Company fails to pay, when due, any payment required under the terms of this Note and such payment is not made within five days of the Company's receipt of Holder's written notice to the Company of such failure;

(ii) the Company (1) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (2) makes a general assignment for the benefit of its or any of its creditors, (3) is dissolved or liquidated in full or in part, (4) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (5) takes any action for the purpose of effecting any of the foregoing; or

(iii) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and either (1) an order for relief is entered, or (2) such proceeding is not dismissed or discharged within 60 days of commencement.

(d) "Majority Holders" shall mean holders representing a majority of the aggregate Principal Amounts of the then outstanding Notes, as of the applicable time of reference.

2. **Prepayment.** The Company has the right and privilege of prepaying the whole or any portion of the Indebtedness without notice, bonus or penalty, provided that any prepayments shall be made *pro rata* among the holders of all of the Notes based on the relative outstanding Principal Amounts of the Notes. Any such prepayments shall be applied first in satisfaction of any accrued but unpaid interest, and thereafter to the outstanding Principal Amount and all prepayments shall be in lawful money of Canada.

3. **Events Default.** Upon the occurrence or existence of any Event of Default, and at any time thereafter during the continuance of such Event of Default, the Majority Holders may, by written notice to the Company, declare all outstanding obligations payable by the Company under the Notes to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Majority Holders may exercise any other right, power or remedy granted to

the Holder by this Note or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

4. **Security.**

(a) As continuing security for the due and timely payment by the Company of the Indebtedness hereunder, the Company hereby grants a general security interest creating a charge over all presently existing or hereafter acquired or arising Collateral (as defined below), subject to any already existing security interests registered against the Company. The Holder's security in the Collateral shall continue until the obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the obligations (other than inchoate indemnity obligations), Holder shall, at the sole cost and expense of the Company, release its security in the Collateral and all rights therein shall revert to the Company.

(b) For purposes hereof, "Collateral" means all of the Company's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

(c) The Company hereby authorizes Holder to file financing statements, without notice to the Company, with all appropriate jurisdictions to perfect or protect Holder's interest or rights hereunder, including a notice that any disposition of the Collateral, by either the Company or any other person, shall be deemed to violate the rights of Holder under applicable legislation.

5. **Postponement and Subordination.** The Indebtedness is hereby postponed and subordinated in right of payment to the prior payment in full of any and all Senior Indebtedness, except and to the extent as may be expressly permitted by the terms of such Senior Indebtedness. For the purposes of this Section 6, "Senior Indebtedness" shall mean all amounts due in connection with (i) indebtedness of the Corporation to banks or other lending institutions regularly engaged in the business of lending money; and (ii) any such indebtedness or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

6. **Company Representations.**

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Canada, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this instrument is within the power of the Company and has been duly authorized by all necessary actions on the part of the Company. This instrument constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(c) The performance and consummation of the transactions contemplated by this Note do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No third party consents or approvals are required in connection with the performance of this instrument.

7. **Successors and Assigns.** Subject to the restrictions on transfer described in Sections 8 and 9, the rights and obligations of the Company and Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

8. **Transfer of this Note.** This Note shall not be transferred by Holder (other than to an Affiliate) without the prior written consent of the Company.

9. **Assignment by the Company.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Company without the prior written consent of the Majority Holders.

10. **Amendments.** Any provision of this Note may be amended, waived or modified upon the written consent of the Company and the Majority Holders; *provided, however*, that if any amendment or waiver affects a Holder differently and in a materially adverse manner relative to the other holders of Notes, the consent of such Holder shall be required for such amendment or waiver.

11. **Waivers.** No waiver of any obligation of the Company under this Note shall be effective unless it is in writing and signed by the majority Holders. A waiver by the Majority Holders of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time. The Company waives presentment for payment, demand, protest, notice of demand, notice of protest and notice of prepayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof, and hereby consents to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof.

AGREED TO AND ACCEPTED as of the above original issue date of this Note.

HOLDER:

CJ MARKETING LTD.

By: _____

Name:

Title:

Email Address:

Address: 507 Riverdale Ave SW
Calgary, Alberta
T2S 0X9

**SCHEDULE A
ADVANCES AND REPAYMENT OF PRINCIPAL**

Date	Amount of Advance	Principal Repaid or Prepaid	Unpaid Principal Balance	Notation Made By
December 23, 2019	C\$100,000			
January 16, 2020	C\$100,000			
January 31, 2020	C\$180,000			

ONTARIO CANNABIS HOLDINGS CORP.**SECURED GRID PROMISSORY NOTE**

FOR VALUE RECEIVED, Ontario Cannabis Holdings Corp., a corporation existing under the *Business Corporations Act* (Ontario) (the "Company"), promises to pay to Arthur Minh Tri Nguyen-Cao ("Holder"), or its assigns, in lawful money of Canada, the principal amount outstanding as recorded by the Holder in the column entitled "Unpaid Principal Balance" on the record (the "Grid") attached to and forming part of this Note (the "Principal Amount"). The outstanding Principal Amount shall bear interest at the rate of 15% per annum from the date of advance noted on the Grid. All unpaid Principal Amount together with the foregoing interest accrued and unpaid thereon (the "Indebtedness") shall be immediately due and payable on the earlier of (i) a written demand made by the Majority Holders (as defined below); (ii) upon the closing of a Change of Control (as defined below); or (iii) upon the occurrence of an Event of Default (as defined below).

The Holder shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (a) the date and amount of each advance made by the Holder and the resulting increase in the Principal Amount, and (b) the date and amount of each repayment on account of principal paid to the Holder and the resulting decrease of the Principal Amount. Such notations, in the absence of manifest mathematical error, is evidence of such advances, repayments and the Principal Amount; provided that the failure of the Holder to record the same shall not affect the obligations of the Company to pay such amounts to the Holder.

This Note may be one of a series of secured promissory notes issued by the Company to certain other holders (collectively, together with this Note, the "Notes"). The Notes shall rank *pari passu* with each other in the right to repayment. The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. **Definitions.** As used in this Note, the following capitalized terms have the following meanings:

(a) "Affiliate" means any person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified person, including, without limitation, any general partner, officer, director or manager of such person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such person. For the purposes of this Section 1(a), the expression "control" has the meaning attributed to it under the *Business Corporations Act* (Ontario).

(b) "Change of Control" means a transaction or a series of related transactions whereby (i) the Company shall (A) sell, convey, lease, out-license (other than as part of the Company's generally available commercial product or service), or otherwise dispose of, whether accomplished in a single transaction or in a series of related transactions, all or substantially all of its property or business; (B) amalgamate or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or other entity or person; (C) effect any other

corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, amalgamation, arrangement, merger or reorganization, own less than 50% of the voting power of the surviving entity immediately after such consolidation, amalgamation, arrangement, merger or reorganization; or (D) effect any other transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of; or (ii) a person or a group of related persons acquires from the shareholders of the Company, shares representing more than 50% of the outstanding voting power of the Company.

(c) "Event of Default" means the occurrence of any of the following:

(i) the Company fails to pay, when due, any payment required under the terms of this Note and such payment is not made within five days of the Company's receipt of Holder's written notice to the Company of such failure;

(ii) the Company (1) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (2) makes a general assignment for the benefit of its or any of its creditors, (3) is dissolved or liquidated in full or in part, (4) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (5) takes any action for the purpose of effecting any of the foregoing; or

(iii) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and either (1) an order for relief is entered, or (2) such proceeding is not dismissed or discharged within 60 days of commencement.

(d) "Majority Holders" shall mean holders representing a majority of the aggregate Principal Amounts of the then outstanding Notes, as of the applicable time of reference.

2. **Prepayment.** The Company has the right and privilege of prepaying the whole or any portion of the Indebtedness without notice, bonus or penalty, provided that any prepayments shall be made *pro rata* among the holders of all of the Notes based on the relative outstanding Principal Amounts of the Notes. Any such prepayments shall be applied first in satisfaction of any accrued but unpaid interest, and thereafter to the outstanding Principal Amount and all prepayments shall be in lawful money of Canada.

3. **Events Default.** Upon the occurrence or existence of any Event of Default, and at any time thereafter during the continuance of such Event of Default, the Majority Holders may, by written notice to the Company, declare all outstanding obligations payable by the Company under the Notes to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Majority Holders may exercise any other right, power or remedy granted to

the Holder by this Note or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

4. **Security.**

(a) As continuing security for the due and timely payment by the Company of the Indebtedness hereunder, the Company hereby grants a general security interest creating a charge over all presently existing or hereafter acquired or arising Collateral (as defined below), subject to any already existing security interests registered against the Company. The Holder's security in the Collateral shall continue until the obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the obligations (other than inchoate indemnity obligations), Holder shall, at the sole cost and expense of the Company, release its security in the Collateral and all rights therein shall revert to the Company.

(b) For purposes hereof, "Collateral" means all of the Company's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

(c) The Company hereby authorizes Holder to file financing statements, without notice to the Company, with all appropriate jurisdictions to perfect or protect Holder's interest or rights hereunder, including a notice that any disposition of the Collateral, by either the Company or any other person, shall be deemed to violate the rights of Holder under applicable legislation.

5. **Postponement and Subordination.** The Indebtedness is hereby postponed and subordinated in right of payment to the prior payment in full of any and all Senior Indebtedness, except and to the extent as may be expressly permitted by the terms of such Senior Indebtedness. For the purposes of this Section 6, "Senior Indebtedness" shall mean all amounts due in connection with (i) indebtedness of the Corporation to banks or other lending institutions regularly engaged in the business of lending money; and (ii) any such indebtedness or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

6. **Company Representations.**

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Canada, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this instrument is within the power of the Company and has been duly authorized by all necessary actions on the part of the Company. This instrument constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(c) The performance and consummation of the transactions contemplated by this Note do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No third party consents or approvals are required in connection with the performance of this instrument.

7. **Successors and Assigns.** Subject to the restrictions on transfer described in Sections 8 and 9, the rights and obligations of the Company and Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

8. **Transfer of this Note.** This Note shall not be transferred by Holder (other than to an Affiliate) without the prior written consent of the Company.

9. **Assignment by the Company.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Company without the prior written consent of the Majority Holders.

10. **Amendments.** Any provision of this Note may be amended, waived or modified upon the written consent of the Company and the Majority Holders; *provided, however*, that if any amendment or waiver affects a Holder differently and in a materially adverse manner relative to the other holders of Notes, the consent of such Holder shall be required for such amendment or waiver.

11. **Waivers.** No waiver of any obligation of the Company under this Note shall be effective unless it is in writing and signed by the majority Holders. A waiver by the Majority Holders of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time. The Company waives presentment for payment, demand, protest, notice of demand, notice of protest and notice of prepayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof, and hereby consents to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof.

AGREED TO AND ACCEPTED as of the above original issue date of this Note.

HOLDER:



Name: Arthur Minh Tri Nguyen-Cao

Email Address:

Address: 256 Woodhaven Bay SW
Calgary, Alberta
T2W 5S2

SCHEDULE A
ADVANCES AND REPAYMENT OF PRINCIPAL

Date	Amount of Advance	Principal Repaid or Prepaid	Unpaid Principal Balance	Notation Made By
December 30, 2019	C\$150,000			
December 31, 2019	C\$20,000			
January 9, 2020	C\$100,000			
January 14, 2020	C\$100,000			
February 3, 2020	C\$150,000			
February 5, 2020	C\$30,000			

FIRST AMENDMENT TO SECURED GRID PROMISSORY NOTE

THIS AGREEMENT made as of the 31st day of December, 2021.

BETWEEN:

CJ MARKETING LTD.

(herein called the “**Lender**”)

- and -

ONTARIO CANNABIS HOLDINGS CORP.

(herein called the “**Borrower**”)

WHEREAS the Borrower entered into a secured grid promissory note in favour of the Lender as of December 23, 2019 (the “**Original Note**”);

AND WHEREAS the Lender and the Borrower have agreed to amend the Original Note;

AND WHEREAS any amendment to the Original Note must be consented to in writing by the Majority Holders (as such term is defined in the Original Note), which includes the Lender and Arthur Minh Tri Nguyen-Cao;

AND WHEREAS pursuant to the subordination agreement dated May 15, 2020 (the “**Subordination Agreement**”) among the Lender, the Borrower and Tweed Franchise Inc. (the “**Senior Lender**”), the Senior Lender must consent to any amendment to the Original Note;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements contained herein, the parties covenant and agree as follows:

**ARTICLE 1
DEFINED TERMS**

1.01 Capitalized Terms.

All capitalized terms which are used herein without being specifically defined herein shall have the meaning ascribed thereto in the Original Note.

**ARTICLE 2
AMENDMENTS TO NOTE**

2.01 General Rule.

Subject to the terms and conditions herein contained, the Original Note is hereby amended to the extent necessary to give effect to the provisions of this agreement and to incorporate the provisions of this agreement into the Original Note.

2.02 Amendment of Term

The third sentence of the first paragraph of the Original Note is hereby deleted in its entirety and replaced with the following:

“All unpaid Principal Amount together with the foregoing interest accrued and unpaid thereon (the “**Indebtedness**”) shall be immediately due and payable on the earlier of (i) January 1, 2023; (ii) upon the occurrence of an Event of Default (as defined below); or (iii) upon the closing of a Change of Control.”

ARTICLE 3 MISCELLANEOUS

3.01 Future References to the Note.

On and after the date of this agreement, each reference in the Original Note to “this agreement”, “hereunder”, “hereof”, or words of like import referring to the Original Note, and each reference in any related document to the “Original Note”, “thereunder”, “thereof”, or words of like import referring to the Original Note, shall mean and be a reference to the Original Note as amended hereby. The Original Note, as amended hereby, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

3.02 Governing Law.

This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

3.03 Successors and Assigns.

This agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective successors and permitted assigns.

3.04 Conflict.

If any provision of this agreement is inconsistent or conflicts with any provision of the Original Note, the relevant provision of this agreement shall prevail and be paramount.

3.05 Further Assurances.

The Borrower shall do, execute and deliver or shall cause to be done, executed and delivered all such further acts, documents and things as the Lender may reasonably request for the purpose of giving effect to this agreement and to each and every provision hereof.

3.06 Subordination.

Each of the Lender and the Borrower confirm that, notwithstanding the terms of this agreement, the Original Note, as amended by this agreement, and the Indebtedness evidenced thereunder, is and continues to be postponed and subordinated in right of payment to the prior payment in full of all debts, liabilities and obligations owing by the Borrower to the Lender, in accordance with and pursuant to the terms of the Subordination Agreement.

3.07 Counterparts.

This agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument.

This is Exhibit "W" referred to in the
Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of
the City of Calgary, in the Province of Alberta, before me at
the City of Toronto, in the Province of Ontario,
this 21st day of December, 2023 in accordance with
O. Reg. 431/20, Administering Oath or Declaration Remotely.

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

SUBORDINATION AGREEMENT

This Subordination Agreement is made as of May 15, 2020 by and among Tweed Franchise Inc., as senior lender (including its successors and assigns, the "**Senior Lender**"), and CJ Marketing Ltd., as subordinated lender (including its successors and assigns, the "**Subordinated Lender**", and together with the Senior Lender, the "**Lenders**").

WHEREAS, reference is made to the Promissory Note dated as of March 11, 2020 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**Senior Loan Agreement**") granted by OCH Ontario Consulting Corp. ("**OCH**") and Ontario Cannabis Holdings Corp. (the "**Obligor**") in favour of the Senior Lender, under which the Obligor has agreed to unconditionally and irrevocably guarantee the due payment, discharge and performance of all present and future indebtedness, obligations and liabilities of OCH at any time owing to the Senior Lender (the "**Senior Indebtedness**") on the terms and subject to the conditions specified in the Senior Loan Agreement.

WHEREAS, the Obligor has or intends to borrow money from the Subordinated Lender under the terms of a Loan Agreement dated as of December 23, 2019 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**Subordinated Loan Agreement**") by and among the Obligor and the Subordinated Lender;

WHEREAS, the Subordinated Lender is a shareholder of the Obligor;

WHEREAS, all of the Obligor's obligations to the Senior Lender and the Subordinated Lender are secured by security interests in all of the now existing and hereafter acquired assets, property and undertaking of the Obligor (the "**Collateral**") granted to the Senior Lender and the Subordinated Lender.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

Postponement and Subordination

Section 1.01 Payment Subordination. All present and future indebtedness and liability of the Obligor to the Subordinated Lender (collectively, the "**Subordinated Indebtedness**") is hereby postponed and subordinated to all present and future indebtedness and liability (including, without limitation, contingent liability) of the Obligor to the Senior Lender in respect of the Senior Indebtedness until the Senior Indebtedness is repaid in full, as confirmed in writing by the Senior Lender. Until the date upon which the Senior Indebtedness has been repaid in full, as confirmed in writing by the Senior Lender, the Subordinated Lender agrees that the Obligor cannot make, and the Subordinated Lender cannot receive, any payment in cash, property or security, by set-off or otherwise, owing and which may hereafter come owing by the Obligor to the Subordinated Lender (including, without limitation, interest and principal payments), without the prior written consent of the Senior Lender or as otherwise permitted by this Agreement.

Section 1.02 Permitted Payments. So long as no Default Notice (as hereinafter defined) is issued and outstanding pursuant to Section 1.03, the Subordinated Lender and the Obligor have amended the Subordinated Loan Agreement such that the interest per annum owing in respect of the principal obligations thereunder is no greater than 10%, and provided the Obligor has paid all amounts owing to the Senior Lender as required under the Senior Loan Agreement, starting on June 1, 2021, the Obligor may pay and the Subordinated Lender may receive monthly payments of interest in accordance with the Subordinated Loan Agreement. In addition and notwithstanding anything contained herein to the contrary, the Obligor may repay the Subordinated Indebtedness in whole or in part in the event the Obligor completes an equity financing, for which the use of funds includes the repayment of the Subordinated Indebtedness as permitted by the terms of such equity financing and subject to prior written approval of the Senior Lender.

Section 1.03 Default Notice. Upon the occurrence of an event which constitutes, or with notice or lapse of time or both would constitute, an event of default under the Senior Loan Agreement, or if the Senior Lender determines that any scheduled payment permitted by Section 1.02 directly above, would result in, or with notice or lapse of time or both would result in, an event of default under the Senior Loan Agreement, or payment of the Senior Indebtedness, and upon receipt by the Subordinated Lender of written notice thereof from the Senior Lender (the "**Default Notice**"), no payment in cash, property or security, by set-off or otherwise, shall be made or agreed to by the Obligor or accepted by the Subordinated Lender on account of the Subordinated Indebtedness including any payments permitted by Section 1.02 directly above.

Section 1.04 Security Subordination. All present and future security now or hereafter held, in whole or in part, by the Subordinated Lender for the Subordinated Indebtedness (collectively, the "**Subordinated Lender Security**") is hereby postponed and subordinated to all present and future security now or hereafter held, in whole or in part, by the Senior Lender to secure the Senior Indebtedness (collectively, the "**Senior Lender Security**"), until the Senior Indebtedness is repaid in full, as confirmed in writing by the Senior Lender.

Section 1.05 Consent re: Subordinated Loan Agreement Amendments. The Subordinated Lender represents and warrants to the Senior Lender that the document attached hereto as Schedule A is a true and complete copy of the Subordinated Loan Agreement, together with all amendments, if any, made in respect thereof. Without the prior written consent of the Senior Lender, neither the Subordinated Lender nor the Obligor shall amend or otherwise modify these terms of the Subordinated Loan Agreement.

Section 1.06 *[Intentionally Deleted]*

ARTICLE II Enforcement and Remedies

Section 2.01 Standstill.

- (a) The Subordinated Lender acknowledges and agrees that until all of the Senior Indebtedness has been paid in full, the Senior Lender shall have the exclusive right to take and continue (or refrain from taking and continuing) any action in

respect of its Collateral and to exercise and enforce all rights and remedies thereunder, in such order and manner as it may determine in its sole discretion. The Subordinated Lender agrees that it will not interfere with any pending or proposed sale or realization process initiated, or consented to, by the Senior Lender.

- (b) The Subordinated Lender agrees that it will not, without the prior written consent of the Senior Lender:
 - (i) exercise any right or remedy with respect to the Subordinated Indebtedness or the Subordinated Lender Security, including any collection or enforcement right or remedy;
 - (ii) institute any action or proceeding against the Obligor, or enforce any right or remedy, including, without limitation, any possession, foreclosure or sale;
 - (iii) appoint an interim receiver, receiver, receiver-manager or trustee in respect of the Obligor or over all or any part of their assets, apply for a bankruptcy order against the Obligor;
 - (iv) object to any enforcement process or action initiated by the Senior Lender.

Notwithstanding the foregoing, the Subordinated Lender may (w) file a proof of claim or attend and vote at a meeting of creditors in connection with any bankruptcy or insolvency proceeding, so long as such vote does not impair any rights of the Senior Lender; (x) take action that is required to preserve the validity or priority of the Subordinated Indebtedness or the Subordinated Lender Security; (y) obtain a monetary judgment for non-payment of the Subordinated Indebtedness, so long as it does not enforce the judgment; and (z) provide the Obligor with notice of default, demand, acceleration, enforcement or similar notice, so long as written notice is also provided to the Senior Lender.

- (c) The Subordinated Lender agrees to complete and file any proofs of claim in respect of the Subordinated Obligations reasonably requested by the Senior Lender in connection with any bankruptcy or insolvency proceeding in accordance with the terms of this Agreement and directing that all dividends be payable to the Senior Lender, until the Senior Indebtedness is paid in full, as confirmed in writing by the Senior Lender.
- (d) The Subordinated Lender authorizes the Senior Lender to collect and receive dividends or other payments that may be payable to the Subordinated Lender in any bankruptcy, insolvency, liquidation, dissolution, winding-up, or similar proceeding and apply such dividends or payments towards the Senior Indebtedness.
- (e) The Subordinated Lender agrees not to vote for any plan or arrangement, or reorganization or proposal, that does not provide for the prior repayment in full of

the Senior Indebtedness or is otherwise inconsistent with the terms of this Agreement.

- (f) The Subordinated Lender agrees that it will not object to or oppose any sale or disposition of any property securing all or any part of the Senior Indebtedness free and clear of encumbrances or other claims of the Subordinated Lender, if the Senior Lender consents to such sale or disposition.
- (g) The Subordinated Lender consents to any debtor-in-possession financing provided or approved by the Senior Lender in the event of any bankruptcy or insolvency proceeding of the Obligor.
- (h) The Subordinated Lender agrees that, until the Senior Indebtedness is paid in full, as confirmed in writing by the Senior Lender, it will not (i) seek, or support another person seeking, relief from any stay in any insolvency proceeding or support any other person seeking such relief, or (ii) object to, or support any other person objecting to, the Senior Lender's request for relief from any stay in any insolvency proceeding.
- (i) *[Intentionally Deleted]*
- (j) The Lenders agree to use good faith efforts to provide each other with copies of any letter or any notice transmitted in writing by one or the other to the Obligor relating to any event of default under the terms of the Senior Indebtedness or the Subordinated Debt, as the case may be, and the Obligor hereby expressly consents to the sharing and delivery of such information in accordance with the Senior Indebtedness and the Subordinated Indebtedness.

Section 2.02 Trust. The Subordinated Lender acknowledges and agrees that any and all proceeds received by the Subordinated Lender (including, without limitation, from the Subordinated Lender's realization, from the Obligor or its assets, from any bankruptcy or insolvency proceedings, or from insurance proceeds) shall be paid to the Senior Lender and dealt with in accordance with this Agreement. The parties acknowledge and agree that the priorities contained in this Agreement shall extend to and include all principal, interest, fees, expenses and other amounts, reimbursement and indemnity obligations, and enforcement costs. The Subordinated Lender acknowledges and agrees that, until all of the Senior Indebtedness has been paid in full, as confirmed in writing by the Senior Lender, any payment or distribution of any kind or character from the Obligor, or any other person, in respect of the Subordinated Indebtedness in violation of this Agreement, shall be held in trust by the Subordinated Lender for the benefit of the Senior Lender and forthwith paid to the Senior Lender.

ARTICLE III Miscellaneous

Section 3.01 Unconditional Obligations. All rights, agreements and obligations of the Senior Lender and the Subordinated Lender and the Obligor hereunder, to the extent applicable, will remain in full force and effect irrespective of any matter or thing, including:

- (a) The validity, lack of validity, perfection, lack of perfection, enforceability or unenforceability of any loan and security documents.
- (b) The time of creation, granting, execution, delivery, attachment, registration, filing, perfection or enforcement of any of the Senior Indebtedness or Subordinated Indebtedness, or the Senior Lender Security or the Subordinated Lender Security, or any part thereof.
- (c) The time of any loan or advance made to the Obligor by any Lender.
- (d) The jurisdictions where any of the Senior Lender Security or the Subordinated Lender Security is registered or failure of either Lender to properly register or perfect any of such security in any jurisdiction.
- (e) The time of default or demand or acceleration of payment.
- (f) Any priority otherwise granted to the Senior Indebtedness or the Subordinated Indebtedness, or the Senior Lender Security or the Subordinated Lender Security, under applicable law, including purchase-money security interests.
- (g) Any act or omission of the Obligor, or any other person.
- (h) Any other matter whatsoever.

Section 3.02 Subrogation. The Subordinated Lender shall not be subrogated to the rights of the Senior Lender to receive payments of cash or other property of the Obligor in respect of and on account of the Subordinated Indebtedness unless and until the Senior Indebtedness has been repaid in full, as confirmed in writing by the Senior Lender. For the purposes of such subrogation, no payment or distribution made to the Senior Lender to which the Subordinated Lender would be entitled except for this Agreement, and no payments made under the provisions of this Agreement to the Senior Lender by the Subordinated Lender, shall, as among the Obligor, its creditors and the Subordinated Lender, be deemed to be a payment by the Obligor to or on account of the Subordinated Indebtedness. The Subordinated Lender agrees that in the event that all or any part of a payment made with respect to the Senior Indebtedness is returned to the Obligor from the Senior Lender in a bankruptcy or insolvency proceeding, or otherwise, any payment or distribution received by the Subordinated Lender with respect to the Subordinated Indebtedness at any time after the date of the payment that is so recovered, whether under the right of subrogation provided for in this Agreement, or otherwise, shall be deemed to have been received by the Subordinated Lender in trust for the Senior Lender, and the Subordinated Lender shall forthwith deliver the same to the Senior Lender for application to the Senior Indebtedness, until the Senior Indebtedness has been paid in full, as confirmed in writing by the Senior Lender.

Section 3.03 Fraudulent Preferences and Conveyances. If the Senior Lender receives any payment or other distribution on account of the Senior Indebtedness and such payment or other distribution is subsequently invalidated, declared to be fraudulent or preferential, or required to be repaid to the Obligor, an interim receiver, receiver, receiver manager, trustee or other person then, to the extent of such payment required to be repaid, the Senior Indebtedness shall be revived as if such payment had not been received by the Senior Lender.

Section 3.04 Amendment and Modification. This Agreement may only be amended, modified or supplemented by an agreement in writing, signed by the Senior Lender and the Subordinated Lender. The agreement in writing shall then be binding on the Obligor.

Section 3.05 Waiver. No waiver by any party of any of the provisions hereof is effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party will operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof, or the exercise of, any other right, remedy, power or privilege.

Section 3.06 Successors and Assigns. This Agreement is binding upon, and shall enure to the benefit of, the parties hereto and their respective successors and permitted assigns. The Senior Lender may, from time to time, without notice to the Subordinated Lender, assign, encumber or transfer any or all of the Senior Indebtedness, the Senior Lender Security, or any interest therein to any person and, notwithstanding any such assignment, encumbrance or transfer, or any subsequent assignment, encumbrance or transfer, the Senior Indebtedness, the Senior Lender Security, or any interest therein shall, subject to the terms hereof, be and remain the Senior Indebtedness and the Senior Lender Security for purposes of this Agreement, and every permitted assignee, or transferee of any of the Senior Indebtedness, the Senior Lender Security or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Senior Indebtedness, the Senior Lender Security or any interest therein, be entitled to rely upon and be the third-party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto. The Subordinated Lender cannot sell, assign, encumber or otherwise transfer, in whole or in part, the Subordinated Indebtedness, the Subordinated Lender Security, or assign its rights under this Agreement, without the prior written consent of the Senior Lender and unless such permitted assignee signs a written agreement in form and substance satisfactory to the Senior Lender, agreeing to be bound by the terms of this Agreement.

Section 3.07 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing, addressed to the parties at the addresses set forth in the Senior Loan Agreement and the Subordinated Loan Agreement respectively and delivered to the parties as set forth in the Senior Loan Agreement and the Subordinated Loan Agreement respectively.

Section 3.08 Further Assurances. Each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be required to carry out the provisions hereof and give effect to the transactions contemplated hereby.

Section 3.09 *[Intentionally Deleted]*

Section 3.10 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 3.11 Governing Law. This Agreement is governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in that Province.

Section 3.12 Submission to Jurisdiction. Any action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby will be instituted in the courts of the Province of Ontario, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such action or proceeding.

Section 3.13 Counterparts and Facsimile. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 3.14 Entire Agreement. This Agreement and all related exhibits and schedules, constitutes the sole and entire agreement of the parties to this Agreement, with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

[SIGNATURE PAGE FOLLOWS]

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

TWEED FRANCHISE INC.

By:  _____

Name: Phil Shaer

Title: Chief Legal Officer

CJ MARKETING LTD.

By:  _____

Name: Jon Conquergood

Title: Director

TO: TWEED FRANCHISE INC.

AND TO: CJ MARKETING LTD.

We acknowledge and agree with the terms and covenants contained in this Agreement and agree to be bound by them.

ONTARIO CANNABIS HOLDINGS CORP.

By:  _____

Name: Jon Conquergood

Title: CEO

**SCHEDULE A
SUBORDINATED LOAN AGREEMENT**

ONTARIO CANNABIS HOLDINGS CORP.

SECURED GRID PROMISSORY NOTE

FOR VALUE RECEIVED, Ontario Cannabis Holdings Corp., a corporation existing under the *Business Corporations Act* (Ontario) (the “Company”), promises to pay to CJ Marketing Ltd. (“Holder”), or its assigns, in lawful money of Canada, the principal amount outstanding as recorded by the Holder in the column entitled “Unpaid Principal Balance” on the record (the “Grid”) attached to and forming part of this Note (the “Principal Amount”). The outstanding Principal Amount shall bear interest at the rate of 15% per annum from the date of advance noted on the Grid. All unpaid Principal Amount together with the foregoing interest accrued and unpaid thereon (the “Indebtedness”) shall be immediately due and payable on the earlier of (i) a written demand made by the Majority Holders (as defined below); (ii) upon the closing of a Change of Control (as defined below); or (iii) upon the occurrence of an Event of Default (as defined below).

The Holder shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (a) the date and amount of each advance made by the Holder and the resulting increase in the Principal Amount, and (b) the date and amount of each repayment on account of principal paid to the Holder and the resulting decrease of the Principal Amount. Such notations, in the absence of manifest mathematical error, is evidence of such advances, repayments and the Principal Amount; provided that the failure of the Holder to record the same shall not affect the obligations of the Company to pay such amounts to the Holder.

This Note may be one of a series of secured promissory notes issued by the Company to certain other holders (collectively, together with this Note, the “Notes”). The Notes shall rank *pari passu* with each other in the right to repayment. The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. **Definitions.** As used in this Note, the following capitalized terms have the following meanings:

(a) “Affiliate” means any person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified person, including, without limitation, any general partner, officer, director or manager of such person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such person. For the purposes of this Section 1(a), the expression “control” has the meaning attributed to it under the *Business Corporations Act* (Ontario).

(b) “Change of Control” means a transaction or a series of related transactions whereby (i) the Company shall (A) sell, convey, lease, out-license (other than as part of the Company’s generally available commercial product or service), or otherwise dispose of, whether accomplished in a single transaction or in a series of related transactions, all or substantially all of its property or business; (B) amalgamate or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or other entity or person; (C) effect any other

corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, amalgamation, arrangement, merger or reorganization, own less than 50% of the voting power of the surviving entity immediately after such consolidation, amalgamation, arrangement, merger or reorganization; or (D) effect any other transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of; or (ii) a person or a group of related persons acquires from the shareholders of the Company, shares representing more than 50% of the outstanding voting power of the Company.

(c) "Event of Default" means the occurrence of any of the following:

(i) the Company fails to pay, when due, any payment required under the terms of this Note and such payment is not made within five days of the Company's receipt of Holder's written notice to the Company of such failure;

(ii) the Company (1) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (2) makes a general assignment for the benefit of its or any of its creditors, (3) is dissolved or liquidated in full or in part, (4) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (5) takes any action for the purpose of effecting any of the foregoing; or

(iii) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and either (1) an order for relief is entered, or (2) such proceeding is not dismissed or discharged within 60 days of commencement.

(d) "Majority Holders" shall mean holders representing a majority of the aggregate Principal Amounts of the then outstanding Notes, as of the applicable time of reference.

2. **Prepayment.** The Company has the right and privilege of prepaying the whole or any portion of the Indebtedness without notice, bonus or penalty, provided that any prepayments shall be made *pro rata* among the holders of all of the Notes based on the relative outstanding Principal Amounts of the Notes. Any such prepayments shall be applied first in satisfaction of any accrued but unpaid interest, and thereafter to the outstanding Principal Amount and all prepayments shall be in lawful money of Canada.

3. **Events Default.** Upon the occurrence or existence of any Event of Default, and at any time thereafter during the continuance of such Event of Default, the Majority Holders may, by written notice to the Company, declare all outstanding obligations payable by the Company under the Notes to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Majority Holders may exercise any other right, power or remedy granted to

the Holder by this Note or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

4. **Security.**

(a) As continuing security for the due and timely payment by the Company of the Indebtedness hereunder, the Company hereby grants a general security interest creating a charge over all presently existing or hereafter acquired or arising Collateral (as defined below), subject to any already existing security interests registered against the Company. The Holder's security in the Collateral shall continue until the obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the obligations (other than inchoate indemnity obligations), Holder shall, at the sole cost and expense of the Company, release its security in the Collateral and all rights therein shall revert to the Company.

(b) For purposes hereof, "Collateral" means all of the Company's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

(c) The Company hereby authorizes Holder to file financing statements, without notice to the Company, with all appropriate jurisdictions to perfect or protect Holder's interest or rights hereunder, including a notice that any disposition of the Collateral, by either the Company or any other person, shall be deemed to violate the rights of Holder under applicable legislation.

5. **Postponement and Subordination.** The Indebtedness is hereby postponed and subordinated in right of payment to the prior payment in full of any and all Senior Indebtedness, except and to the extent as may be expressly permitted by the terms of such Senior Indebtedness. For the purposes of this Section 6, "Senior Indebtedness" shall mean all amounts due in connection with (i) indebtedness of the Corporation to banks or other lending institutions regularly engaged in the business of lending money; and (ii) any such indebtedness or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

6. **Company Representations.**

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Canada, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this instrument is within the power of the Company and has been duly authorized by all necessary actions on the part of the Company. This instrument constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(c) The performance and consummation of the transactions contemplated by this Note do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No third party consents or approvals are required in connection with the performance of this instrument.

7. **Successors and Assigns.** Subject to the restrictions on transfer described in Sections 8 and 9, the rights and obligations of the Company and Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

8. **Transfer of this Note.** This Note shall not be transferred by Holder (other than to an Affiliate) without the prior written consent of the Company.

9. **Assignment by the Company.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Company without the prior written consent of the Majority Holders.

10. **Amendments.** Any provision of this Note may be amended, waived or modified upon the written consent of the Company and the Majority Holders; *provided, however*, that if any amendment or waiver affects a Holder differently and in a materially adverse manner relative to the other holders of Notes, the consent of such Holder shall be required for such amendment or waiver.

11. **Waivers.** No waiver of any obligation of the Company under this Note shall be effective unless it is in writing and signed by the majority Holders. A waiver by the Majority Holders of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time. The Company waives presentment for payment, demand, protest, notice of demand, notice of protest and notice of prepayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof, and hereby consents to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof.

AGREED TO AND ACCEPTED as of the above original issue date of this Note.

HOLDER:

CJ MARKETING LTD.

By:  _____
Name: Jon Conquergood
Title: Director

Email Address:

Address: 507 Riverdale Ave SW
Calgary, Alberta
T2S 0X9

**SCHEDULE A
ADVANCES AND REPAYMENT OF PRINCIPAL**

Date	Amount of Advance	Principal Repaid or Prepaid	Unpaid Principal Balance	Notation Made By
December 23, 2019	C\$100,000			
January 16, 2020	C\$100,000			
January 31, 2020	C\$180,000			

SUBORDINATION AGREEMENT

This Subordination Agreement is made as of May 15, 2020 by and among Tweed Franchise Inc., as senior lender (including its successors and assigns, the "**Senior Lender**"), and Arthur Minh Tri Nguyen-Cao, as subordinated lender (including its successors and assigns, the "**Subordinated Lender**", and together with the Senior Lender, the "**Lenders**").

WHEREAS, reference is made to the Promissory Note dated as of March 11, 2020 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**Senior Loan Agreement**") granted by OCH Ontario Consulting Corp. ("**OCH**") and Ontario Cannabis Holdings Corp. (the "**Obligor**") in favour of the Senior Lender, under which the Obligor has agreed to unconditionally and irrevocably guarantee the due payment, discharge and performance of all present and future indebtedness, obligations and liabilities of OCH at any time owing to the Senior Lender (the "**Senior Indebtedness**") on the terms and subject to the conditions specified in the Senior Loan Agreement.

WHEREAS, the Obligor has or intends to borrow money from the Subordinated Lender under the terms of Secured Grid Promissory Note dated as of December 30, 2019 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**Subordinated Loan Agreement**") by and among the Obligor and the Subordinated Lender;

WHEREAS, the Subordinated Lender is a shareholder of the Obligor;

WHEREAS, all of the Obligor's obligations to the Senior Lender and the Subordinated Lender are secured by security interests in all of the now existing and hereafter acquired assets, property and undertaking of the Obligor (the "**Collateral**") granted to the Senior Lender and the Subordinated Lender.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I Postponement and Subordination

Section 1.01 Payment Subordination. All present and future indebtedness and liability of the Obligor to the Subordinated Lender (collectively, the "**Subordinated Indebtedness**") is hereby postponed and subordinated to all present and future indebtedness and liability (including, without limitation, contingent liability) of the Obligor to the Senior Lender in respect of the Senior Indebtedness until the Senior Indebtedness is repaid in full, as confirmed in writing by the Senior Lender. Until the date upon which the Senior Indebtedness has been repaid in full, as confirmed in writing by the Senior Lender, the Subordinated Lender agrees that the Obligor cannot make, and the Subordinated Lender cannot receive, any payment in cash, property or security, by set-off or otherwise, owing and which may hereafter come owing by the Obligor to the Subordinated Lender (including, without limitation, interest and principal payments), without the prior written consent of the Senior Lender or as otherwise permitted by this Agreement.

Section 1.02 Permitted Payments. So long as no Default Notice (as hereinafter defined) is issued and outstanding pursuant to Section 1.03, the Subordinated Lender and the Obligor have amended the Subordinated Loan Agreement such that the interest per annum owing in respect of the principal obligations thereunder is no greater than 10%, and provided the Obligor has paid all amounts owing to the Senior Lender as required under the Senior Loan Agreement, starting on June 1, 2021, the Obligor may pay and the Subordinated Lender may receive monthly payments of interest in accordance with the Subordinated Loan Agreement. In addition and notwithstanding anything contained herein to the contrary, the Obligor may repay the Subordinated Indebtedness in whole or in part in the event the Obligor completes an equity financing, for which the use of funds includes the repayment of the Subordinated Indebtedness as permitted by the terms of such equity financing and subject to prior written approval of the Senior Lender.

Section 1.03 Default Notice. Upon the occurrence of an event which constitutes, or with notice or lapse of time or both would constitute, an event of default under the Senior Loan Agreement, or if the Senior Lender determines that any scheduled payment permitted by Section 1.02 directly above, would result in, or with notice or lapse of time or both would result in, an event of default under the Senior Loan Agreement, or payment of the Senior Indebtedness, and upon receipt by the Subordinated Lender of written notice thereof from the Senior Lender (the "**Default Notice**"), no payment in cash, property or security, by set-off or otherwise, shall be made or agreed to by the Obligor or accepted by the Subordinated Lender on account of the Subordinated Indebtedness including any payments permitted by Section 1.02 directly above.

Section 1.04 Security Subordination. All present and future security now or hereafter held, in whole or in part, by the Subordinated Lender for the Subordinated Indebtedness (collectively, the "**Subordinated Lender Security**") is hereby postponed and subordinated to all present and future security now or hereafter held, in whole or in part, by the Senior Lender to secure the Senior Indebtedness (collectively, the "**Senior Lender Security**"), until the Senior Indebtedness is repaid in full, as confirmed in writing by the Senior Lender.

Section 1.05 Consent re: Subordinated Loan Agreement Amendments. The Subordinated Lender represents and warrants to the Senior Lender that the document attached hereto as Schedule A is a true and complete copy of the Subordinated Loan Agreement, together with all amendments, if any, made in respect thereof. Without the prior written consent of the Senior Lender, neither the Subordinated Lender nor the Obligor shall amend or otherwise modify these terms of the Subordinated Loan Agreement.

Section 1.06 [*Intentionally Deleted*]

ARTICLE II Enforcement and Remedies

Section 2.01 Standstill.

- (a) The Subordinated Lender acknowledges and agrees that until all of the Senior Indebtedness has been paid in full, the Senior Lender shall have the exclusive right to take and continue (or refrain from taking and continuing) any action in

respect of its Collateral and to exercise and enforce all rights and remedies thereunder, in such order and manner as it may determine in its sole discretion. The Subordinated Lender agrees that it will not interfere with any pending or proposed sale or realization process initiated, or consented to, by the Senior Lender.

- (b) The Subordinated Lender agrees that it will not, without the prior written consent of the Senior Lender:
 - (i) exercise any right or remedy with respect to the Subordinated Indebtedness or the Subordinated Lender Security, including any collection or enforcement right or remedy;
 - (ii) institute any action or proceeding against the Obligor, or enforce any right or remedy, including, without limitation, any possession, foreclosure or sale;
 - (iii) appoint an interim receiver, receiver, receiver-manager or trustee in respect of the Obligor or over all or any part of their assets, apply for a bankruptcy order against the Obligor;
 - (iv) object to any enforcement process or action initiated by the Senior Lender.

Notwithstanding the foregoing, the Subordinated Lender may (w) file a proof of claim or attend and vote at a meeting of creditors in connection with any bankruptcy or insolvency proceeding, so long as such vote does not impair any rights of the Senior Lender; (x) take action that is required to preserve the validity or priority of the Subordinated Indebtedness or the Subordinated Lender Security; (y) obtain a monetary judgment for non-payment of the Subordinated Indebtedness, so long as it does not enforce the judgment; and (z) provide the Obligor with notice of default, demand, acceleration, enforcement or similar notice, so long as written notice is also provided to the Senior Lender.

- (c) The Subordinated Lender agrees to complete and file any proofs of claim in respect of the Subordinated Obligations reasonably requested by the Senior Lender in connection with any bankruptcy or insolvency proceeding in accordance with the terms of this Agreement and directing that all dividends be payable to the Senior Lender, until the Senior Indebtedness is paid in full, as confirmed in writing by the Senior Lender.
- (d) The Subordinated Lender authorizes the Senior Lender to collect and receive dividends or other payments that may be payable to the Subordinated Lender in any bankruptcy, insolvency, liquidation, dissolution, winding-up, or similar proceeding and apply such dividends or payments towards the Senior Indebtedness.
- (e) The Subordinated Lender agrees not to vote for any plan or arrangement, or reorganization or proposal, that does not provide for the prior repayment in full of

the Senior Indebtedness or is otherwise inconsistent with the terms of this Agreement.

- (f) The Subordinated Lender agrees that it will not object to or oppose any sale or disposition of any property securing all or any part of the Senior Indebtedness free and clear of encumbrances or other claims of the Subordinated Lender, if the Senior Lender consents to such sale or disposition.
- (g) The Subordinated Lender consents to any debtor-in-possession financing provided or approved by the Senior Lender in the event of any bankruptcy or insolvency proceeding of the Obligor.
- (h) The Subordinated Lender agrees that, until the Senior Indebtedness is paid in full, as confirmed in writing by the Senior Lender, it will not (i) seek, or support another person seeking, relief from any stay in any insolvency proceeding or support any other person seeking such relief, or (ii) object to, or support any other person objecting to, the Senior Lender's request for relief from any stay in any insolvency proceeding.
- (i) *[Intentionally Deleted]*
- (j) The Lenders agree to use good faith efforts to provide each other with copies of any letter or any notice transmitted in writing by one or the other to the Obligor relating to any event of default under the terms of the Senior Indebtedness or the Subordinated Debt, as the case may be, and the Obligor hereby expressly consents to the sharing and delivery of such information in accordance with the Senior Indebtedness and the Subordinated Indebtedness.

Section 2.02 Trust. The Subordinated Lender acknowledges and agrees that any and all proceeds received by the Subordinated Lender (including, without limitation, from the Subordinated Lender's realization, from the Obligor or its assets, from any bankruptcy or insolvency proceedings, or from insurance proceeds) shall be paid to the Senior Lender and dealt with in accordance with this Agreement. The parties acknowledge and agree that the priorities contained in this Agreement shall extend to and include all principal, interest, fees, expenses and other amounts, reimbursement and indemnity obligations, and enforcement costs. The Subordinated Lender acknowledges and agrees that, until all of the Senior Indebtedness has been paid in full, as confirmed in writing by the Senior Lender, any payment or distribution of any kind or character from the Obligor, or any other person, in respect of the Subordinated Indebtedness in violation of this Agreement, shall be held in trust by the Subordinated Lender for the benefit of the Senior Lender and forthwith paid to the Senior Lender.

ARTICLE III Miscellaneous

Section 3.01 Unconditional Obligations. All rights, agreements and obligations of the Senior Lender and the Subordinated Lender and the Obligor hereunder, to the extent applicable, will remain in full force and effect irrespective of any matter or thing, including:

- (a) The validity, lack of validity, perfection, lack of perfection, enforceability or unenforceability of any loan and security documents.
- (b) The time of creation, granting, execution, delivery, attachment, registration, filing, perfection or enforcement of any of the Senior Indebtedness or Subordinated Indebtedness, or the Senior Lender Security or the Subordinated Lender Security, or any part thereof.
- (c) The time of any loan or advance made to the Obligor by any Lender.
- (d) The jurisdictions where any of the Senior Lender Security or the Subordinated Lender Security is registered or failure of either Lender to properly register or perfect any of such security in any jurisdiction.
- (e) The time of default or demand or acceleration of payment.
- (f) Any priority otherwise granted to the Senior Indebtedness or the Subordinated Indebtedness, or the Senior Lender Security or the Subordinated Lender Security, under applicable law, including purchase-money security interests.
- (g) Any act or omission of the Obligor, or any other person.
- (h) Any other matter whatsoever.

Section 3.02 Subrogation. The Subordinated Lender shall not be subrogated to the rights of the Senior Lender to receive payments of cash or other property of the Obligor in respect of and on account of the Subordinated Indebtedness unless and until the Senior Indebtedness has been repaid in full, as confirmed in writing by the Senior Lender. For the purposes of such subrogation, no payment or distribution made to the Senior Lender to which the Subordinated Lender would be entitled except for this Agreement, and no payments made under the provisions of this Agreement to the Senior Lender by the Subordinated Lender, shall, as among the Obligor, its creditors and the Subordinated Lender, be deemed to be a payment by the Obligor to or on account of the Subordinated Indebtedness. The Subordinated Lender agrees that in the event that all or any part of a payment made with respect to the Senior Indebtedness is returned to the Obligor from the Senior Lender in a bankruptcy or insolvency proceeding, or otherwise, any payment or distribution received by the Subordinated Lender with respect to the Subordinated Indebtedness at any time after the date of the payment that is so recovered, whether under the right of subrogation provided for in this Agreement, or otherwise, shall be deemed to have been received by the Subordinated Lender in trust for the Senior Lender, and the Subordinated Lender shall forthwith deliver the same to the Senior Lender for application to the Senior Indebtedness, until the Senior Indebtedness has been paid in full, as confirmed in writing by the Senior Lender.

Section 3.03 Fraudulent Preferences and Conveyances. If the Senior Lender receives any payment or other distribution on account of the Senior Indebtedness and such payment or other distribution is subsequently invalidated, declared to be fraudulent or preferential, or required to be repaid to the Obligor, an interim receiver, receiver, receiver manager, trustee or other person then, to the extent of such payment required to be repaid, the Senior Indebtedness shall be revived as if such payment had not been received by the Senior Lender.

Section 3.04 Amendment and Modification. This Agreement may only be amended, modified or supplemented by an agreement in writing, signed by the Senior Lender and the Subordinated Lender. The agreement in writing shall then be binding on the Obligor.

Section 3.05 Waiver. No waiver by any party of any of the provisions hereof is effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party will operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof, or the exercise of, any other right, remedy, power or privilege.

Section 3.06 Successors and Assigns. This Agreement is binding upon, and shall enure to the benefit of, the parties hereto and their respective successors and permitted assigns. The Senior Lender may, from time to time, without notice to the Subordinated Lender, assign, encumber or transfer any or all of the Senior Indebtedness, the Senior Lender Security, or any interest therein to any person and, notwithstanding any such assignment, encumbrance or transfer, or any subsequent assignment, encumbrance or transfer, the Senior Indebtedness, the Senior Lender Security, or any interest therein shall, subject to the terms hereof, be and remain the Senior Indebtedness and the Senior Lender Security for purposes of this Agreement, and every permitted assignee, or transferee of any of the Senior Indebtedness, the Senior Lender Security or of any interest therein shall, to the extent of the interest of such permitted assignee or transferee in the Senior Indebtedness, the Senior Lender Security or any interest therein, be entitled to rely upon and be the third-party beneficiary of the subordination provided under this Agreement and shall be entitled to enforce the terms and provisions hereof to the same extent as if such assignee or transferee were initially a party hereto. The Subordinated Lender cannot sell, assign, encumber or otherwise transfer, in whole or in part, the Subordinated Indebtedness, the Subordinated Lender Security, or assign its rights under this Agreement, without the prior written consent of the Senior Lender and unless such permitted assignee signs a written agreement in form and substance satisfactory to the Senior Lender, agreeing to be bound by the terms of this Agreement.

Section 3.07 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing, addressed to the parties at the addresses set forth in the Senior Loan Agreement and the Subordinated Loan Agreement respectively and delivered to the parties as set forth in the Senior Loan Agreement and the Subordinated Loan Agreement respectively.

Section 3.08 Further Assurances. Each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be required to carry out the provisions hereof and give effect to the transactions contemplated hereby.

Section 3.09 [*Intentionally Deleted*]

Section 3.10 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 3.11 Governing Law. This Agreement is governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in that Province.

Section 3.12 Submission to Jurisdiction. Any action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby will be instituted in the courts of the Province of Ontario, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such action or proceeding.

Section 3.13 Counterparts and Facsimile. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 3.14 Entire Agreement. This Agreement and all related exhibits and schedules, constitutes the sole and entire agreement of the parties to this Agreement, with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

[SIGNATURE PAGE FOLLOWS]


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

TWEED FRANCHISE INC.

By: 
Name: Phil Shaer
Title: Chief Legal Officer

SIGNED, SEALED AND DELIVERED by)
ARTHUR MINH TRI NGUYEN-CAO)
in the presence of:)


_____) (seal)
ARTHUR MINH TRI NGUYEN-CAO


_____)
Witness)

TO: TWEED FRANCHISE INC.
AND TO: ARTHUR MINH TRI NGUYEN-CAO

We acknowledge and agree with the terms and covenants contained in this Agreement and agree to be bound by them.

ONTARIO CANNABIS HOLDINGS CORP.

By: _____
Name:
Title:

**SCHEDULE A
SUBORDINATED LOAN AGREEMENT**

ONTARIO CANNABIS HOLDINGS CORP.**SECURED GRID PROMISSORY NOTE**

FOR VALUE RECEIVED, Ontario Cannabis Holdings Corp., a corporation existing under the *Business Corporations Act* (Ontario) (the “Company”), promises to pay to Arthur Minh Tri Nguyen-Cao (“Holder”), or its assigns, in lawful money of Canada, the principal amount outstanding as recorded by the Holder in the column entitled “Unpaid Principal Balance” on the record (the “Grid”) attached to and forming part of this Note (the “Principal Amount”). The outstanding Principal Amount shall bear interest at the rate of 15% per annum from the date of advance noted on the Grid. All unpaid Principal Amount together with the foregoing interest accrued and unpaid thereon (the “Indebtedness”) shall be immediately due and payable on the earlier of (i) a written demand made by the Majority Holders (as defined below); (ii) upon the closing of a Change of Control (as defined below); or (iii) upon the occurrence of an Event of Default (as defined below).

The Holder shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (a) the date and amount of each advance made by the Holder and the resulting increase in the Principal Amount, and (b) the date and amount of each repayment on account of principal paid to the Holder and the resulting decrease of the Principal Amount. Such notations, in the absence of manifest mathematical error, is evidence of such advances, repayments and the Principal Amount; provided that the failure of the Holder to record the same shall not affect the obligations of the Company to pay such amounts to the Holder.

This Note may be one of a series of secured promissory notes issued by the Company to certain other holders (collectively, together with this Note, the “Notes”). The Notes shall rank *pari passu* with each other in the right to repayment. The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. **Definitions.** As used in this Note, the following capitalized terms have the following meanings:

(a) “Affiliate” means any person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified person, including, without limitation, any general partner, officer, director or manager of such person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such person. For the purposes of this Section 1(a), the expression “control” has the meaning attributed to it under the *Business Corporations Act* (Ontario).

(b) “Change of Control” means a transaction or a series of related transactions whereby (i) the Company shall (A) sell, convey, lease, out-license (other than as part of the Company’s generally available commercial product or service), or otherwise dispose of, whether accomplished in a single transaction or in a series of related transactions, all or substantially all of its property or business; (B) amalgamate or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation) or other entity or person; (C) effect any other

corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, amalgamation, arrangement, merger or reorganization, own less than 50% of the voting power of the surviving entity immediately after such consolidation, amalgamation, arrangement, merger or reorganization; or (D) effect any other transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of; or (ii) a person or a group of related persons acquires from the shareholders of the Company, shares representing more than 50% of the outstanding voting power of the Company.

(c) "Event of Default" means the occurrence of any of the following:

(i) the Company fails to pay, when due, any payment required under the terms of this Note and such payment is not made within five days of the Company's receipt of Holder's written notice to the Company of such failure;

(ii) the Company (1) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (2) makes a general assignment for the benefit of its or any of its creditors, (3) is dissolved or liquidated in full or in part, (4) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (5) takes any action for the purpose of effecting any of the foregoing; or

(iii) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and either (1) an order for relief is entered, or (2) such proceeding is not dismissed or discharged within 60 days of commencement.

(d) "Majority Holders" shall mean holders representing a majority of the aggregate Principal Amounts of the then outstanding Notes, as of the applicable time of reference.

2. **Prepayment.** The Company has the right and privilege of prepaying the whole or any portion of the Indebtedness without notice, bonus or penalty, provided that any prepayments shall be made *pro rata* among the holders of all of the Notes based on the relative outstanding Principal Amounts of the Notes. Any such prepayments shall be applied first in satisfaction of any accrued but unpaid interest, and thereafter to the outstanding Principal Amount and all prepayments shall be in lawful money of Canada.

3. **Events Default.** Upon the occurrence or existence of any Event of Default, and at any time thereafter during the continuance of such Event of Default, the Majority Holders may, by written notice to the Company, declare all outstanding obligations payable by the Company under the Notes to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Majority Holders may exercise any other right, power or remedy granted to

the Holder by this Note or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

4. **Security.**

(a) As continuing security for the due and timely payment by the Company of the Indebtedness hereunder, the Company hereby grants a general security interest creating a charge over all presently existing or hereafter acquired or arising Collateral (as defined below), subject to any already existing security interests registered against the Company. The Holder's security in the Collateral shall continue until the obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the obligations (other than inchoate indemnity obligations), Holder shall, at the sole cost and expense of the Company, release its security in the Collateral and all rights therein shall revert to the Company.

(b) For purposes hereof, "Collateral" means all of the Company's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

(c) The Company hereby authorizes Holder to file financing statements, without notice to the Company, with all appropriate jurisdictions to perfect or protect Holder's interest or rights hereunder, including a notice that any disposition of the Collateral, by either the Company or any other person, shall be deemed to violate the rights of Holder under applicable legislation.

5. **Postponement and Subordination.** The Indebtedness is hereby postponed and subordinated in right of payment to the prior payment in full of any and all Senior Indebtedness, except and to the extent as may be expressly permitted by the terms of such Senior Indebtedness. For the purposes of this Section 6, "Senior Indebtedness" shall mean all amounts due in connection with (i) indebtedness of the Corporation to banks or other lending institutions regularly engaged in the business of lending money; and (ii) any such indebtedness or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

6. **Company Representations.**

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Canada, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this instrument is within the power of the Company and has been duly authorized by all necessary actions on the part of the Company. This instrument constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(c) The performance and consummation of the transactions contemplated by this Note do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No third party consents or approvals are required in connection with the performance of this instrument.

7. **Successors and Assigns.** Subject to the restrictions on transfer described in Sections 8 and 9, the rights and obligations of the Company and Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

8. **Transfer of this Note.** This Note shall not be transferred by Holder (other than to an Affiliate) without the prior written consent of the Company.

9. **Assignment by the Company.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Company without the prior written consent of the Majority Holders.

10. **Amendments.** Any provision of this Note may be amended, waived or modified upon the written consent of the Company and the Majority Holders; *provided, however*, that if any amendment or waiver affects a Holder differently and in a materially adverse manner relative to the other holders of Notes, the consent of such Holder shall be required for such amendment or waiver.

11. **Waivers.** No waiver of any obligation of the Company under this Note shall be effective unless it is in writing and signed by the majority Holders. A waiver by the Majority Holders of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time. The Company waives presentment for payment, demand, protest, notice of demand, notice of protest and notice of prepayment of this Note, and all other notices or demands of any kind in connection with the delivery, acceptance, performance, default or enforcement hereof, and hereby consents to any delays, extensions of time, renewals, waivers or modifications that may be granted or consented to by the holder hereof with respect to the time of payment or any other provision hereof.

AGREED TO AND ACCEPTED as of the above original issue date of this Note.

HOLDER:



Name: Arthur Minh Tri Nguyen-Cao

Email Address:

Address: 256 Woodhaven Bay SW
Calgary, Alberta
T2W 5S2

**SCHEDULE A
ADVANCES AND REPAYMENT OF PRINCIPAL**

Date	Amount of Advance	Principal Repaid or Prepaid	Unpaid Principal Balance	Notation Made By
December 30, 2019	C\$150,000			
December 31, 2019	C\$20,000			
January 9, 2020	C\$100,000			
January 14, 2020	C\$100,000			
February 3, 2020	C\$150,000			
February 5, 2020	C\$30,000			

This is Exhibit "X" referred to in the
Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of
the City of Calgary, in the Province of Alberta, before me at
the City of Toronto, in the Province of Ontario,
this 21st day of December, 2023 in accordance with
O. Reg. 431/20, Administering Oath or Declaration Remotely.

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

December 21, 2023

PERSONAL & CONFIDENTIAL

VIA REGISTERED AND REGULAR MAIL

VIA EMAIL TO: Jeff Holmgren: jeffh@treescorp.ca / Campbell Becher: rwbecher@gmail.com

ONTARIO CANNABIS HOLDINGS CORP.

1800-181 Bay Street
Toronto, ON M5J2T9
Attention: Jeff Holmgren

Re: *Indebtedness of Ontario Cannabis Holdings Corp. (the "Borrower") to CJ Marketing Ltd. ("CJ Marketing") and Arthur Minh Tri Nguyen-Cao ("Arthur", and collectively, the "Lenders")*

Dear Sirs

We are lawyers for the Lenders.

Pursuant to a Secured Grid Promissory Note issued on December 23, 2019, as amended by the First Amendment to the Secured Grid Promissory Note dated December 31, 2021 (collectively, the "**CJ Marketing Note**"), CJ Marketing made a loan to the Borrower in the principal amount of \$380,000 (the "**CJ Marketing Loan**").

Pursuant to the terms of the CJ Marketing Note, as security for the Borrower's obligations to CJ Marketing under the CJ Marketing Loan, the Borrower, *inter alia*, granted CJ Marketing a general security interest creating a charge over all present, existing or acquired personal property of the Borrower.

Pursuant to a Secured Grid Promissory Note issued on December 30, 2019, as amended by the First Amendment to the Secured Grid Promissory Note dated December 31, 2021 (collectively, the "**Arthur Note**"), Arthur made a loan to the Borrower in the principal amount \$540,000 (the "**Arthur Loan**", and together with the CJ Marketing Loan, the "**Loans**").

Pursuant to the terms of the Arthur Note, as security for the Borrower's obligations to Arthur under the Arthur Loan, the Borrower, *inter alia*, granted Arthur a general security interest creating a charge over all present, existing or acquired personal property of the Borrower.

We are advised by the Lenders that as at December 20, 2023, the Borrower is indebted to the Lenders in the following amounts:

- 1) under the CJ Marketing Loan, in the amount of \$539,725.12 for principal and interest, exclusive of legal costs; and
- 2) under the Arthur Loan in the amount of \$767,978.02 for principal and interest, exclusive of legal costs.

The Loans matured on January 1, 2023, and have not been repaid.

On behalf of the Lenders, we hereby demand payment of the Borrower's indebtedness to the Lenders. Unless payment of the aforesaid amounts, together with additional interest accrued and fees and costs (including legal costs) incurred to the date of payment are paid forthwith, the Lenders shall take such steps as they deem necessary to recover payment of the Borrower's indebtedness in full, which may include enforcement of the Lenders' security.

Enclosed please find the Lenders' Notice of Intention to Enforce Security, which are served upon the Borrowers pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Yours truly,
CHAITONS LLP



Maya Poliak
PARTNER
Encls.

cc: Clients
Sam Carsley, Canopy Growth Corporation – sam.carsley@canopygrowth.com

NOTICE OF INTENTION TO ENFORCE A SECURITY
(given pursuant to section 244 of the *Bankruptcy and Insolvency Act*)

To: **ONTARIO CANNABIS HOLDINGS CORP.**, an insolvent corporation

Take notice that:

1. **CJ MARKETING LTD.** and **ARTHUR MINH TRI NGUYEN-CAO**, each a secured creditor, intend to enforce their security on all of the present and after-acquired property of Ontario Cannabis Holdings Corp. (the "**Debtor**").
2. The security that is to be enforced is in the form of the following (collectively, the "**Security**"):
 - (a) a Secured Grid Promissory Note issued to CJ Marketing Ltd. on December 23, 2019, as amended by the First Amendment to the Secured Grid Promissory Note dated December 31, 2021, pursuant to which the Debtor granted a general security interest in all of its present and after acquired property to CJ Marketing Ltd. (the "**CJ Security**"); and
 - (b) a Secured Grid Promissory Note issued to Arthur Minh Tri Nguyen-Cao on December 30, 2019, as amended by the First Amendment to the Secured Grid Promissory Note dated December 31, 2021, pursuant to which the Debtor granted a general security interest in all of its present and after acquired property to Arthur Minh Tri Nguyen-Cao (the "**Arthur Security**").
3. The total amount of indebtedness secured by the CJ Security as at the close of business on December 20, 2023 is \$539,725.12 inclusive of principal and interest (excluding legal costs).
4. The total amount of indebtedness secured by the Arthur Security as at the close of business on December 20, 2023 is \$767,978.02 inclusive of principal and interest (excluding legal costs).
5. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice unless the insolvent person consents to an earlier enforcement.

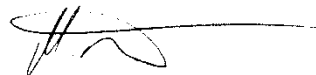
DATED at Toronto, this 21th day of December, 2023.

CJ MARKETING LTD.
by its lawyers, Chaitons LLP



Maya Poliak

ARTHUR MINH TRI NGUYEN-CAO
by his lawyers, Chaitons LLP



Maya Poliak

This is Exhibit "Y" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI



CANOPY GROWTH
UNLEASHING THE POWER OF CANNABIS

December 18, 2023

SENT BY ELECTRONIC MAIL

OCH Ontario Consulting Corp.
201 – 620 12th Ave SW
Calgary, AB T2R 0H5

Attention: Jeff Holmgren
Email: jeff@ocholdings.ca

Trees Corporation (formerly Ontario Cannabis Holdings Corp.)
201 – 620 12th Ave SW
Calgary, AB T2R 0H5

Attention: Jeff Holmgren
Email: jeff@ocholdings.ca

RE: NOTICE UNDER PROMISSORY NOTE DATED MARCH 11, 2020

We write with reference to outstanding principal and accrued but unpaid interest owing under the promissory note dated March 11, 2020 (together with all amendments and addendums thereto being hereinafter collectively referred to as the “**Tweed Note**”) issued to Tweed Franchise Inc. (“**Tweed**”) by OCH Ontario Consulting Corp. (“**OCC**”) and guaranteed by Ontario Cannabis Holdings Corp. (“**OCH**”) (whose successor by amalgamation is Trees Corporation (“**Trees**”)), in respect of certain credit facilities Tweed agreed to make available to **OCC**.

The unpaid principal under the Tweed Note is currently \$900,000 (the “**Tweed Note Balance**”) and was due upon maturity in March 2023. Pursuant to Section 5.2 of the Tweed Note, interest is continuing to accrue on all unpaid amounts owing pursuant to the Tweed Note, including the Tweed Note Balance.

Please accept this letter a written notice for payment of the Tweed Note Balance and any accrued but unpaid interest thereon within five (5) business days at the date of this letter, failing which we will be remitting this matter to our litigation counsel. If and until this matter is resolved, we reserve all of our rights and remedies.

We remind OCC of its obligations under Section 13.10 of the Tweed Note that all money of OCC be maintained in the Cash Collateral Account (as defined in the Tweed Note and detailed in the blocked account agreement made as of September 25, 2020 between Bank of Montreal, OCC and Tweed). Based on our review of the account statements for the Cash Collateral Account, it does not appear that OCC has been directing all money to and/or retaining all money in such account and we would instruct OCC to transfer all monies, regardless of form and/or currency, to the Cash Collateral Account within five (5) business days of the date of this letter and to advise us in writing when this has been completed.

Also, pursuant to our board observer rights detailed in Section 2)b) of the side letter between Canopy Growth Corporation (“**Canopy**”) and OCH dated May 15, 2020, Canopy requests



CANOPY GROWTH
UNLEASHING THE POWER OF CANNABIS

copies all notices, minutes, consents and any other material that OCH has provided in the past 24 months to the members of the board or the committees (including annual budgets, audit reports and other reports or packages that are provided to the members of the board or the committees).

Please do not hesitate to contact the undersigned should you have any questions or otherwise wish to discuss the contents of this letter.

We look forward to your response and prompt payment.

Regards,

A handwritten signature in black ink, appearing to be 'S. Carsley', written over a white background.

Samuel Carsley
Vice-President, General Counsel
Canopy Growth Corporation

CC:

Harinder Basra, Bennett Jones LLP, Basrah@bennettjones.com

Sarah Eskandari, Canopy Growth Corporation, sarah.eskandari@canopygrowth.com

This is Exhibit "Z" referred to in the
Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of
the City of Calgary, in the Province of Alberta, before me at
the City of Toronto, in the Province of Ontario,
this 21st day of December, 2023 in accordance with
O. Reg. 431/20, Administering Oath or Declaration Remotely.

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

OCH ONTARIO CONSULTING CORP.**SECURED GRID PROMISSORY NOTE**

FOR VALUE RECEIVED, OCH Ontario Consulting Corp., a corporation existing under the *Business Corporations Act* (Ontario) (the “**Company**”), promises to pay to Trees Corporation, a corporation existing under the *Business Corporations Act* (Alberta) (the “**Holder**”), or its assigns, in lawful money of Canada, the principal amount outstanding as recorded by the Holder in the column entitled “**Unpaid Principal Balance**” on the record (the “**Grid**”) attached to and forming part of this Note (the “**Principal Amount**”). The outstanding Principal Amount shall bear interest at the rate of 8.5% per annum from the date of advance noted on the Grid.

All unpaid Principal Amount together with the foregoing interest accrued and unpaid thereon (the “**Indebtedness**”) shall be immediately due and payable on the earlier of: (i) the Maturity Date (as defined below); or (iii) upon the occurrence of an Event of Default (as defined below).

The Holder shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (a) the date and amount of each advance made by the Holder and the resulting increase in the Principal Amount, and (b) the date and amount of each repayment on account of principal paid to the Holder and the resulting decrease of the Principal Amount. Such notations, in the absence of manifest mathematical error, is evidence of such advances, repayments and the Principal Amount; provided that the failure of the Holder to record the same shall not affect the obligations of the Company to pay such amounts to the Holder.

The following is a statement of the rights of Holder and the conditions to which this Note is subject, and to which Holder, by the acceptance of this Note, agrees:

1. **Definitions.** As used in this Note, the following capitalized terms have the following meanings:
 - (a) “**Affiliate**” means any person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified person, including, without limitation, any general partner, officer, director or manager of such person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or is under common investment management with, such person. For the purposes of this Section 1(a), the expression “**control**” has the meaning attributed to it under the *Business Corporations Act* (Ontario).
 - (b) “**Amalgamation**” means the amalgamation of the Company and 2800962 Ontario Inc., a wholly-owned subsidiary of the Holder, pursuant to the terms of the amalgamation agreement to be entered into among the Company, the Holder, and 2800962 Ontario Inc., substantially in the form attached as Schedule A to the merger agreement dated January 29, 2021 among the Company, the Holder, 2800962 Ontario Inc. and 1015712 B.C. Ltd.

- (c) “**Business**” means the establishment, development and operation of a retail cannabis location.
- (d) “**Business Day**” means a day other than a Saturday, a Sunday, or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business.
- (e) “**Extension Period**” means, upon the written agreement of the Holder and the Company, an extension of the Maturity Date for a period of 90 days from the date of the closing of the Amalgamation.
- (f) “**Event of Default**” means the occurrence of any of the following:
 - (i) the Company fails to pay, when due, any payment required under the terms of this Note and such payment is not made within ten (10) Business Days of the Company’s receipt of Holder’s written notice to the Company of such failure;
 - (ii) the Company (1) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (2) makes a general assignment for the benefit of its or any of its creditors, (3) is dissolved or liquidated in full or in part, (4) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (5) takes any action for the purpose of effecting any of the foregoing; or
 - (iii) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and either (1) an order for relief is entered, or (2) such proceeding is not dismissed or discharged within 60 days of commencement.
- (g) “**IFRS**” means International Financial Reporting Standards adopted by the International Accounting Standards Board, as applicable at the relevant time, applied on a consistent basis.
- (h) “**Maturity Date**” shall mean the closing of the Amalgamation.
- (i) “**Retail Location**” means a retail cannabis store owned and operated by the Company or its Affiliates.

2. **Prepayment.** The Company has the right and privilege of prepaying the whole or any portion of the Indebtedness without notice, bonus or penalty. Any such prepayments shall be applied first in satisfaction of any accrued but unpaid interest, and thereafter to the outstanding Principal Amount and all prepayments shall be in lawful money of Canada.

3. **Events Default.** Upon the occurrence an Event of Default that is continuing, the Holder may, by written notice to the Company, declare all outstanding obligations payable by the Company under this Note to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding. In addition to the foregoing remedies, upon the occurrence or existence of any Event of Default, the Holder may exercise any other right, power or remedy granted to the Holder by this Note or otherwise permitted to it by law, either by suit in equity or by action at law, or both.

4. **Security.**

- (a) As continuing security for the due and timely payment by the Company of the Indebtedness hereunder, the Company hereby grants a general security interest creating a charge over all presently existing or hereafter acquired or arising Collateral (as defined below), subject to any already existing security interests registered against the Company. The Holder's security in the Collateral shall continue until the obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the obligations (other than inchoate indemnity obligations), Holder shall, at the sole cost and expense of the Company, release its security in the Collateral and all rights therein shall revert to the Company.
- (b) For purposes hereof, "**Collateral**" means all of the Company's right, title and interest in and to the following personal property: all goods, accounts, equipment, inventory, contract rights or rights to payment of money, leases, license agreements, option agreements to purchase real property, franchise agreements, general intangibles, commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, certificates of deposit, guaranteed investment certificates, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and all the Company's books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.
- (c) The Company hereby authorizes Holder to file financing statements, without notice to the Company, with all appropriate jurisdictions to perfect or protect Holder's interest or rights hereunder, including a notice that any disposition of the Collateral, by either the Company or any other person, shall be deemed to violate the rights of

Holder under applicable legislation. The Company hereby waives its right to receive a copy of any such financing statements.

5. **Postponement and Subordination.** The Indebtedness is hereby postponed and subordinated in right of payment to the prior payment in full of any and all Senior Indebtedness, except and to the extent as may be expressly permitted by the terms of such Senior Indebtedness. For the purposes of this Section 5, “**Senior Indebtedness**” shall mean all amounts due in connection with (i) indebtedness of the Company to Tweed Franchise Inc., (ii) indebtedness of the Company to banks or other lending institutions regularly engaged in the business of lending money; and (iii) any such indebtedness or other evidence of indebtedness issued in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

6. **Company Representations.**

- (a) The Company is a corporation duly organized, validly existing and in good standing under the laws of Canada, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.
- (b) The execution, delivery and performance by the Company of this instrument is within the power of the Company and has been duly authorized by all necessary actions on the part of the Company. This instrument constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors rights generally and general principles of equity.
- (c) The performance and consummation of the transactions contemplated by this Note do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material indenture or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien upon any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.
- (d) No third party consents or approvals are required in connection with the performance of this instrument.

7. **Covenants.** While any amount owing under this Note remains unpaid or the Company owes any obligations under this Note, the Company covenants with the Lender as follows:

- (a) It shall preserve and maintain its existence.
- (b) It shall preserve and keep in full force and effect all its rights, powers, licences, permits, franchises and goodwill necessary to the proper conduct of its business, following the issuance of the same (if applicable).

- (c) It shall keep accurate and complete books, records, and accounts in connection with all of its business activities in accordance with sound accounting practices and with IFRS, consistently applied.
- (d) It shall use the proceeds of advances under this Note only for working capital expenses and out-of-pocket expenses incurred in connection with the establishment, development and construction of the Business at a Retail Location.
- (e) It shall maintain a standard system of accounting in accordance with IFRS and shall promptly provide to the Holder of any information respecting its Business and financial condition that the Holder may reasonably request. The Company shall, without any request from the Holder, provide to the Holder:
 - (i) forthwith, a copy of its most recent available financial statements (whether those statements cover a monthly, quarterly, or annual reporting period),
 - (ii) promptly after knowledge of either comes to the attention of any officer or director of the Company, written notice of: (A) any threatened or pending litigation or governmental proceeding against it that, if adversely determined, would either have a material adverse effect or result in any Event of default or (B) any other event or occurrence that would have a material adverse effect or result in an Event of Default, and
 - (iii) promptly after knowledge of it comes to the attention of any officer or director of the Company, written notice of any Event of Default.
- (f) Within 30 days following each fiscal quarter, it shall direct or pay to the Holder all profits generated from the Retail Locations net of store operation costs and pre-approved general and administrative costs, which payments shall be applied by the Holder to reduce and repay the Indebtedness.

8. **Extension of Maturity Date.** Upon written notice to the Holder and provided that the Company is not in default under this Note or any other agreement between the Holder and the Company, the Company may request that the term of this Note be extended by the Extension Period.

9. **Successors and Assigns.** Subject to the restrictions on transfer described in Sections 10 and 11, the rights and obligations of the Company and Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

10. **Transfer of this Note.** This Note shall not be transferred by Holder (other than to an Affiliate) without the prior written consent of the Company.

11. **Assignment by the Company.** Neither this Note nor any of the rights, interests or obligations hereunder may be assigned, in whole or in part, by the Company without the prior written consent of the Holder.

12. **Amendments.** Any provision of this Note may be amended, waived or modified upon the written consent of the Company and the Holder.
13. **Waivers.** No waiver of any obligation of the Company under this Note shall be effective unless it is in writing and signed by the Holder. A waiver by the Holder of any right or remedy under this Note on any occasion shall not be a bar to exercise of the same right or remedy on any subsequent occasion or of any other right or remedy at any time.
14. **Security.** The Company acknowledges that the security granted in Section 4 above secures all present and future Indebtedness evidenced by this Note.
15. **Time is of Essence.** Time is of the essence of this Note.
16. **Fees, Costs and Expenses.** The Company shall reimburse the Holder for its reasonable out-of-pocket expenses incurred in connection with this Note, including but not limited to reasonable legal fees and expenses. In the event the Holder retains counsel to collect, enforce or protect its interests with respect to this Note, the Company shall pay all costs and expenses of such collection, enforcement or protection, including reasonable legal fees, whether or not a legal action is commenced.
17. **Notices.** Any notice required or permitted by this Note shall be in writing and shall be deemed sufficient upon delivery, when emailed, when delivered personally or by a recognized delivery service, or 48 hours after being deposited in the mail, as certified or registered mail, with postage prepaid, addressed to the party to be notified at such party's address as set forth below or as subsequently modified by written notice.
18. **Governing Law.** This Note and all actions arising out of or in connection with this Note shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
19. **Copy of this Note.** The Company acknowledges receipt of an executed copy of this Note.

IN WITNESS WHEREOF, the Company has caused this Note to be issued as of
February 11, 2021.

COMPANY:

OCH ONTARIO CONSULTING CORP.

By: *Jeff Holmgren*
Name: Jeff Holmgren
Title: Vice-President and Chief Financial
Officer

Email Address: jeff@ocholdings.ca

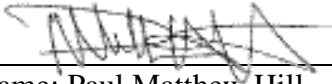
Address: Aird & Berlis LLP
c/o Melanie Cole, Partner
Brookfield Place,
181 Bay Street, Suite 1800
Toronto, Canada M5J 2T9

AGREED TO AND ACCEPTED as of the above original issue date of this Note.

HOLDER:

TREES CORPORATION

By:



Name: Paul Matthew Hill

Title: Chairman

Email Address: mhill@hillcompanies.com

Address: Trees Corporation
250 - 6th Avenue SW, Suite 920
Calgary, AB T2P 3H7

SCHEDULE A
ADVANCES AND REPAYMENT OF PRINCIPAL

Date	Amount of Advance	Principal Repaid or Prepaid	Unpaid Principal Balance	Notation Made By
February 11, 2021	\$1,300,000		\$1,300,000	Jeff Holmgren

This is Exhibit "AA" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

PROMISSORY NOTE

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PROMISSORY NOTE

Dated March 11, 2020

GRANTED BY:

2707461 ONTARIO INC., an Ontario corporation (the "**Borrower**")

IN FAVOUR OF:

OCH ONTARIO CONSULTING CORP., an Ontario corporation
(the "**Lender**").

WHEREAS the Borrower is developing a business involving the establishment, development and operation of a retail cannabis location in Ontario (the "**Business**").

AND WHEREAS the Lender has entered into certain financing arrangements with Tweed Franchise Inc. ("**Canopy**") whereby Canopy has agreed to advance certain funds to the Lender for the purpose of the Lender re-advancing those funds to certain Persons in support of such Person's business involving the establishment, development and operation of retail cannabis locations in Ontario, pursuant to the terms of the Master Lending Agreement (as defined herein).

AND WHEREAS the Borrower desires to secure financing arrangements to facilitate the establishment, development and construction of the Business, and has requested that the Lender assist in providing financing arrangements.

AND WHEREAS by virtue of the Lender satisfying all conditions precedent to make a Permitted Readvance (as such term is defined in the Master Lending Agreement) to the Borrower pursuant to the terms of the Master Lending Agreement (including, without limitation, granting Canopy a specific assignment of the Lender's rights and interests arising under, pursuant to, or in connection with this note) the Lender is permitted to re-advance certain funds advanced by Canopy under the Master Lending Agreement, up to the Maximum Principal Amount, to the Borrower pursuant to the terms hereof.

AND WHEREAS the Borrower intends to use Advances made hereunder solely in the development and operation of a retail cannabis location at 3007 New Street, Burlington, ON (the "**Retail Location**").

AND WHEREAS the Borrower, the Lender and Cameron King are parties to an amended and restated unanimous shareholder agreement made effective as of December 9, 2019 providing for the management and control of the Borrower (as the same may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time, the "**USA**").

NOW THEREFORE in consideration of the credit facilities the Lender has agreed to make available to the Borrower, the Borrower has issued this note in favour of the Lender and agree as follows:

1. Definitions.

In this note, in addition to the terms defined above, the following definitions apply:

1.1 "Account Debtor" means a party obligated to pay the Borrower under any account, chattel paper, or instrument.

- 1.2** "Advances" means any borrowing by the Borrower from the Lender, from time to time, pursuant to the terms hereof.
- 1.3** "Advisory Services Agreement" means the amended and restated advisory services agreement made as of December 9, 2019 between the Lender, as advisor, and the Borrower, as the same may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time.
- 1.4** "Affiliate" shall have the meaning given to the term "affiliate" under the Ontario Cannabis Act.
- 1.5** "Bankruptcy Event" means, with respect to any Person, that:
- (a) the Person fails to pay or perform its obligations generally as they become due or admits its inability to pay its debts generally,
 - (b) the Person is an insolvent person or commits or threatens to commit an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* (Canada),
 - (c) a Bankruptcy Proceeding (excluding any Bankruptcy Proceeding instituted against that Person that is being contested by that Person in good faith by appropriate proceedings so long as enforcement remains stayed, none of the relief sought is granted (either on an interim or permanent basis), and the Bankruptcy Proceeding is dismissed within thirty (30) days of its commencement), or
 - (d) the Person takes any action to authorize any of the actions set forth above in this definition.
- 1.6** "Bankruptcy Proceeding" means, with respect to any Person, the commencement of any proceeding or the taking of any step, whether voluntary or involuntary or whether instituted by or against that Person, under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada), or any other similar legislation of any jurisdiction seeking any of the following or resulting, by operation of law, in the bankruptcy of that Person:
- (a) any moratorium, reorganization, adjustment, composition, proposal, compromise, arrangement, or other similar relief in respect of any or all of that Person's obligations,
 - (b) the winding up, liquidation, or dissolution of that Person or all or any part of its businesses, undertaking, properties, and assets,
 - (c) any order declaring, finding, or adjudging that Person insolvent or bankrupt, or
 - (d) the appointment (provisional, interim, or permanent) of any receiver, receiver and manager, trustee, monitor, custodian, liquidator, or other Person with similar powers.
- 1.7** "Business" has the meaning set out in the recitals hereto.
- 1.8** "Business Day" means a day other than a Saturday, a Sunday, or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business.

1.9 "**Cannabis Legislation**" means, collectively, the *Cannabis Act* (Canada) and the regulations thereunder, the Ontario Cannabis Act and any other federal or Ontario legislation or regulations relating to and governing the cultivation, processing, sale, distribution, testing or researching of cannabis goods and services.

1.10 "**Cannabis Permits**" means all permits or licences of any nature (including, without limitation, any retail store authorization or retail operator licence granted pursuant to the *Cannabis Licence Act, 2018* (Ontario)) held by the Borrower, as of the date of this note or thereafter, under any Cannabis Legislation that are necessary or desirable to lawfully conduct or maintain, directly or indirectly, its cannabis-related activities and interests in the province of Ontario.

1.11 "**Debt**" means, for any Person, at any time,

- (a) all items (including the Advances) that would then be classified as liabilities on such Person's balance sheet or in the notes to the balance sheet, and
- (b) without duplication, any item that is then to the Person, as applicable:
 - (i) an obligation in respect of borrowed money, for the deferred purchase price of property or services, or that is evidenced by a note, bond, debenture, or any other similar instrument,
 - (ii) a transfer with recourse or with an obligation to repurchase, to the extent of the Person's applicable liability,
 - (iii) an obligation secured by any Lien on any of the Person's property to the extent attributable to the Person's respective interest in that property, even though it has not assumed or become liable for its payment,
 - (iv) a capital lease obligation,
 - (v) an obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee,
 - (vi) the aggregate amount at which any shares in the Person's capital that are redeemable or retractable at the option of the holder of those shares (except where the holder is the applicable Person) may be redeemed or retracted, or
 - (vii) any other obligation arising under arrangements or agreements that, in substance, provide financing;

provided, however, that there will not be included for the purpose of this definition any item that is on account of:

- (i) issued share capital or surplus, subject to paragraph (vi) above,
- (ii) reserves for deferred income taxes or general contingencies, or
- (iii) trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course of business, unless any of the trade accounts payable or accrued liabilities under this paragraph remain

unpaid more than one hundred and twenty (120) days after the date on which they were incurred.

1.12 "Default" means the occurrence of one or more of the following events:

- (a) the Borrower defaults in the payment or performance of any obligation under any of the Transaction Documents or under any other document in respect of any other debt for borrowed money,
- (b) any representation or warranty made by the Borrower in any Transaction Document was incorrect or misleading in any material respect,
- (c) the Borrower denies its obligations under any Transaction Document or the Borrower claims that any Transaction Document is invalid or has been withdrawn in whole or in part,
- (d) any legislation is enacted or any decree or order of a court, statutory board, or commission is entered into or obtained that renders any of the Transaction Documents or any material provision of any of them unenforceable, unlawful, or otherwise changed in a manner that is materially adverse to the Lender, if the Borrower does not, within ten (10) days of receipt of notice of the Transaction Document or material provision becoming unenforceable, unlawful, or otherwise changed as described above, replace the Transaction Document with a new agreement that preserves the original terms of the Transaction Document to the extent permitted by law and is otherwise in form and substance mutually satisfactory to the Lender and the Borrower, each acting reasonably, or amend the Transaction Document to the satisfaction of the Lender at its discretion,
- (e) a Bankruptcy Event occurs with respect to the Borrower,
- (f) any act, matter, or thing is done, or any action or proceeding is taken, with a view to terminating the Borrower's existence,
- (g) any lender other than the Lender takes possession, by appointment of a receiver of any material portion of the Borrower's property,
- (h) the Borrower ceases to carry on its business or makes, or proposes to make, any sale of its assets in bulk or any sale of its assets out of the usual course of its business,
- (i) any Person takes possession of the Borrower's property that is material to its financial condition, business, or operations by way of or in contemplation of enforcement of security, or a distress, execution, or similar process is levied or enforced against that property,
- (j) a final judgment or decree is entered into or obtained for the payment of money due against the Borrower in an amount in excess of \$50,000, if that final judgment or decree is not satisfied, vacated, discharged, or stayed pending appeal within the applicable appeal period,
- (k) any of the grants, mortgages, charges, pledges, transfers, assignments or other security interests created in favour of the Lender pursuant to the Transaction Documents loses its status as a valid and perfected first priority security interest subject only to Permitted

Liens, if the Borrower has failed to remedy this default within the earlier of ten (10) days from the date: (i) the Borrower becomes aware, using reasonable due diligence, of such default and (ii) the Lender delivers written notice of the default to the Borrower,

- (l) any Cannabis Permit granted to the Borrower is, at any time, fully and finally terminated or cancelled by the relevant Governmental Authority,
- (m) any step is taken to issue any garnishment order or other equivalent process to the Lender to recover payment of any amount owing by the Borrower, or
- (n) any step is taken by or on behalf of the Minister of Finance of Canada to issue a requirement to pay to the Lender in respect of the Borrower.

For certainty, notwithstanding anything in this note to the contrary, cure periods shall not apply to the extent that the Default relates to a breach of Cannabis Legislation, or due to the Borrower making a disposition of its property or issuance of its Equity Securities to or in favour of a Licensed Producer other than the Lender.

1.13 "Demand Date" means the day that the Lender fixes by Notice to the Borrower determined by the Lender in its sole and unfettered discretion.

1.14 "Distribution" means, for any Person, any payment, directly or indirectly, by that Person

- (a) of any dividends on any equity units or shares of its capital,
- (b) on account of, or for the purpose of setting apart any property for a sinking or other analogous fund for, the purchase, redemption, retirement, or other acquisition of any shares of its capital or any warrants, options, or rights to acquire any such shares, or
- (c) of any other distribution in respect of any shares of its capital or any equivalent ownership (or profit) interests in a Person.

1.15 "Equity Securities" means, with respect to any Person, any and all shares, interests, participations, rights in, or other equivalents (however designated and whether voting or non-voting) of, such Person's capital, including any interest in a partnership, limited partnership or other similar Person and any beneficial interest in a trust, and any and all rights, warrants, options or other rights exchangeable for or convertible into any of the foregoing.

1.16 "First Interest Payment Date" means April 1, 2020, provided that such date not be earlier than the 30th day following the opening of the Retail Location to the public.

1.17 "Governmental Authority" means (a) the government of Canada or any other nation, any central bank, court, tribunal, arbitral body, regulatory body (including any stock exchange), commission (including any securities commission), board, bureau, agency, authority, or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of, or pertaining to, any of the foregoing, and (b) any political or other subdivision of any of the foregoing.

1.18 "Grid" means any grid attached as Schedule A (Grid).

1.19 "IFRS" means International Financial Reporting Standards adopted by the International Accounting Standards Board, as applicable at the relevant time, applied on a consistent basis.

- 1.20 **"Interest"** means interest at the rate equal to 8.5% per annum, calculated monthly in arrears and payable on each Interest Payment Date.
- 1.21 **"Interest Payment Date"** means the First Business Day of each successive month starting on the First Interest Payment Date.
- 1.22 **"Investment"** in any Person means any direct or indirect investment in such Person including (i) any advances, loans or other extensions of credit, capital contributions, assumption of debt, or other contingent liabilities in the nature of capital contributions to or in respect of such Person, (ii) any Equity Securities, bonds, notes, debentures or other securities of such Person or (iii) the acquisition of all or substantially all the assets of such Person or of a business carried on by, or a division of, such Person.
- 1.23 **"Licensed Producer"** shall have the meaning given to the term "licensed producer" under the Ontario Cannabis Act and shall include for the purposes of this note any Affiliate of a Licensed Producer.
- 1.24 **"Lien"** means: (a) any interest in property created by way of mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, conditional sale agreement, sale/lease back transaction, deposit arrangement, title retention, capital lease, or discount, factoring, or securitization arrangement on recourse terms, (b) any statutory deemed trust or lien, (c) any preference, priority, adverse claim, levy, execution, seizure, attachment, garnishment, or other encumbrance that binds property, (d) any right of set-off intended to secure the payment or performance of an obligation, and (e) any agreement to grant any of the rights or interests described in any of the preceding clauses.
- 1.25 **"Master Lending Agreement"** means that certain promissory note dated as of March 11, 2020, granted by, *inter alios*, the Lender, as borrower, and Canopy, as lender, as the same may be amended, restated, amended and restated, supplemented, or otherwise modified from time to time.
- 1.26 **"Maturity Date"** means March 11, 2023.
- 1.27 **"Maximum Principal Amount"** means \$300,000.
- 1.28 **"Minimum Inventory Requirements"** means the maintenance by the Borrower of minimum inventory requirements such that the lesser of: (i) fifty percent (50%), and (ii) an amount which represents the maximum amount permissible under applicable Cannabis Legislation, of the retail value of the Products sold at or from the Retail Location is made up of Specified Products.
- 1.29 **"Notice"** means any notice, request, direction, or other document that a party can or must make or give under this note.
- 1.30 **"Ontario Cannabis Act"** means the *Cannabis Licence Act, 2018* (Ontario) and its regulations, as may be amended from time to time.
- 1.31 **"Permitted Liens"** means:
- (a) statutory deemed trusts and Liens in connection with claims for unpaid wages, vacation pay, worker's compensation, unemployment insurance, pension plan contributions, employee or non-resident withholding tax source deductions, unremitted sales taxes,

goods and services taxes, customs duties, or similar statutory obligations secured on any of the Borrower's undertaking and property, but only if the obligations secured by those deemed trusts and Liens are paid when due,

- (b) statutory liens for assessments or governmental charges or levies that are paid when due or, if overdue, the validity or amount of which is being contested in good faith by appropriate proceedings,
- (c) construction, mechanic's, carrier's, warehousemen's, storage, repairer's, and materialmen's liens, but only if the obligations secured by those liens are paid when due or such amounts are being contested by the Borrower in good faith by appropriate proceedings and appropriate action has been taken to prevent any disposal of collateral,
- (d) Liens under other agreements granted in favour of the Lender,
- (e) Liens under other agreements granted in favour of Canopy,
- (f) any other Liens that may be approved in writing by the Lender,
- (g) easements, encroachments, rights of way, servitudes, restrictive covenants, or other similar rights in land granted to or reserved by another Person, rights of way for sewers, electric lines, telegraph and telephone lines, or other similar purposes, or zoning or other restrictions as to the use of real properties, provided that they do not, in the aggregate, impair the use by the Borrower of any material property in the conduct of its respective business,
- (h) purchase-money security interests, if any, in an aggregate amount not to exceed at any time \$10,000, and
- (i) Liens in connection with subordinated debt, if any.

1.32 "**Person**" includes any individual, sole proprietorship, corporation, company, partnership, Governmental Authority, joint venture, association, trust, or any other entity.

1.33 "**Principal**" means the aggregate outstanding principal amount of all Advances that the Lender makes from time to time to the Borrower, as recorded by or on behalf of the Lender from time to time on the Grid, but in no event shall such amount exceed the Maximum Principal Amount.

1.34 "**Products**" means recreational cannabis products and related accessories, supplies, merchandise and goods.

1.35 "**Retail Location**" has the meaning set out in the recitals hereto.

1.36 "**Security**" means the general security agreement dated as of the date hereof between the Borrower and the Lender securing all obligations of the Borrower to the Lender pursuant to this note.

1.37 "**Specified Products**" means Products specified, from time to time, by the Lender.

1.38 "**Transaction Documents**" means this note, the Security, and each other agreement from time to time in effect between or among, *inter alios*, the Borrower and the Lender arising pursuant to or in connection with the debts, liabilities and obligations evidenced or created hereunder.

2. References to specific terms.

2.1 *Accounting principles.* Unless otherwise specified, where the character or amount of any asset or liability, item of revenue, or expense is required to be determined, or any consolidation or other accounting computation is required to be made, that determination or calculation will be made in accordance with IFRS.

2.2 *Currency.* Unless specified otherwise, all dollar amounts expressed in this agreement refer to Canadian currency.

2.3 "*Including.*" Where this agreement uses the word "including," it means "including without limitation," and where it uses the word "includes," it means "includes without limitation."

2.4 "*Knowledge.*" Where any representation, warranty, or other statement in this agreement, or in any other document delivered under this agreement, is expressed by a party to be "to its knowledge," or is otherwise expressed to be limited in scope to facts or matters known to the party or of which the party is aware, it means: (i) the current, actual knowledge of directors and officers of that party and (ii) the knowledge that would or should have come to the attention of any of them had they duly investigated the facts related to that statement and made reasonable inquiries of other individuals reasonably likely to have knowledge of facts related to that statement.

2.5 *Statutes, etc.* Unless specified otherwise, any reference in this agreement to a statute includes the regulations, rules, and policies made under that statute and any provision that amends, supplements, supersedes, or replaces that statute or those regulations, rules, or policies.

3. Indebtedness.

For value received, the Borrower promises to pay on the earlier of (a) the Maturity Date and (b) the Demand Date to, or to the order of, the Lender the Principal in lawful money of Canada in immediately available funds at 201, 620 12th Avenue SW, Calgary, AB T2R 0H5 (or as the Lender may otherwise designate in writing from time to time) in the manner provided in this note, together with interest and other monies that the Borrower may owe from time to time under this note.

4. Notations on Grid.

The Borrower unconditionally and absolutely authorizes and directs the Lender to record on the Grid the date and amount of each:

- (a) Advance and the resulting increase in the outstanding Principal, and
- (b) repayment on account of the Principal paid to the Lender and the resulting decrease of the outstanding Principal.

The Borrower acknowledges that, notwithstanding the state of the Grid, the actual recording of the date and amount of any Advance (and interest, fees, and other amounts due in respect of that Advance) or repayment in an account of the Borrower that the Lender maintains in connection

with the Principal will be prima facie evidence of the Borrower's indebtedness and liability from time to time in connection with the Principal under this note, except that the Lender's failure to record the date or amount of any Advance or repayment in that account or on the Grid will not affect the Borrower's obligation to pay or repay that indebtedness and liability in accordance with the terms hereof. If there is any inconsistency between the account that the Lender maintains and the Grid, the account that the Lender maintains will, absent manifest error, govern.

5. Interest.

5.1 The Borrower shall pay the Lender Interest on the Principal from the date of this note, both before and after maturity, demand, default, or judgment and until actual payment in full. The first interest payment will consist of accrued interest from the date of this note until the First Interest Payment Date.

5.2 If the Borrower fails to pay any instalment of interest or principal on the date on which the same is due, the Borrower shall pay interest on such overdue amount in an amount equal to the Interest plus two (2%) percent. Interest on overdue amounts shall be payable on demand and shall be calculated on a daily basis and compounded monthly from the date such amount becomes due and payable and for so long as such amount remains unpaid and on the basis of a three hundred and sixty-five (365) day year.

5.3 For the purpose of the *Interest Act* (Canada), the yearly rate of interest applicable to amounts owing under this note will be calculated on the basis of a year of 365 days or 366 days, as applicable.

6. Term.

The term of this note begins on the date of this note and ends on the earlier of (a) the Maturity Date and (b) the Demand Date. The Principal and all accrued and unpaid Interest will become due and payable on the earlier of (a) the Maturity Date and (b) the Demand Date.

7. Limitations Act.

The Borrower has issued this note for business purposes; accordingly, this note will be treated as a business agreement for purposes of the *Limitations Act*, 2002 (Ontario). The Borrower agrees that any limitation period applicable to this note, any proceeding relating to a claim in connection with this note, or the Borrower's obligations under this note (other than the ultimate limitation period provided for in section 15 of that Act) is suspended and will not apply to this note or the obligations that it evidences.

8. Prepayment.

At any time prior to demand, the Borrower may prepay the Principal either in whole at one time or in part from time to time without penalty or bonus, together with all accrued and unpaid Interest to the date fixed for repayment and, in the case of prepayment in whole, all other monies owing under this note.

9. Application of payments.

The Lender shall apply any amount paid in satisfaction of any indebtedness under this note first against any accrued and unpaid Interest and second against the outstanding Principal.

10. Acceleration.

Subject to Section 11, when a Default occurs and is continuing, the full unpaid balance of the Principal and all accrued and unpaid Interest will, at the Lender's option, become immediately due and payable without any action required of the Lender.

11. Canopy Assignment

The Borrower hereby acknowledges that the Lender has granted a specific assignment of this note to Canopy as security for the Lender's debts, liabilities and obligations arising under, pursuant to, or in connection with the Master Lending Agreement. The Borrower further acknowledges and agrees that immediately upon receiving written notice from Canopy advising that it has exercised its assignment of this note, this note shall be assigned by the Lender to Canopy, which assignment shall be deemed to have been in full compliance with the provisions of this note (including, without limitation, Section 20 hereunder) with no further formality. Immediately upon such assignment the term "Lender" when used herein shall be deemed to mean Canopy, and any address associated with the Lender shall be deemed to be 1 Hershey Drive, Smith Falls, Ontario K7A 0A8 (or as Canopy otherwise designates in writing from time to time).

12. Representations and warranties.

The Borrower represents and warrants to the Lender, acknowledging that the Lender is relying on these representations and warranties in making Advances, as follows:

- 12.1** *Existence.* It is a corporation, incorporated and existing under the laws of the jurisdiction of its incorporation.
- 12.2** *Power and capacity.* It has the corporate power and capacity to carry on business, to own properties and assets, and to execute, deliver, and perform its obligations under each of the Transaction Documents to which it is a party.
- 12.3** *Authorization.* It has taken all necessary corporate action to authorize its execution and delivery of, and the performance of its obligations under, each of the Transaction Documents to which it is a party.
- 12.4** *Execution and delivery.* It has duly executed and delivered each of the Transaction Documents to which it is a party.
- 12.5** *Enforceability.* Each of the Transaction Documents to which it is a party constitutes a legal, valid, and binding obligation of it, enforceable against it in accordance with its terms, subject to:
- (a) bankruptcy, insolvency, reorganization, receivership, moratorium, arrangement, winding-up, and other laws of general application affecting the enforcement of creditors' rights generally, and
 - (b) general equitable principles including the principle that the granting of equitable remedies, such as injunctive relief and specific performance, is at the court's discretion.
- 12.6** *No breach.* The execution, delivery, and performance of its obligations under each of the Transaction Documents to which it is a party do not and will not breach or result in a default under:

- (a) its articles, by-laws, or any unanimous shareholders agreement,
- (b) any law, statute, rule, or regulation to which it is subject,
- (c) any judgment, order, or decree of any court, agency, tribunal, arbitrator, or other authority to which it is subject, or
- (d) any agreement to which it is a party or by which it is bound.

12.7 *No regulatory approvals required.* It is not required to obtain any action, approval, authorization, consent, or order of, or make any filing, registration, qualification, or recording with, any Governmental Authority or any other Person in connection with the execution or delivery of, or the performance of its obligations under each of the Transaction Documents to which it is a party.

12.8 *Cannabis Permits.* No fact or circumstance exists or, but for the requirement for the giving of notice, lapse of time, or both, would exist, which would disqualify the Borrower from being eligible for any applicable Cannabis Permit required to operate the Business.

12.9 *Bankruptcy, etc.* No proceedings have been taken or authorized by it or, to its knowledge, by any other Person relating to the bankruptcy, insolvency, liquidation, dissolution, or winding up.

13. Covenants.

While any amount owing under this note remains unpaid or the Borrower owes any obligations under this note, the Borrower covenants with the Lender as follows:

13.1 It shall preserve and maintain its existence.

13.2 It shall preserve and keep in full force and effect all its rights, powers, licences, permits, franchises and goodwill necessary to the proper conduct of its business, following the issuance of the same (if applicable), and including, without limitation, its Cannabis Permits.

13.3 It shall keep accurate and complete books, records, and accounts in connection with all of its business activities in accordance with sound accounting practices and with IFRS, consistently applied.

13.4 The Borrower shall use the proceeds of Advances only for capital expenses and operating expenses incurred in connection with the establishment, development and construction of the Business at a Retail Location. For greater certainty, the Borrower shall not use the proceeds of Advances in connection with costs relating to obtaining any Cannabis Permit including, without limitation, any application fees.

13.5 It shall maintain a standard system of accounting in accordance with IFRS and shall promptly provide to the Lender any information respecting its business and financial condition that the Lender may reasonably request. The Borrower shall, without any request from the Lender, provide to the Lender:

- (a) forthwith, a copy of its most recent available financial statements (whether those statements cover a monthly, quarterly, or annual reporting period),

- (b) as soon as available and in any event within forty-five (45) days after the last day of each of its quarterly and annual accounting periods, a copy of its balance sheet as of the close of that period and its statements of income, retained earnings, and cash flows for the period then ended, each in reasonable detail,
- (c) as soon as available and within one hundred and twenty (120) days after its financial year end, a copy of its balance sheet as of the close of that financial year and its statements of income, retained earnings, and cash flows and accompanying notes for the period then ended, each in reasonable detail,
- (d) promptly after knowledge of either comes to the attention of any officer or director of the Borrower, written Notice of: (A) any threatened or pending litigation or governmental proceeding against it that, if adversely determined, would either have a material adverse effect or result in any Default or (B) any other event or occurrence that would have a material adverse effect or result in a Default, and
- (e) promptly after knowledge of it comes to the attention of any officer or director of the Borrower, written Notice of any Default.

The Lender acknowledges that the provision of draft financial statements by the Borrower ahead of the completion of the quarterly review or annual audit, as applicable, may be subject to further adjustment and therefore no assurance can be provided by management that such draft financial statements are materially correct.

- 13.6** For so long as any Principal remains outstanding hereunder, the Borrower shall not, directly or indirectly, make any payment of any:
- (a) Distributions to any Person other than the Lender,
 - (b) management, consulting, or similar fee or any bonus payment or comparable payment by way of gift or other gratuity or by repayment of debt or other obligation to any Person other than the Lender, or
 - (c) shareholder loans or indebtedness to any party not operating at arms' length.
- 13.7** Except for those amounts and other charges the validity or amount of which the Borrower is contesting in good faith by appropriate proceedings, the Borrower shall promptly pay all amounts and other charges that could result in the creation of a Lien in connection with the Borrower's property, or any portion thereof.
- 13.8** Without the prior written consent of the Lender, which shall not be unreasonably withheld, conditioned or delayed, the Borrower shall not:
- (a) consolidate, amalgamate, or merge with any other Person,
 - (b) enter into any corporate reorganization or other transaction intended to effect or otherwise permit a change in its existing corporate or capital structure, or
 - (c) liquidate, wind up, or dissolve itself, or permit any liquidation, winding-up, or dissolution.

The Borrower shall provide the Lender written notice advising of its intention to engage in such transaction at least thirty (30) days prior to the anticipated effective date.

13.9 The Borrower shall not make any advance of the Principal, including but not limited to any Investment, to any Person without the Lender's prior written consent.

13.10 The Borrower:

- (a) shall, if permissible under applicable Cannabis Legislation, or any order, rule, published policy, or regulations made thereunder, pursuant to, or in connection therewith, meet the Minimum Inventory Requirement at the Retail Location;
- (b) acknowledges and agrees that the Minimum Inventory Requirement may vary according to the market, to the extent necessary to reflect differences in customer preferences, actual or anticipated sales patterns, and other factors which may be applicable to such markets. If as a result of a shortage of supply of the Specified Products which does not permit the Borrower, using commercially reasonable efforts, to respect the Minimum Inventory Requirements, the Borrower shall be relieved from the obligation to respect the Minimum Inventory Requirements, but only for the period during which the shortage in supply of Specified Products is not resolved; and,
- (c) shall, except for the Minimum Inventory Requirement, determine the types, formats and brands of Products that will be offered for sale in the Retail Location.

14. Security.

The Borrower acknowledges that the Security secures all present and future indebtedness, liabilities, and obligations evidenced by this note.

15. No set-off.

The Borrower shall not exercise any right of set-off in connection with amounts that may be owed to it from time to time as against any amounts that it may owe under this note.

16. Further assurances.

The Borrower, at its expense and at the Lender's request, shall sign (or cause to be signed) all further documents or do (or cause to be done) all further acts and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to this note.

17. Amendment.

This note may only be amended by a written document signed by each of the parties to this note.

18. Conflict of terms.

If there is any inconsistency between the terms of this note and those in any document entered into under this note, the terms of this note will prevail.

19. Binding effect.

This note enures to the benefit of and binds the parties and their respective successors and permitted assigns.

20. Assignment.

The Lender may not assign this note in whole or in part to any Person other than Canopy. Without the prior written consent of the Lender which may be withheld in the Lender's sole discretion, the Borrower may not assign this note.

21. Notice.

To be effective, a Notice must be in writing and delivered: (a) personally, either to the individual designated below for that party or to an individual having apparent authority to accept deliveries on behalf of that individual at its address set out below, (b) by registered mail, or (c) by electronic mail to the address or electronic mail address set out opposite the party's name below or to any other address or electronic mail address for a party as that party from time to time designates to the other parties in the same manner:

in the case of the Borrower, to:

2707461 Ontario Inc.
113 Crystal Green Bay
Okotoks, AB T1S 2N4

Attention: Cameron King
Email: kingcc@telus.net

with a copy to:

Dale & Lessmann LLP
181 University Avenue, Suite 2100
Toronto, Ontario M5H 3M7

Attention: Chad Finkelstein
Email: CFinkelstein@dalelessmann.com

in the case of the Lender, to:

OCH Ontario Consulting Corp.
201 – 620 12th Avenue SW
Calgary, AB T2R 0H5

Attention: Jeff Holmgren
Email: jeff@ocholdings.ca

with a copy to:

Bennett Jones LLP
4500 Bankers Hall East
855 2nd Street SW
Calgary, AB T2P 4K7

Attention: Harinder Basra
Email: Basrah@bennettjones.com

Any Notice is effective: (i) if personally delivered, as described above, on the day of delivery if that day is a Business Day and it was received before 5:00 p.m. local time in the place of receipt and otherwise on the next Business Day, (ii) if sent by registered mail, on the fourth Business Day following the day on which it is mailed, except that if at any time between the date of mailing and the fourth Business Day thereafter there is a disruption of postal service then, Notice must be given by means other than mail, or (iii) if sent by electronic mail, on the day the recipient receives the electronic mail if that day is a Business Day and if electronic mail was received before 5:00 p.m. local time in the place of receipt, and otherwise on the next Business Day.

22. Severability.

The invalidity or unenforceability of any particular term of this note will not affect or limit the validity or enforceability of the remaining terms.

23. Waiver.

23.1 *General.* No waiver of satisfaction of a condition or breach or non-performance of an obligation (including any Default) under this note is effective unless it is in writing and signed by the party granting the waiver. No waiver under this section will be deemed to extend to a subsequent occurrence, whether or not that occurrence is the same or similar to the original occurrence that was waived nor will it affect the exercise of any other rights or remedies under this note. Any failure or delay in exercising any right or remedy will not constitute, or be deemed to constitute, a waiver of that right or remedy. No single or partial exercise of any right or remedy will preclude any other or further exercise of any right or remedy.

23.2 *Specific.* The Borrower waives presentment for payment, demand, protest, Notice of any kind, and statutory days of grace in connection with this note. The Borrower agrees that it is not necessary for the Lender to first bring legal action in order to enforce payment of this note.

24. Payment of costs.

The parties shall pay their own costs in connection with the drafting and negotiation, and perfection of the interests granted pursuant to the Transaction Documents. The Borrower shall pay all costs (including legal fees on a solicitor and client basis) that the Borrower and the Lender, or its agents on its behalf, incur in connection with the enforcement of the Lender's interest under the Transaction Documents, which will be paid immediately upon demand and form part of the indebtedness owing under this note.

25. Governing law.

The laws of Ontario and the laws of Canada applicable in that province, excluding any rule or principle of conflicts of law that may provide otherwise, govern this note.

26. Submission to jurisdiction.

The parties irrevocably attorn to the jurisdiction of the courts of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this note.


27. Copy of the note.

The Borrower acknowledges receipt of an executed copy of this note.

[Signature Page to Follow]

Dated March 11, 2020.

2707461 ONTARIO INC.

Per: 
Name: Cameron King
Title: President

This is Exhibit "BB" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

GENERAL SECURITY AGREEMENT

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GENERAL SECURITY AGREEMENT

Dated March 11, 2020

BETWEEN:

2707461 ONTARIO INC., an Ontario corporation (the "**Debtor**")

and

OCH ONTARIO CONSULTING CORP., an Ontario corporation (the "**Secured Party**").

WHEREAS the Debtor is now indebted or otherwise obligated to the Secured Party, including under a promissory note dated as of the date hereof (as may be amended, supplemented, restated, replaced, or otherwise modified from time to time, the "**Note**").

AND WHEREAS the Debtor has agreed, as a condition of the Note, to enter into this agreement and grant security to the Secured Party.

NOW THEREFORE in consideration of the foregoing and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Debtor agrees as follows:

1. INTERPRETATION

1.1 Definitions

Words and expressions defined in the PPSA and the STA are used in this agreement (capitalized or not) with the defined meanings assigned to them in those statutes, unless the context otherwise requires. For greater certainty, in this agreement each of the words "accessions," "account," "chattel paper," "consumer goods," "document of title," "equipment," "goods," "instruments," "intangible," "inventory," "investment property," "money," and "proceeds" has the same meaning as its defined meaning in the PPSA and each of the terms "certificated security," "entitlement holder," "financial asset," "securities account," "securities intermediary," "security," "security entitlement," and "uncertificated security" has the same meaning as its defined meaning in the STA. In this agreement, in addition to the terms defined above, the following definitions apply:

"**Account Debtor**" means a party obligated to pay under any account, chattel paper, or instrument constituting Collateral.

"**Applicable Law**" means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation or by-law (zoning or otherwise), including, without limitation, the Cannabis Legislation; (b) any judgment, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, protocol, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority, and having the force of law, binding on or affecting the party referred to in the context in which the term is used or binding on or affecting the property of such party, all of the foregoing as may exist as of the date hereof or as may be implemented, revised or modified from time to time after the date hereof.

"**Cannabis Collateral**" means any cannabis which forms any part of the Collateral.

"Collateral" means, collectively, all of the Debtor's present and after-acquired personal property (including all accounts, chattel paper, Documents, documents of title, equipment, goods, instruments, intangibles, inventory, investment property, Licences, money, securities, security entitlements, undertaking, proceeds, and Replacements, together with the Debtor's interest in any of them) but excludes the Restricted Assets and any reference in this agreement to Collateral will, unless the context otherwise requires, be deemed a reference to Collateral or any part thereof.

"Default" has the meaning as set out in the Note.

"Documents" means all the Debtor's books, accounts, invoices, letters, papers, security certificates, documents, and other records (including customer lists and records, subject, however, to privacy, confidentiality, and access rights of customers), in any form evidencing or relating to any part of the Collateral, together with all agreements, licences, and other rights and benefits relating to any of them.

"Indemnified Party" has the meaning given to that term in Section 3.14 (General Indemnity).

"Intellectual Property" means all of the Debtor's

- (a) business and trade names, corporate names, brand names, and slogans,
- (b) inventions, patents, patent rights, patent applications (including all reissues, divisions, continuations, continuations-in-part, and extensions of any patent or patent application), unregistered industrial designs, applications for registration of individual designs, and registered designs,
- (c) registered copyrights and all registered and unregistered trade-marks (including the goodwill attaching to those trade-marks), registrations, and applications for trade-marks and copyrights,
- (d) rights and interests in and to processes, data, trade secrets, designs, know-how, processes, product formulae and information, manufacturing, engineering, and other drawings and manuals, technology, algorithms, blue prints, research and development reports, technical information, technical assistance, engineering data, design and engineering specifications, and similar materials recording or evidencing expertise or information,
- (e) other owned intellectual and industrial property rights throughout the world,
- (f) licences of the intellectual property listed in paragraphs (b) through (e) above, except for Shrink-Wrap Software,
- (g) all future income and proceeds from any of the intellectual property listed in paragraphs (b) through (e) above and the licences listed in paragraph (g) above, and
- (h) all rights to damages and profits by reason of the infringement of any of the intellectual property listed in paragraphs (b) through (f) above.

"Licence" means (a) any authorization from any Governmental Authority having jurisdiction relating to the Debtor or its businesses, undertaking, or properties, (b) any authorization from any Person granting any easement or licence relating to any real or immovable property, and (c) any Intellectual Property licence.

"**Notice**" means any notice, request, direction, or other document that a party can or must make or give under this agreement.

"**Obligations**" means all of the Debtor's present and future liabilities, obligations, and indebtedness (including all principal, interest, fees, expenses, and other amounts), whether direct or indirect, contingent or absolute, joint or several, matured or unmatured, in any currency, and whether as principal debtor, guarantor, surety, or otherwise to the Secured Party arising under, in connection with, or relating to the Transaction Documents and any other agreement entered into pursuant to the terms thereof.

"**PPSA**" means the *Personal Property Security Act* (Ontario).

"**Receiver**" means any privately or court appointed receiver, manager, or receiver and manager for the Collateral or for any of the Debtor's business, undertaking, or property appointed by the Secured Party under this agreement or by a court on application by the Secured Party.

"**Recovery**" means any monies received or recovered by the Secured Party after the Security Interest has become enforceable, whether under any enforcement of the Security Interest, by any suit, action, proceeding, or settlement of any claim, or otherwise.

"**Related Rights**" means all of the Debtor's rights arising under, by reason of, or otherwise in connection with, any agreement, right, Licence, or permit (including the right to receive payments under any of them).

"**Restricted Assets**" means, collectively:

- (a) consumer goods; and
- (b) the Cannabis Permits.

"**Replacements**" means all increases, additions, improvements, and accessions to, and all substitutions for and replacements of, any part of the Collateral in which the Debtor now or later has rights.

"**Side Letter**" means the letter agreement entered into concurrently with this Agreement between the Debtor and the Secured Party.

"**Security Interest**" means, collectively, the grants, mortgages, charges, pledges, transfers, assignments, and other security interests created under this agreement.

"**Shrink-Wrap Software**" means shrink-wrap or off-the-shelf software used by the Debtor that was readily available for use at the time of purchase or licensing and was not customized for the Debtor.

"**STA**" means the *Securities Transfer Act, 2006* (Ontario).

"**Third Party Agreements**" means all leases (true or finance), Licences, and other agreements affecting any of the Debtor's rights, title, or interest in any of the Intellectual Property.

"**undertaking**" means all of the Debtor's present and future real and personal property, businesses, undertaking, and goodwill that are not accounts, chattel paper, Documents, documents of title, equipment, instruments, intangibles, inventory, money, or securities.

Capitalized terms used in this agreement and not otherwise defined have the meanings given to them in the Note.

1.2 References to Specific Terms

- (a) *Accounting principles.* Unless otherwise specified, where the character or amount of any asset or liability, item of revenue, or expense is required to be determined, or any consolidation or other accounting computation is required to be made, that determination or calculation will be made in accordance with IFRS.
- (b) *Currency.* Unless otherwise specified, all dollar amounts expressed in this agreement refer to Canadian currency.
- (c) *Including.* Where this agreement uses the word "including," it means "including without limitation," and where it uses the word "includes," it means "includes without limitation."
- (d) *Knowledge.* Where any representation, warranty, or other statement in this agreement, or in any other document delivered under this agreement, is expressed by a party to be "to its knowledge," or is otherwise expressed to be limited in scope to facts or matters known to the party or of which the party is aware, it means (i) the current, actual knowledge of directors and officers of that party and (ii) the knowledge that would or should have come to the attention of any of them had they duly investigated the facts related to that statement and made reasonable inquiries of other individuals reasonably likely to have knowledge of facts related to that statement.
- (e) *Statutes, etc.* Unless otherwise specified, any reference in this agreement to a statute includes the regulations, rules, and policies made under that statute and any provision or instrument that amends or replaces that statute or those regulations, rules, or policies.

1.3 Headings

The headings used in this agreement and its division into articles, sections, schedules, exhibits, appendices, and other subdivisions do not affect its interpretation.

1.4 Internal References

References in this agreement to articles, sections, schedules, exhibits, appendices, and other subdivisions are to those parts of this agreement.

1.5 Number and Gender

Unless the context requires otherwise, words importing the singular number include the plural and vice versa; words importing gender include all genders.

1.6 Calculation of Time

In this agreement, a period of days begins on the first day after the event that began the period and ends at 5:00 p.m. Eastern Time on the last day of the period. If any period of time is to expire, or any action or event is to occur, on a day that is not a Business Day, the period expires, or the action or event is considered to occur, at 5:00 p.m. Eastern Time on the next Business Day.

1.7 Schedules

The following are the schedules to this agreement:

Schedule A - Location of Debtor and Collateral

2. GRANT OF SECURITY

2.1 Creation of Security Interest

As general and continuing security for the due payment, observance, and performance by the Debtor of all Obligations, the Debtor hereby grants to the Secured Party a Security Interest in its Collateral (which, for greater certainty, excludes the Restricted Assets).

2.2 Attachment

The parties acknowledge that (a) the Debtor has rights in its Collateral, (b) the Secured Party has given value to the Debtor, (c) the parties have not agreed to postpone the time for attachment of the Security Interest, and (d) the Security Interest is intended to attach (i) as to Collateral in which the Debtor now has rights, when the Debtor executes this agreement and (ii) as to Collateral in which the Debtor subsequently acquires rights, when the Debtor first obtains those rights.

2.3 Release of Collateral

The Secured Party may, at its discretion and at any time, release from the Security Interest any of the Collateral or any other security or surety for the Obligations either with or without sufficient consideration for that Collateral without releasing any other part of the Collateral or any Person from this agreement.

2.4 Account Debtor

Upon the Security Interest becoming enforceable, the Secured Party may notify and direct any Account Debtor of the Debtor to make payment directly to the Secured Party. The Secured Party may, at its discretion, apply the amounts received from any Account Debtor of the Debtor and any proceeds in accordance with Section 6.23 (Application of Payments) or hold them as part of the Collateral.

2.5 Leasehold Interests

- (a) The last day of the term of any lease, sublease, or agreement to lease or sublease now held or subsequently acquired by the Debtor is excluded from the Security Interest and does not form part of the Collateral. However, upon the Security Interest becoming enforceable, the Debtor will stand possessed of that last day and hold it in trust for the Security Party and shall assign it as the Secured Party directs.

- (b) If any lease, sublease, or agreement to lease or sublease contains a term that provides, in effect, that it may not be assigned, sub-leased, charged, or made the subject of any Lien without the consent of the lessor, the application of the Security Interest to that agreement will be conditional upon obtaining that consent. The Debtor shall use commercially reasonable efforts to obtain that consent as soon as reasonably practicable.

2.6 Contractual Rights

- (a) To the extent that the creation of the Security Interest would constitute a breach, or cause the acceleration, of any agreement, right, Licence, or permit to which the Debtor is a party, the Security Interest will not attach to it. However, the Debtor shall hold such contractual rights in trust for the Secured Party and shall assign that agreement, right, Licence, or permit to the Secured Party immediately upon obtaining the consent of the other party.
- (b) The Security Interest will nonetheless immediately attach to any Related Rights if, to the extent that, and as at the time that attachment to the Related Rights is not illegal, is not enforceable against the Secured Party or other third parties generally, or would not result in an ineligible transfer or a material loss or expense to the Debtor. The Debtor shall use commercially reasonable efforts to obtain all required material approvals as soon as reasonably practicable.
- (c) To the extent permitted by Applicable Law, the Debtor shall hold in trust for the Secured Party and, after a Default occurs, provide the Secured Party with the benefits of, each agreement, right, Licence, or permit and enforce all Related Rights at the direction of and for the benefit of the Secured Party or at the direction of any other Person that the Secured Party may designate.
- (d) For greater certainty, nothing in this Section 2.6 shall apply to any agreement, right, Licence or permit which is a Cannabis Permit.

2.7 Intellectual Property

The Debtor grants the Security Interest in the Intellectual Property only as security. Before the Security Interest becomes enforceable under this agreement, the Secured Party will not be or be deemed to be the owner of any of the Intellectual Property. Further, the Secured Party will not be deemed to have assumed, or be deemed to be liable for, any covenant, agreement, or other obligation of the Debtor under any agreement, right, Licence, or permit relating to the Intellectual Property to which the Debtor is a party.

2.8 Commingled Goods

If the Collateral subsequently becomes part of a product or mass to which the security interest of another secured party attaches, the Security Interest will extend to all accounts, Replacements, or proceeds arising from any dealing with such product or mass.

2.9 Release of Security Interest

Once the Debtor has satisfied the Obligations in full, the Security Interest shall automatically be released and, upon receiving a written request from the Debtor, the Secured Party shall

execute and deliver any releases and discharges that the Debtor may reasonably require. The Debtor shall pay all reasonably documented expenses incurred by the Secured Party in doing so.

3. COVENANTS OF THE DEBTOR

The Debtor agrees with the Secured Party that so long as the Obligations or any part thereof remain outstanding:

3.1 Payment of Obligations

The Debtor shall satisfy the Obligations when due.

3.2 Care of Collateral

The Debtor shall keep the Collateral in good condition, reasonable wear and tear excepted.

3.3 Liens

The Debtor shall keep the Collateral free of all Liens, except for Permitted Liens. The Debtor shall defend the title of the Collateral against any Person. The Secured Party may, at any time, contest the validity, effect, perfection, or priority of any Lien on the Collateral. No Lien may rank in priority to or *pari passu* with the Security Interest, except to the extent that it is entitled to priority as a purchase money security interest under the PPSA. Nothing in this agreement is intended to create any rights (including subordination rights or any release of Security Interest) in favour of any Person other than the Secured Party, any Receiver and the other Indemnified Parties.

3.4 Proceeds Held in Trust

From and after the first date on which the Secured Party exercises any remedies under Article 6 (Rights and Remedies), the Debtor shall hold any accounts, dividends, distributions, interest, proceeds, and other income that it collects in respect of the Collateral as agent and in trust for the Secured Party separate and apart from all its other property. The Debtor shall pay any such amounts to the Secured Party immediately upon receipt.

3.5 Accessions and Fixtures

The Debtor shall prevent the Collateral from becoming (a) an accession to any personal property not subject to this agreement or (b) affixed to any real property unless the Security Interest ranks prior to the interests of another Person in the realty.

3.6 Insurance

- (a) The Debtor shall obtain from financially responsible insurance companies and maintain
 - (i) public liability insurance,
 - (ii) all-risks property insurance for the Collateral on a replacement cost basis, and
 - (iii) insurance for any other risks as the Secured Party may reasonably require or as required in accordance with Applicable Law.

- (b) All those policies of insurance will be in the amounts that the Secured Party may reasonably require, will include a standard mortgage clause approved by the Insurance Bureau of Canada, and will include a minimum of 30 days' notice of change or cancellation of the policy. The Debtor shall cause the interest of the Secured Party to be noted as first mortgagee, first loss payee, and an additional insured on those policies of insurance (except public liability insurance) and shall furnish the Secured Party with certificates of insurance and certified copies of those policies. Upon request by the Secured Party, the Debtor shall execute and deliver to the Secured Party an assignment of all insurance proceeds arising under, by reason of, or otherwise in connection with, each policy of insurance maintained by the Debtor in whatever form as the Secured Party may reasonably require, duly authorized and consented to by the insurers and brokers. Immediately after any loss or damage occurs, the Debtor, at its own expense, shall provide the Secured Party with all necessary proofs and do all necessary acts to enable the Secured Party to obtain payment of the insurance monies. The Secured Party may, at its discretion, apply the insurance monies to reinstating the insured property, pay the insurance monies to the Debtor, apply the insurance monies in payment of the Obligations (whether due or not then due), or pay partly in one way and partly in another.

3.7 Notice of Change

- (a) The Debtor shall give Notice to the Secured Party:
- (i) immediately of (A) any material uninsured loss of or damage to any Collateral or of any suit, action, or proceeding before any Governmental Authority that could materially adversely affect the Collateral or the Security Interest, or (B) any location at which Documents are situated or any event occurring that, after notice or lapse of time, would constitute a Default,
 - (ii) at least 10 Business Days prior to (A) any change of name of the Debtor and (A) any change in or addition to the location of Collateral from those locations referred to in Schedule A (Location of Debtor and Collateral), and
 - (iii) at least 10 Business Days prior to (A) the adoption of a French or combined English and French form of name, (B) any change in the jurisdiction where the Debtor is incorporated or continued or where the registered office or chief executive office of the Debtor is located, (C) any change in the jurisdiction where the chief executive officer or any director of the Debtor resides, or (D) any change in the chief executive officer or directors of the Debtor identifying the name and jurisdiction of residence of each new chief executive officer or director.
- (b) The Debtor hereby authorizes the Secured Party, as the Debtor's attorney under this agreement, to revise each schedule to reflect the information provided to the Secured Party under this Section.

3.8 Landlords' Acknowledgements

The Debtor shall use reasonable commercial efforts to obtain a written agreement from each landlord of the Debtor in favour of the Secured Party, in form and substance satisfactory to the Secured Party, in which the landlord

- (a) agrees to notify the Secured Party of any default by the Debtor under the lease and to give the Secured Party a reasonable opportunity to cure that default before the landlord exercises any remedies; and
- (b) acknowledges the Security Interest and the right of the Secured Party to enforce the Security Interest in priority to any claim of the landlord.

3.9 Information

The Debtor shall deliver to the Secured Party any information concerning the Collateral or the Debtor that the Secured Party may reasonably request (including aged lists of inventory and accounts and annual and monthly financial statements of the Debtor).

3.10 Documents

The Debtor shall keep proper Documents, and shall keep the Documents at the locations specified in Schedule A (Locations of Obligations and Collateral).

3.11 Maintenance of Intellectual Property

The Debtor shall perform all covenants required under any Third Party Agreement (including promptly paying all required fees, royalties, and taxes) to maintain every material item of Intellectual Property in full force and effect. The Debtor shall vigorously protect, preserve, and maintain all of the value of, and all of the right, title, and interest of the Debtor in, the material Intellectual Property owned by the Debtor (including the prosecution and defence against any suits concerning the validity, infringement, enforceability, ownership, or other aspects affecting any of the Intellectual Property). Notwithstanding the foregoing, the Debtor shall not be required to protect, preserve or maintain any Intellectual Property that the Debtor deems to have nominal value or is immaterial to its business.

3.12 Delivery of Certain Collateral

At the request of the Secured Party, the Debtor shall deliver to the Secured Party all items of Collateral that are chattel paper, instruments, or negotiable documents of title, endorsed to the Secured Party or in blank by an effective endorsement, as the Secured Party may reasonably request.

3.13 Registration

The Debtor shall make all necessary filings, registrations, and other recordations to protect the interest of the Secured Party in the Collateral (including all recordations in connection with patents, trade-marks, and copyrights forming part of the Intellectual Property). The Debtor shall cause its representatives to immediately register, file, and record this agreement, or notice of this agreement, on behalf of the Secured Party at all proper offices where, in the opinion of counsel to the Secured Party, registration, filing, or recordation may be necessary or advantageous to create, perfect, preserve, or protect the Security Interest in the Collateral and its priority. The Debtor shall subsequently cause its representatives to maintain all those registrations, filings, and recordations on behalf of the Secured Party in full force and effect (including by making timely payment of any renewal or maintenance fees).

3.14 General Indemnity

- (a) The Debtor shall indemnify the Secured Party, any Receiver, and their respective representatives (each, an "**Indemnified Party**") in connection with all claims, losses, and expenses that an Indemnified Party may suffer or incur in connection with
- (i) the exercise by the Secured Party or any Receiver of any of its rights under this agreement,
 - (ii) any breach by the Debtor of the representations or warranties of the Debtor contained in this agreement, or
 - (iii) any breach by the Debtor of, or any failure by the Debtor to observe or perform, any of the Obligations,
 - (iv) except that the Debtor will not be obliged to indemnify any Indemnified Party to the extent those claims, losses, and expenses are determined by a final judgment to have directly resulted from the wilful misconduct or gross negligence of the Indemnified Party.
- (b) The Secured Party will be constituted as the trustee of each Indemnified Party, other than itself, and shall hold and enforce each of the rights of the other Indemnified Parties under this Section or their respective benefits.

3.15 Set-off, Combination of Accounts, and Crossclaims

The Debtor shall satisfy the Obligations without regard to any equities between the Debtor and the Secured Party or any assignee of the Secured Party or any right of set-off. However, the Secured Party or any assignee of the Secured Party may set off or apply against, or combine with, the Obligations any indebtedness owing by the Secured Party or any assignee of the Secured Party to the Debtor, direct or indirect, extended or renewed, actual or contingent, mutual or not, at any time before, upon, or after maturity, without demand upon or notice to anyone, and the terms of that indebtedness and Obligations will be changed to the extent necessary to permit and give effect to the set-off, application, and combination.

3.16 Limitations on Secured Party's Rights and Realization

To the fullest extent permitted by Applicable Law, the Debtor shall waive all of the rights, benefits, conditions, warranties, and protections given by the provisions of any existing or future statute that imposes limitations upon the rights of a secured party or upon the methods of realization of Security Interest.

3.17 [Reserved.]

3.18 Cannabis Collateral

To the extent that Applicable Law would prevent the Secured Party from seizing, collecting or obtaining possession of the Cannabis Collateral, or otherwise exercising any of its remedies under Article 6 (*Rights and Remedies*) with respect to the Cannabis Collateral, the Debtor shall:

- (a) to the extent permitted by Applicable Law, immediately sell all of its Cannabis Collateral, as directed by the Secured Party, at its sole and absolute discretion, to: (i) another Person possessing a valid Cannabis Permit authorizing such Person to engage in the retail sale of cannabis, (ii) the Ontario Cannabis Store, or, (iii) such other Governmental Authority having legal authority to purchase or repurchase excess cannabis inventory from the Debtor; or,
- (b) to the extent that Applicable Law does not permit the Debtor to dispose of its Cannabis Collateral in a manner contemplated in Section 3.18(a), immediately dispose of its Cannabis Collateral in accordance with Applicable Law, in a manner directed by the Secured Party, at its sole and absolute discretion,

and, in either case, proceeds collected in respect of the Cannabis Collateral shall be held by the Debtor as agent and in trust for the Secured Party separate and apart from all its other property. The Debtor shall pay any such amounts to the Secured Party immediately upon receipt.

3.19 [Reserved.]

4. RIGHTS OF THE DEBTOR

4.1 Dealings with Collateral

The Debtor shall not sell, exchange, transfer, assign, or otherwise dispose of, grant a lien (other than a Permitted Lien) on, or deal in any way with the Collateral, or enter into any agreement or undertaking to do so, except that, until the first date on which the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*), the Debtor may sell, dispose of, or deal with the Collateral on ordinary commercial terms, in the ordinary course of its business, and for the purpose of carrying on its business so that the purchaser of that Collateral takes title to that Collateral free of the Security Interest, except that (i) the Debtor shall not create, assume, or have outstanding any Lien on the Collateral other than Permitted Liens and (ii) all rights of the Debtor as vendor, consignor, or lessor and all resulting accounts or proceeds remain subject to the Security Interest.

4.2 Special Provisions Relating to Securities

- (a) Until the Secured Party provides notice to the contrary and exercises any remedies under Article 6 (*Rights and Remedies*), any certificates representing the securities may remain registered in the name of the Debtor. At any time upon request by the Secured Party and after the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*), the Debtor shall cause any of the securities to be registered in the name of the Secured Party or its nominee; for that purpose, the Debtor hereby appoints the Secured Party as its irrevocable attorney, with full power of substitution, to cause any or all of the securities to be registered in the name of the Secured Party or its nominee after the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*).
- (b) At any time upon the request of the Secured Party, the Debtor shall
 - (i) physically deliver to the Secured Party each certificated security that is in bearer form,
 - (ii) physically deliver to the Secured Party each certificated security that is in registered form together with effective endorsement in blank, in form and

- substance satisfactory to the Secured Party, to enable the Secured Party or its nominee to be registered as the owner of such certificated security, which the Secured Party may do upon the Secured Party having exercised any remedies under Article 6 (Rights and Remedies),
- (iii) cause the issuer of any uncertificated security to agree with the Secured Party that that issuer shall comply with the Secured Party's instructions without the further consent of the Debtor or any other entitlement holder, and
 - (iv) as the Secured Party directs, either (A) cause the Secured Party or its nominee to become the entitlement holder of each security entitlement but only after the Secured Party exercises any remedies under Article 6 (*Rights and Remedies*), (B) cause the securities intermediary to agree with the Secured Party that the securities intermediary shall comply with entitlement orders in relation to each security entitlement that are originated by the Secured Party without the further consent of the Debtor or any other entitlement holder, or (C) cause another Person that has control on behalf of the Secured Party, or having previously obtained control, to acknowledge that the Person has control on behalf of the Secured Party of any security entitlement in the manner contemplated by paragraphs (A) or (B) above; any security (including any security entitlement) held or controlled by the Secured Party under this paragraph will be held as Collateral under this agreement.
- (c) Subject to paragraph 4.2(d) below, all rights conferred by statute or otherwise upon a registered holder of securities will (i) with respect to any securities or security entitlement held directly by the Secured Party or its representatives, be exercised as the Debtor may direct, and (ii) with respect to any securities or security entitlement held directly by the Debtor or its representatives, be exercised by the Debtor.
 - (d) Until the Secured Party enforces the Security Interest the Debtor may exercise all voting rights attached to, and give consents, waivers, and ratifications in connection with, the securities, except that no Debtor may cast any vote, give any consent, waiver, or ratification, or take any action that would be prejudicial to the Security Interests of the Secured Party in the Collateral or that would have the effect of either reducing the value of the securities as security for the Obligations or imposing any restriction on the transferability of any of the securities.
 - (e) If the Debtor is in Default or if the Security Interest otherwise becomes enforceable, all rights of the Debtor to vote and give consents, waivers, and ratifications in respect of the securities will immediately cease. In that event, the Secured Party and its representatives may, at the Secured Party's discretion (in the name of the Debtor or otherwise), exercise or cause to be exercised in respect of any of the securities any voting rights or rights to receive dividends, interest, principal, or other payments of money forming part of the securities and all other rights conferred on or exercisable by the bearer or holder thereof.
 - (f) The Secured Party's responsibility in connection with the securities in its possession is limited to exercising the same degree of care that it gives its own valuable property at its offices where any of the securities are held. The Secured Party will not be bound under any circumstances to realize upon any of the securities, to allow any of the securities to be sold, to exercise any option or right attaching thereto, or to be responsible for any loss occasioned by any sale of the securities or by its retention or other refusal to sell them.

The Secured Party is not obliged to collect or see to the payment of interest or dividends on the securities. The Debtor shall hold in trust all interest and dividends, if and when received, for the Secured Party and shall immediately pay those amounts to the Secured Party.

4.3 Purchase Money Security Interests

The Debtor may grant purchase-money security interests in the ordinary course of its business in connection with the purchase or lease of inventory or equipment, except that this grant will not constitute a subordination of the Security Interest to those purchase-money security interests or a waiver by the Secured Party of the requirements prescribed by statute that, if complied with, would result in those purchase-money security interests ranking in priority to the Security Interest granted under this agreement.

5. ACKNOWLEDGEMENTS

5.1 Debtor Acknowledgement

The Debtor acknowledges that it has received, has had sufficient time to review and has reviewed, this agreement and fully understands its provisions. The Debtor also acknowledges that it has had an adequate opportunity to be advised by advisors of its own choosing regarding all pertinent aspects of this agreement and the relationship created hereby.

5.2 No Partnership, etc.

Nothing contained in this agreement will create a partnership, joint venture, principal-and-agent relationship, or any similar relationship between the parties.

5.3 No Third Party Beneficiaries

This agreement does not confer any rights or remedies upon any Person other than the parties and their respective successors and permitted assigns.

5.4 Payment of Costs and Expenses

The Debtor shall pay all costs and expenses (including legal fees, as applicable, on a substantial indemnity basis) that it and the Secured Party, or its agents on its behalf, incur in connection with the execution and delivery of, and the perfection (including those incurred for registration costs of any financing statement registered in connection with the Security Interest) and enforcement of the Secured Party's interest under, this agreement, which will be paid immediately upon demand and form part of the Obligations.

6. RIGHTS AND REMEDIES

Upon the occurrence of a Default which is continuing, the Secured Party may exercise any of the following rights or remedies:

6.1 Remedies Cumulative

The rights, remedies, and powers provided to a party under this agreement are cumulative and in addition to, and are not exclusive of or in substitution for, any rights, remedies, and powers otherwise available to that party.

6.2 Security in Addition

This agreement and the Security Interest are in addition to and not in substitution for any other security now or later held by the Secured Party in connection with the Debtor, the Obligations, or the Collateral. The Security Interest does not replace or otherwise affect any existing or future Lien held by the Secured Party. No taking of any suit, action, or proceeding, judicial or extra-judicial, no refraining from doing so, and no dealing with any other security for any Obligations will release or affect (a) the Security Interest or (b) any of the other Liens held by the Secured Party for the payment or performance of the Obligations.

6.3 Non-merger

- (a) This agreement will not operate by way of a merger of the Obligations or of any guarantee, agreement, or other document or instrument by which the Obligations now, or at any time subsequently, may be represented or evidenced. Neither the taking of any judgment nor the exercise of any power of seizure or disposition will extinguish the liability of the Debtor to pay and perform the Obligations nor shall the acceptance of any payment or alternate security constitute or create any novation.
- (b) The rights, obligations, representations and warranties, and covenants under this agreement, and under any other Transaction Document will not merge in any judgment.

6.4 Survival

Sections 3.14 (General Indemnity) and 5.4 (Payment of Costs and Expenses) survive the termination of this agreement.

6.5 Severability

The invalidity or unenforceability of any particular term of this agreement will not affect or limit the validity or enforceability of the remaining terms.

6.6 Waiver

- (a) *Requirements.* No waiver of satisfaction of a condition or non-performance of an obligation under this agreement is effective unless it is in writing and signed by the party granting the waiver.
- (b) *Scope of waiver.* No waiver by a party will extend to any subsequent non- satisfaction or non-performance of an obligation under this agreement, whether or not of the same or similar nature to that which was waived.
- (c) *Rights and remedies.* No waiver by a party will affect the exercise of any other rights or remedies by that party under this agreement. Any failure or delay by a party in exercising any right or remedy will not constitute, or be deemed to constitute, a waiver by

that party of that right or remedy. No single or partial exercise by a party of any right or remedy will preclude any other or further exercise by that party of any right or remedy.

6.7 Acceleration and Enforcement

Upon the occurrence of a Default which is continuing, the Obligations will be accelerated and become immediately due and payable in full and the Security Interest will become immediately enforceable without the Secured Party having to take any further action.

6.8 Power of Entry

Subject to Section 3.18 (Cannabis Collateral), the Secured Party may enter any premises owned, leased, or otherwise occupied by the Debtor or where any Collateral may be located to take possession of, dispose of, disable, or remove any Collateral by any method permitted by Applicable Law. The Debtor shall grant to the Secured Party a licence to occupy any of the Debtor's premises for the purpose of storing any Collateral and shall, immediately upon demand, deliver to the Secured Party possession of any Collateral at the place specified by the Secured Party.

6.9 Power of Sale

- (a) Subject to Section 3.18 (Cannabis Collateral), the Secured Party may sell, lease, consign, licence, assign, or otherwise dispose of any Collateral by public auction, private tender, or private contract, with or without notice, advertising, or any other formality, all of which the Debtor hereby waives to the extent permitted by Applicable Law. The Secured Party may establish the terms of disposition (including terms and conditions as to credit, upset, reserve bid, or price). The Secured Party will credit all payments made under those dispositions against the Obligations only as they are actually received. The Secured Party may buy in, rescind, or vary any contract for the disposition of Collateral and may dispose of any Collateral again without being answerable for any resulting loss. Any disposition may take place whether or not the Secured Party has taken possession of the Collateral. The exercise by the Secured Party of any power of sale does not preclude the Secured Party from any further exercise of its power of sale in accordance with this paragraph.
- (b) The Secured Party may approach a restricted number of potential purchasers to effect the sale of any Collateral constituting securities under paragraph 6.9(a) above. A sale under those circumstances may yield a lower price for Collateral than would otherwise be obtainable if that Collateral was registered and sold in the open market. The Debtor agrees that
 - (i) if the Secured Party sells Collateral at a private sale or sales, the Secured Party has the right to rely upon the advice and opinion of any Person who regularly deals in or evaluates securities of the type constituting the Collateral as to the best price obtainable in a commercially reasonable manner, and
 - (ii) that reliance will be conclusive evidence that the Secured Party handled that sale in a commercially reasonable manner.

6.10 Carrying on Business

Subject to Applicable Law, the Secured Party may carry on, or concur in the carrying on of, all or any part of the businesses or undertaking of the Debtor and may, to the exclusion of all others (including the Debtor), enter upon, occupy, and use any of the premises, buildings, and plant of, occupied or used by the Debtor and may use all or any of those premises and the equipment and other Collateral located on those premises (including fixtures) for whatever time and purposes as the Secured Party sees fit, free of charge. The Secured Party will not be liable to the Debtor for any act, omission, or negligence in doing so or in connection with any rent, charges, costs, depreciation, or damages in connection with that action.

6.11 Pay Liens

The Secured Party may pay any liability owed to any actual or threatened Lien holder against any Collateral, and borrow money to maintain, preserve, or protect any Collateral or to carry on the businesses or undertaking of the Debtor, and may charge and grant further security interests in any Collateral in priority to the Security Interest as security for the money so borrowed. Immediately upon demand by the Secured Party, the Debtor shall reimburse the Secured Party for all those payments and borrowings.

6.12 Dealing with Collateral

- (a) As soon as the Secured Party takes possession of any Collateral or appoints a Receiver over any Collateral, all rights of the Debtor in and to that Collateral will cease unless the Secured Party or any Receiver agrees in writing to specifically continue those rights.
- (b) Notwithstanding paragraph 6.12(a) above, to the extent that Applicable Law prohibits the Secured Party or a Receiver from taking possession of any Cannabis Collateral, the Debtor shall retain all rights in and to such Cannabis Collateral but only to the extent so as to dispose of such Cannabis Collateral pursuant to, and in accordance with, Section 3.18 (Cannabis Collateral) hereof.
- (c) The Secured Party may have, enjoy, and exercise all of the rights of and enjoyed by the Debtor in and to the Collateral or incidental, ancillary, attaching, or deriving from the ownership by the Debtor of the Collateral (including the right to (i) enter into agreements and grant licences over or relating to Collateral, (ii) demand, commence, continue, or defend any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing, or obtaining possession or payment of the Collateral, (iii) grant or agree to Liens and grant or reserve profits à prendre, easements, rights of ways, rights in the nature of easements, and licences over or relating to any part of the Collateral, and (iv) give valid receipts and discharges, and to compromise or give time for the payment or performance of all or any part of the accounts or any other obligation of any third party to the Debtor).
- (d) The Secured Party may take any actions to maintain, preserve, and protect the Collateral or otherwise deal with any Collateral in the manner, upon the terms, and at the times it deems advisable in its discretion without notice to the Debtor, except as otherwise required by Applicable Law (including payments on account of other security interests affecting the Collateral); provided that the Secured Party will not be required to take any of those actions or make any of those expenditures. Any of the amounts that the Secured

Party pays (including legal, Receiver's, accounting, or other professional fees and expenses) will be added to the Obligations and will be secured by this agreement.

- (e) The Secured Party may accept the Collateral in satisfaction of the Obligations.
- (f) The Secured Party or any Receiver has no obligation to keep Collateral identifiable or to preserve rights against prior secured creditors in connection with any Collateral.

6.13 Powers re Leases

The Secured Party may upon any sale by the Secured Party of any leasehold interest under this agreement for the purpose of vesting the one day residue of the term or its renewal in any purchase, by deed or writing appoint the purchaser or any other Person as a new trustee of the residue or renewal in place of the Debtor and may vest those rights in the new trustee so appointed free from any obligation in that Collateral.

6.14 Dealing with Accounts

The Secured Party may collect, sell, or otherwise deal with accounts (including notifying any Person obligated to the Debtor in connection with an account, chattel paper, or an instrument to make payment to the Secured Party of all present and future amounts that are due).

6.15 Collect Rents

The Secured Party may collect any rents, income, and profits received in connection with the business of the Debtor or the Collateral, without carrying on the business.

6.16 Dealing with Securities

- (a) The Secured Party may exercise or cause to be exercised all voting rights, rights to receive dividends, interest, principal, or other payments of money attached to the securities (whether or not registered in the name of the Secured Party or its nominee), give or withhold all related consents, waivers, and ratifications, exercise any rights of conversion, exchange, subscription, or other rights, privileges, or options relating to any of the securities as if the Secured Party were the absolute owner (including the right to exchange, at its discretion, any of the securities upon the merger, consolidation, reorganization, recapitalization, or other readjustment of any issuer or upon the exercise by any issuer of any right, privilege, or option relating to any of the securities), and in doing so, to deposit or deliver any of the securities with or to any committee, depository, transfer agent, registrar, or other designated agency upon the terms and conditions it may determine.
- (b) The Secured Party may comply with any limitation or restriction in connection with any proposed sale or other disposition of the securities necessary to comply with Applicable Law (including any policy imposed by any stock exchange, securities commission, or other Governmental Authority). That compliance by the Secured Party will not result in the sale being considered or deemed not to have been made in a commercially reasonable manner, nor will the Secured Party be liable or accountable to the Debtor for any discount in the sale price of the securities that may be given because those securities are sold in compliance with any limitation or restriction.

6.17 Dealing with Intellectual Property

The Secured Party may register assignments of the Intellectual Property, and use, sell, assign, licence, or sub-licence any of the Intellectual Property.

6.18 File Claims

The Secured Party may file proofs of claim and other documents in order to have the claims of the Secured Party lodged in any bankruptcy, winding-up, or other judicial proceeding relating to the Debtor or the Collateral.

6.19 Power of Attorney

The Debtor shall appoint the Secured Party, acting by any officer, director, employee, agent, or representative for the time being of the Secured Party located at its address for notices in Section 7.8 (Notice), to be its attorney with full power of substitution to do on the Debtor's behalf anything that the Debtor can lawfully do by an attorney (including to do, make, and execute all agreements, deeds, acts, matters, or things, with the right to use the name of the Debtor) that it deems necessary or expedient and to carry out its obligations under this agreement, to revise and schedule to this agreement and to complete any missing information in this agreement. This power of attorney, being granted by way of security and coupled with an interest, is irrevocable until the Obligations are paid in full.

6.20 Retain Services

The Secured Party may retain the services of any lawyers, accountants, appraisers, and other agents, and consultants as the Secured Party deems necessary or desirable in connection with anything done or to be done by the Secured Party or with any of the rights of the Secured Party set out in this agreement and pay their reasonable documented commissions, fees, disbursements (which payments will constitute part of the Secured Party's disbursements reimbursable by the Debtor under this agreement). The Debtor shall immediately on demand reimburse the Secured Party for all those payments.

6.21 Appointment of a Receiver

- (a) The Secured Party may
- (i) appoint, by instrument in writing, a Receiver for the Debtor, the Collateral, or both the Debtor and the Collateral, and no such Receiver need be appointed, need its appointment ratified, or need its actions in any way supervised, by a court,
 - (ii) appoint an officer or employee of the Secured Party as Receiver,
 - (iii) remove any Receiver and appoint another Receiver, or
 - (iv) apply, at any time, to any court of competent jurisdiction for the appointment of a Receiver or other official, who may have powers the same as, greater or lesser than, or otherwise different from, those capable of being granted to a Receiver appointed by the Secured Party under this agreement.

- (b) If two or more Receivers are appointed to act concurrently, they will act severally and not jointly and severally.

6.22 Effect of Appointment of Receiver

Any Receiver will have the rights set out in this Article 6 (Rights and Remedies). In exercising those rights, a Receiver will act as, and for all purposes will be deemed to be, the agent of the Debtor. However, the Secured Party will not be responsible for any act, omission, negligence, misconduct, or default of any Receiver.

6.23 Application of Payments

The Secured Party, or any Receiver appointed by the Secured Party in the enforcement of the Security Interest, may hold all payments made in connection with the Obligations and all monies received as security for the Obligations (including each Recovery), or may apply those payments or monies in whatever manner they determine at their discretion. The Secured Party may at any time apply or change any application of those payments, monies, or Recoveries to any parts of the Obligations as the Secured Party may determine at its discretion. The Debtor will remain liable to the Secured Party for any deficiency. The Secured Party shall pay any surplus funds realized after the satisfaction of all Obligations in accordance with Applicable Law.

6.24 Deficiency

If the proceeds of the realization of any Collateral are insufficient to repay all Obligations, the Debtor shall immediately pay or cause to be paid the deficiency to the Secured Party.

6.25 Limitation of Liability

Neither the Secured Party nor any Receiver will be liable for any negligence in accordance with any rent, charges, costs, depreciation, or damages in connection with any of its actions. Neither the Secured Party nor any Receiver will be liable or accountable to the Debtor for any failure to seize, collect, realize, dispose of, enforce, or otherwise deal with any Collateral, nor will any of them be bound to bring any action or proceeding for any of those purposes or to preserve any rights of any Person in any of the Collateral. Neither the Secured Party nor any Receiver will be liable or responsible for any claim, loss, and expense flowing from any failure resulting from any act, omission, negligence, misconduct, or default of the Secured Party, any Receiver, or any of their respective representatives or otherwise. If any Receiver or the Secured Party takes possession of any Collateral, neither the Secured Party nor any Receiver will have any liability as a mortgagee in possession of the Collateral or be accountable for anything except actual receipts. Further, the Secured Party will not be deemed to have assumed, or be deemed to be liable for, any covenant, agreement, or other obligation of the Debtor under any agreement, right, Licence, or permit to which the Debtor is a party.

6.26 Extensions of Time

The Secured Party and any Receiver may grant renewals, extensions of time, and other indulgences, take and give up Liens, accept compositions, grant releases and discharges, perfect or fail to perfect any Liens, release any Collateral to third parties, and otherwise deal or fail to deal with the Collateral, other Liens, the Debtor, debtors of the Debtor, guarantors of the Debtor, sureties of the the Debtor, and others as the Secured Party or such Receiver may see fit, all without prejudice to the Obligations and the rights of the Secured Party or any Receiver to hold and realize upon the Security Interest. However, no extension of time, forbearance, indulgence, or other accommodation will operate

as a waiver, alteration, or amendment of the Secured Party's rights or otherwise preclude the Secured Party from enforcing those rights and nothing in this agreement obligates the Secured Party to extend the time for payment or satisfaction of any of the Obligations.

6.27 Secured Party or Receiver May Perform

If the Debtor fails to perform any Obligations, the Secured Party or any Receiver may perform those Obligations as attorney for the Debtor in accordance with Section 6.19 (Power of Attorney). The rights conferred on the Secured Party and any Receiver under this agreement are for the purpose of protecting the Security Interest in the Collateral and do not impose any obligation upon the Secured Party or any Receiver to exercise any of those rights. The Debtor will remain liable under each agreement to which it is party or by which it or any of its businesses, undertaking, and properties is bound and shall perform all of its obligations under each of those agreements; the Debtor will not be released from any of its obligations under any agreement by the exercise of any rights by the Secured Party or any Receiver.

6.28 Validity of Sale

No Person dealing with the Secured Party, any Receiver, or any representative of the Secured Party or any Receiver has any obligation to enquire whether the Security has become enforceable, whether any right of the Secured Party or any Receiver has become exercisable, whether any Obligations remain outstanding, or otherwise as to the propriety or regularity of any dealing by the Secured Party or any Receiver with any Collateral or to see to the application of any money paid to the Secured Party or any Receiver. In the absence of fraud on the part of any Person, those dealings will be deemed to be within the rights conferred under this agreement and to be valid and effective accordingly.

6.29 No Obligation to Advance

Nothing in this agreement obligates the Secured Party to make any loan or accommodation to the Debtor or to extend the time for payment or satisfaction of any Obligation.

7. GENERAL

7.1 Entire Agreement

This agreement, together with each other Transaction Document (including, for greater certainty, the Side Letter),

- (a) constitutes the entire agreement; there are no representations, covenants, or other terms other than those set out in those agreements, and
- (b) supersedes any previous discussions, understandings, or agreements,

between the parties relating to its subject matter.

7.2 Further Assurances

Each party, upon receipt of Notice by another party, shall sign (or cause to be signed) all further documents, do (or cause to be done) all further acts, and provide all reasonable assurances as may reasonably be necessary or desirable to give effect to this agreement and the transactions contemplated by this agreement.

7.3 Amendment

This agreement may only be amended by a written document signed by each of the parties.

7.4 Conflict of Terms

If there is any inconsistency between the terms of this agreement and those in any schedule to this agreement or in any document entered into or delivered under this agreement or under any other Transaction Document, the terms of the agreement that provides the Secured Party greater benefits, rights, or remedies will prevail. The parties shall take all necessary steps to conform the inconsistent terms to the terms of that agreement.

7.5 Binding Effect

This agreement enures to the benefit of and binds the parties and their respective successors and permitted assigns.

7.6 Debtor's Amalgamation

If the Debtor amalgamates with any other entity or entities, this agreement will continue in full force and effect and will be binding upon the amalgamated entity, and, for greater certainty

- (a) the Security Interest will (i) continue to secure all the Obligations, (ii) secure all obligations of each other amalgamating entity to the Secured Party, and (iii) secure all obligations of the amalgamated entity to the Secured Party arising after the amalgamation,
- (b) the Security Interest will (i) continue to attach to the Collateral, (ii) attach to the Collateral of each other amalgamating entity, and (iii) attach to the Collateral of the amalgamated entity after the amalgamation, and
- (c) all defined terms and other terms of this agreement will be deemed to have been amended to reflect the amalgamation, to the extent required by the context.

7.7 Assignment

The Secured Party may assign this agreement and the Obligations in whole or in part to any Person without Notice to or the consent of the Debtor. Without the prior written consent of the Secured Party, the Debtor may not assign this agreement.

7.8 Notice

To be effective, any Notice shall be given in writing and may be given in the manner provided for in the Note.

7.9 Governing Law

The laws of Ontario and the laws of Canada applicable in that province, excluding any rule or principle of conflicts of law that may provide otherwise, govern this agreement.

7.10 Time of the Essence

Time shall be of the essence of this Security Agreement and of each and every part hereof.

7.11 Submission to Jurisdiction

The parties irrevocably attorn to the jurisdiction of the courts of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this agreement.

7.12 Counterparts

This agreement may be signed in any number of counterparts, each of which is an original, and all of which taken together constitute one single document.

7.13 Copy of Agreement

The Debtor acknowledges receipt of an executed copy of this agreement and copies of the verification statements relating to the financing statements or financing change statements filed by the Secured Party or its representatives under the PPSA in connection with this agreement.

7.14 Effective Date

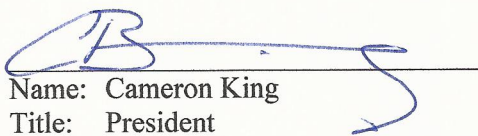
This agreement is effective as of the date shown at the top of the first page, even if any signatures are made after that date.

7.15 [Reserved.]

[Signature page follows]

This agreement has been executed by the parties.

2707461 ONTARIO INC.

By: 
Name: Cameron King
Title: President

OCH ONTARIO CONSULTING CORP.

By: _____
Name:
Title:

This agreement has been executed by the parties.

2707461 ONTARIO INC.

By: _____
Name: Cameron King
Title: President

OCH ONTARIO CONSULTING CORP.

By:  _____
Name: Jeff Holmgren
Title: CFO, Director

SCHEDULE A**Location of Debtor and Collateral**

Full Name:	2707461 ONTARIO INC.
Jurisdiction of Incorporation or Formation:	Ontario
Registered Office:	100 King Street West 1 First Canadian Place, Suite #2400 Toronto, Ontario M5X 1A4
Chief Executive Office:	113 Crystal Green Bay Okotoks, AB T1S 2N4
Places of Business:	Ontario
Locations of Records:	201, 620 12th Avenue SW Calgary, AB T2R 0H5

This is Exhibit "CC" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

Court File No.: CV-22-00682677-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

THE)
HONOURABLE)
JUSTICE)
KOEHNEN)
B E T W E E N :

Monday, the 11th Day of
December, 2023

FIRST LAND (OVERLEA) LTD.

Plaintiff

- and -

11819496 CANADA INC.

Defendant

JUDGMENT

ON READING the Statement of Claim in this action, filed, and the Consent of the parties, filed,

1. **THIS COURT ORDERS** that the Defendant, 11819496 Canada Inc., shall pay damages to the Plaintiff, First Land (Overlea) Ltd., in the total sum of \$120,000.00.
2. **THIS COURT FURTHER ORDERS** that there will be no order for costs of the Action.
3. **THIS JUDGMENT BEARS INTEREST** at a rate of 2.0 percent per year.



First Land (Overlea) Ltd.
Plaintiff

and 11819496 Canada Inc.
Defendant

Court File No.: CV-22-00682677-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

JUDGMENT

MILLER THOMSON LLP

700-100 New Park Place
Vaughan, ON L4K 0H9

Riccardo Del Vecchio LSO No.: 55199N

Tel: rdelvecchio@millerthomson.com
Tel: 905.532.6617

Mark A. De Sanctis LSO No.: 70563U

Tel: 905.532.6649
mdesanctis@millerthomson.com

Lawyers for the Plaintiff,
First Land (Overlea) Ltd.

This is Exhibit "DD" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

Trees Corporation
Consolidated Cash Flow Forecast
\$CDN 000's

	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
		17-Dec-23	24-Dec-23	31-Dec-23	7-Jan-24	14-Jan-24	21-Jan-24	28-Jan-24	4-Feb-24	11-Feb-24	18-Feb-24	25-Feb-24	3-Mar-24	10-Mar-24	
Receipts															
Retail Sales and Other Receipts	1	\$ 370	\$ 394	\$ 380	\$ 413	\$ 360	\$ 360	\$ 311	\$ 355	\$ 311	\$ 311	\$ 311	\$ 355	\$ 311	\$ 5,269
Total Receipts		370	394	380	413	360	360	311	355	311	311	311	355	311	5,269
Disbursements															
Cannabis and Accessory Inventory Purchases	2	246	351	233	225	208	230	200	230	200	200	200	200	200	3,395
Payroll Costs	3	104	55	61	93	65	91	51	81	55	88	51	83	58	1,082
Rent	4	5	-	-	120	-	-	-	91	-	-	-	91	-	389
Operational G&A and Taxes	5	8	45	119	173	2	16	2	191	2	-	18	75	15	773
Restructuring Costs	6	-	300	-	50	-	50	-	50	-	25	-	25	-	500
Total Disbursements		363	751	413	662	274	387	253	643	257	313	269	474	273	6,139
Net cash receipts/(disbursements)		\$ 7	\$ (358)	\$ (33)	\$ (249)	\$ 86	\$ (27)	\$ 58	\$ (289)	\$ 54	\$ (2)	\$ 42	\$ (120)	\$ 38	\$ (869)
Cash on hand															
Opening Balance	7	\$ 36	\$ 43	\$ 35	\$ 2	\$ 203	\$ 289	\$ 262	\$ 320	\$ 32	\$ 86	\$ 84	\$ 126	\$ 6	\$ 113
DIP Facility Draw/Repayment		-	350	-	450	-	-	-	-	-	-	-	-	-	800
Net Cash Receipts/(disbursements)		7	(358)	(33)	(249)	86	(27)	58	(289)	54	(2)	42	(120)	38	(869)
Ending cash balance		\$ 43	\$ 35	\$ 2	\$ 203	\$ 289	\$ 262	\$ 320	\$ 32	\$ 86	\$ 84	\$ 126	\$ 6	\$ 44	\$ 44
Proposed Debt-in-Process Financing															
Opening balance		\$ -	\$ -	\$ 401	\$ 402	\$ 855	\$ 857	\$ 860	\$ 862	\$ 865	\$ 867	\$ 870	\$ 872	\$ 875	\$ -
Draw/(Repayment)	8	-	350	-	450	-	-	-	-	-	-	-	-	-	800
Commitment fee		-	50	-	-	-	-	-	-	-	-	-	-	-	50
Accrued Interest	8	-	1	1	2	2	2	2	2	2	3	3	3	3	27
Ending balance		\$ -	\$ 401	\$ 402	\$ 855	\$ 857	\$ 860	\$ 862	\$ 865	\$ 867	\$ 870	\$ 872	\$ 875	\$ 877	\$ 877

**IN THE MATTER OF THE CCAA OF TREES CORPORATION, ONTARIO CANNABIS
HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO
CONSULTING CORP., AND 11819496 CANADA INC.
(collectively, the “Applicants”)**

Notes to the Unaudited Cash Flow Forecast of the Applicants

December 17, 2023 to March 16, 2024 (the “Forecast Period”)

Disclaimer:

In preparing this cash flow forecast (the “**Cash Flow Forecast**”), the Applicants, with the assistance of Ernst & Young Inc. (the “**Proposed Monitor**”), 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 Applicants’ operations and additional assumptions discussed below with respect to the requirements and impact of a *Companies’ Creditors Arrangement Act* (“**CCAA**”) filing (the “**Probable and Hypothetical Assumptions**” or the “**Assumptions**”). 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.

The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor pursuant to section 23(1)(b) of the CCAA, which requires a Monitor to review the debtor’s cash flow statements as to its reasonableness and to file a report with the Court on the Monitor’s findings.

Pursuant to this standard, the Proposed Monitor’s review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by management of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on the Proposed Monitor’s review, nothing has come to the Monitor’s attention that causes the Proposed Monitor to believe, in any material respect, that:

- (a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;

- (b) As at the date of this report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or
- (c) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Forecast period. The Applicants, with the assistance of the Proposed Monitor, have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the Applicants' ongoing operations and the CCAA proceedings.

Receipts and disbursements are denominated in thousands of Canadian dollars.

Assumptions:**1. Retail Sales and Other Receipts**

This category includes revenues generated by the Applicants' retail stores and the profit-sharing from sales data sold through a service provided to licensed producers.

2. Cannabis and Accessory Inventory Purchases

Represents disbursements related to weekly inventory purchases from the provincial distributors in British Columbia and Ontario for the Applicants' operations, as well as cannabis accessory purchases from vendors.

3. Payroll Costs

Store employees are paid bi-weekly while executives are paid semi-monthly. Payroll is funded on a gross basis through a third-party service provider which then remits withholding taxes. Payroll costs also includes, full-time contractors, and health care benefits and life insurance premiums. It is assumed the closure of certain locations in January.

4. Rent

Represents the monthly lease obligations for the leased retail stores. It is assumed that certain leases are disclaimed.

5. Operational G&A and Taxes

Operational expenses such as utilities, security, software, cash management services, insurance for the store locations, sales taxes, and other general administrative costs. This includes payment of amounts owed to the external corporate counsel.

6. Restructuring Costs

Restructuring costs include professional fee payments and expenses of the Applicants' legal counsel, the proposed Monitor and its counsel in connection with the Applicants' restructuring proceedings.

7. Beginning Balance

Represents the projected opening cash balance as of December 17, 2023.

8. Debt-in-Possession Facility ("DIP") Draws and Repayments

Reflects projected draws and repayments under the DIP facility, subject to Court approval.

This is Exhibit "EE" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

Court File No.: _____

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TREES CORPORATION, ONTARIO CANNABIS
HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH
ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.

Applicants

CONSENT TO ACT AS MONITOR

ERNST & YOUNG INC. hereby consents to act as the court-appointed Monitor of the Applicants, in accordance with the terms of an order substantially in the form attached to the Applicants' Application Record.

ERNST & YOUNG INC.



I have authority to bind the company

Name: Alex Morrison

Title: Senior Vice President

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 TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

CONSENT TO ACT AS MONITOR

Thornton Grout Finnigan LLP

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

Robert I. Thornton (LSO# 24266B)

Email: rthornton@tgf.ca

Mitchell W. Grossell (LSO# 69993I)

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Derek Harland (LSO# 79504N)

Email: धारland@tgf.ca

Rudrakshi Chakrabarti (LSO# 86868U)

Email: rchakrabarti@tgf.ca

Tel: 416-304-1616

Fax: 416-304-1313

Lawyers for the Applicants

This is Exhibit "FF" referred to in the Affidavit of Jeffrey Holmgren sworn by Jeffrey Holmgren of the City of Calgary, in the Province of Alberta, before me at the City of Toronto, in the Province of Ontario, this 21st day of December, 2023 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely.*

Rudrakshi Chakrabarti

A Commissioner for taking affidavits

RUDRAKSHI CHAKRABARTI

ONE PLANT RETAIL CORP.
DEBTOR IN POSSESSION FINANCING TERM SHEET
 (the “**Term Sheet**”)

December 21, 2023

Trees Corporation
 181 Bay Street, Suite 1800
 Toronto, Ontario
 M5J 2T9

Attention: Jeffrey Holmgren, President and Chief Financial Officer

Re: Debtor in Possession Financing for Trees Corporation

- A. Trees Corporation, OCH Ontario Consulting Corp., 2707461 Ontario Ltd., 11819496 Canada Inc., Ontario Cannabis Holdings Corp. and Miraculo Inc., (collectively, the “**Borrowers**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) for an initial order (the “**Initial Order**”), among other things, commencing proceedings (the “**CCAA Proceedings**”) under the *Companies Creditors Arrangement Act* (Canada) (the “**CCAA**”), imposing a stay of proceedings in favour of the Borrowers (the “**Initial Stay**”), appointing Ernst & Young Inc. as monitor of the Borrowers (in such capacity, the “**Monitor**”), approving this Term Sheet and granting the DIP Charge (as defined herein) to secure an initial authorized advance of CAD \$350,000 under the DIP Facility (as defined herein);
- B. In the event that the Initial Order is granted, and prior to the expiry of the Initial Stay, the Borrowers will seek an amended and restated initial order (the “**ARIO**”) within the CCAA Proceedings, for, in addition to the relief set out in the Initial Order and among other things, an extension of the Initial Stay and approval of an increase in the authorized limit of the DIP Facility secured by the DIP Charge to CAD \$800,000;
- C. The Borrowers require funding to satisfy the cash flow requirements of the CCAA Proceedings and other short-term liquidity requirements; and
- D. One Plant Retail Corp. (the “**Lender**”) has agreed to advance a debtor-in-possession loan in the aggregate principal amount of CAD \$800,000, subject to and in accordance with the terms and conditions of this Term Sheet.
1. **BORROWERS:** Trees Corporation, OCH Ontario Consulting Corp., 2707461 Ontario Ltd., 11819496 Canada Inc, Ontario Cannabis Holdings Corp. and Miraculo Inc.
 2. **LOAN AMOUNT:** CAD \$800,000
 3. **DIP FACILITY** Non-revolving facility in the maximum aggregate amount of CAD \$800,000 (the “**DIP Facility**”).

The DIP Facility shall be used for short-term liquidity and other general corporate purposes, including working capital requirements and restructuring fees in accordance with the cash flow projections attached hereto as Schedule “A” (the “**Cash Flow Projections**”) approved by the

DIP Lender and the Monitor while the Borrowers complete a stalking horse sales process and share purchase transaction (the “**Transaction**”) within proceedings commenced under the CCAA.

The amount and purpose of the DIP Facility may be amended by the Borrowers and the DIP Lender in writing and subject to the consent of the Monitor or order of the Court. The Borrowers may not use the proceeds of the DIP Facility to pay any pre-filing obligations of the Borrowers, except with the consent of the DIP Lender and in accordance with the Cash Flow Projections.

4. **ADVANCES:**

Subject to the Conditions Precedent set out in Section 12 of this Term Sheet, and the Borrowers being in compliance with the provisions of this Term Sheet, the DIP Lender shall make the DIP Facility available to the Borrowers by advances as follows:

- (a) upon the issuance of the Initial Order, CAD \$350,000 shall be advanced by the DIP Lender to the Borrowers (the “**Initial Advance**”) by not later than December 22, 2023, to finance working capital requirements and professional fees and expenses for the period from the date of the Initial Order to the date of the ARIO; and
- (b) after the issuance of the ARIO, the balance of the DIP Facility shall be advanced by the DIP Lender to the Borrowers as needed in installments of not less than CAD \$100,000, as approved by the Monitor (each, a “**Subsequent Advance**” and either the Initial Advance or any Subsequent Advance may hereinafter be referred to as an “**Advance**”).

Each Subsequent Advance shall be requested by the Borrowers in writing (each, a “**Subsequent Advance Request**”).

Nothing in this Term Sheet creates a legally binding obligation on the DIP Lender to advance any amount under the DIP Facility at any time unless the Borrowers comply with the provisions of this Term Sheet.

Any Advance shall be funded by wire transfer into an account designated by the Borrowers, cheque payable to one of the Borrowers, or such other means as determined by the DIP Lender in its sole discretion, acting reasonably.

5. **INTEREST:**

Interest shall accrue under the DIP Facility at a rate equal to 15% per annum on the outstanding indebtedness (the “**Interest**”). Interest shall be calculated on the daily outstanding balance owing under the DIP Facility, not in advance, and shall accrue and be paid on the Maturity Date (as defined herein).

6. **RECOVERABLE EXPENSES:**

The Borrowers shall pay, in each case, on a full indemnity basis: (i) all reasonable legal expenses incurred by the DIP Lender in connection with the negotiation, preparation and performance of this Term Sheet,

and (ii) all of the DIP Lender's costs of realization or enforcement, in each case in connection with or related to the DIP Facility, the DIP Charge (defined below), this Term Sheet, or the CCAA Proceedings (collectively, "**Recoverable Expenses**"), provided that the Recoverable Expenses will become payable on the Maturity Date.

For greater certainty, Recoverable Expenses shall include all reasonable fees and expenses incurred by the DIP Lender in connection with the CCAA Proceedings and all court attendances in respect thereof. If the DIP Lender has paid any expense for which the DIP Lender is entitled to reimbursement from the Borrowers, such expenses shall be added to the DIP Facility and shall accrue interest at the rate set out above. All such fees and expenses and interest thereon shall be secured by the DIP Charge, whether or not any funds are advanced under the DIP Facility.

7. **COMMITMENT FEE**

The Borrowers shall pay a commitment fee in the amount of CAD \$50,000 (the "**Fee**"), representing 6.25% of the total maximum amount available under the DIP Facility, which shall be deemed to be fully earned by the DIP Lender and payable on the date that the Court issues the Initial Order approving the DIP Facility. The Fee shall be added to the indebtedness outstanding under the DIP Facility and secured by the DIP Charge.

8. **SECURITY:**

All debts, liabilities and obligations of the Borrowers to the DIP Lender under or in connection with the DIP Facility, this Term Sheet, and any other documents executed in connection therewith shall be secured by a Court-ordered super-priority charge (the "**DIP Charge**") granted to the DIP Lender in and to all present and future properties, assets, and undertakings of the Borrowers, real and personal, tangible and intangible, including all intellectual property owned by the Borrowers, whether now owned or hereafter acquired (collectively, the "**Property**"), ranking subordinate only to: (i) an administration charge in the maximum aggregate amount of CAD \$500,000 for the payment of the fees and expenses of counsel to the Borrowers, the Monitor and counsel to the Monitor (the "**Administration Charge**"), and (ii) any valid purchase money security interests registered under the *Personal Property Security Act* (Ontario).

9. **MATURITY DATE**

Unless otherwise agreed by the DIP Lender in its sole discretion, the term of the DIP Facility shall expire, and the Borrowers shall repay all obligations owing to the DIP Lender under this Term Sheet on the earliest of (the "**Maturity Date**"):

- (a) February 29, 2024;
- (b) The closing of a Transaction;
- (c) any Order made by the Court replacing Ernst & Young Inc. as Monitor;

- (d) the date on which the CCAA Proceedings are terminated for any reason, including if one or more of the Borrowers become bankrupt, whether voluntarily or involuntarily; and
- (e) the occurrence of an Event of Default (as defined herein).

10. **EXTENSION**

Provided that the Borrowers are not in default, the DIP Lender shall agree to extend the Maturity Date for up to an additional 90 calendar days, subject to the Borrowers achieving the following milestones by February 29, 2024, to the satisfaction of the DIP Lender in its sole and unfettered discretion:

- (a) the Court grants the Sale and Investment Solicitation Process (“**SISP**”) Order that, among other things, approves the DIP Lender acting as the stalking horse bidder in the SISP;
- (b) the Borrowers receive one or more bids in the SISP that will repay, in full, all amounts outstanding under this Term Sheet and any other first-ranking secured debt held by the DIP Lender or its nominee or affiliates at the time such bid is made (including any such debt acquired from third parties);
- (c) the Borrowers bring a motion for the approval of the successful bid in the SISP; and
- (d) the Borrowers and the successful bidder under the SISP are making reasonable progress towards satisfying all closing conditions to the Transaction contemplated by the successful bid.

11. **REPAYMENT:**

The aggregate principal amount owing under the DIP Facility plus all accrued and unpaid Interest, Recoverable Expenses and the Fee, shall become immediately due and payable on the Maturity Date. The DIP Facility may be prepaid at any time, without penalty (provided all accrued and unpaid Interest, Recoverable Expenses and the Fee are paid in full). If the Borrowers choose to prepay any amount owing under the DIP Facility, any such payment shall be applied: (i) first, to all accrued and unpaid Interest; (ii) second, to the Fee and all Recoverable Expenses; and (iii) third, to any principal amount outstanding under the DIP Facility.

If the DIP Lender completes a Transaction with one or more of the Borrowers, the Borrowers agree that all amounts outstanding under the DIP Facility, plus all accrued and unpaid Interest, Recoverable Expenses, and the Fee (if applicable), shall be credited against the amount of the consideration payable by the DIP Lender or its nominee under the Transaction.

12. **CONDITIONS PRECEDENT:**

The availability of the Initial Advance under the DIP Facility shall be subject to and conditional upon the following, which may be waived by

the DIP Lender, in its sole and unfettered discretion, in writing (the “**Initial Conditions Precedent**”):

- (a) written acceptance of this Term Sheet by the Borrowers;
- (b) the DIP Lender shall have received and approved the Cash Flow Projections in accordance with the terms of this Term Sheet;
- (c) the Court shall have issued the Initial Order, in a form satisfactory to the DIP Lender, including:
 - i. approving this Term Sheet and the DIP Facility up to an authorized limit of CAD \$350,000; and
 - ii. granting the DIP Charge in favour of the DIP Lender;
- (d) the DIP Lender shall, acting reasonably, be satisfied that the Borrowers have complied with and are continuing to comply, in all material respects, with all applicable laws, regulations and policies in relation to their business other than as may be permitted by an Order of the Court in the CCAA Proceedings, provided that the issuance of any such Order does not result in the occurrence of an Event of Default;
- (e) no Event of Default has occurred or will occur as a result of the Advance.

The availability of any Subsequent Advance under the DIP Facility shall be subject to and conditional upon the following, which may be waived by the DIP Lender, in its sole and unfettered discretion, in writing:

- (f) the Initial Conditions Precedent;
- (g) the Court shall have issued the ARIO, in a form satisfactory to the DIP Lender, including increasing the authorized limit of the DIP Facility secured by the DIP Lender’s Charge to CAD \$800,000; and
- (h) the DIP Lender shall have received a Subsequent Advance Request from the Borrowers, which may be from counsel to the Borrowers, that the requested Subsequent Advance is within the maximum amount available under the DIP Facility, in accordance with the Cash Flow Projections, and that the Borrowers are in compliance with this Term Sheet and the ARIO.

13. **REPRESENTATIONS AND WARRANTIES**

The Borrowers, as applicable, represent and warrant to the DIP Lender, upon which representations and warranties the DIP Lender relies in entering into this Term Sheet and when making each Advance, as follows (the “**Representations and Warranties**”):

- (a) the transactions contemplated by this Term Sheet (other than any stalking horse purchase agreement):
 - i. upon the granting of the Initial Order, are within the powers of the Borrowers;
 - ii. have been duly authorized by all necessary corporate approvals of the Borrowers;
 - iii. have been duly executed and delivered by or on behalf of the Borrowers;
 - iv. upon the granting of the Initial Order, constitute legal, valid and binding obligations of the Borrowers; and
 - v. upon the granting of the Initial Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Charge or any security granted to the DIP Lender;
- (b) the Borrowers are corporations existing under the laws of their jurisdiction of incorporation;
- (c) the Borrowers own, or are licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrowers do not infringe upon the rights of any other person to the knowledge of the Borrowers;
- (d) save to the extent disclosed by the Borrowers to the DIP Lender, the Borrowers have paid, where due, its tax and other obligations, including for payroll, employee source deductions, and *Harmonized Sales Tax*, and is not in arrears in respect of these obligations;
- (e) the Borrowers maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar business and operating in the same or similar locations; and
- (f) all factual information provided by or on behalf of the Borrowers to the DIP Lender for the purposes of or in connection with this Term Sheet or any transaction contemplated herein is true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially

misleading at such time in light of the circumstances under which such information was provided.

14. COVENANTS:

The Borrowers covenant and agree with the DIP Lender, so long as any amounts are outstanding by the Borrowers to the DIP Lender hereunder, to:

- (a) use reasonable efforts to keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrowers;
- (b) promptly, upon receipt by the Borrowers of same, give the DIP Lender a copy of any Notice of Motion or Application to vary, supplement, revoke, terminate or discharge the Initial Order or the ARIO, including, without limitation, any application to the Court for the granting of new or additional security that will or may have priority over the DIP Charge, or otherwise for the variation of the priority of the DIP Charge;
- (c) prior to service, provide the DIP Lender with all materials the Borrowers intend to file in the CCAA Proceedings and provide the DIP Lender and its counsel a reasonable amount of time to review same;
- (d) provide the DIP Lender with any additional financial information reasonably requested by the DIP Lender, including any updated Cash Flow Projections;
- (e) use the Advances under the DIP Facility for the purposes for which they are being provided, as set out in Section 3 of this Term Sheet, or such other purposes that may be agreed to by the DIP Lender and the Monitor in writing;
- (f) comply with the provisions of the Initial Order, the ARIO and any other court order made in the CCAA Proceedings; provided that if any court order in the CCAA Proceedings contravenes this Term Sheet or any other DIP Facility documentation so as to adversely impact the rights or interests of the DIP Lender in a material manner, the same shall be an Event of Default hereunder;
- (g) provide the DIP Lender with prompt written notice of any event that constitutes, or would, with notice, lapse of time, or both, constitute an Event of Default, a breach of any covenant, or other term or condition of this Term Sheet, or of any document executed in connection with this Term Sheet;
- (h) conduct all activities in a manner consistent with the Cash Flow Projections;

- (i) keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
- (j) not declare any dividend, or make any other distributions with respect to any shares of the Borrowers without the prior written consent of the DIP Lender and the consent of the Monitor or order of the Court;
- (k) not make any payment to any director, officer, investor or related party (except salary and wages in the normal course) without the prior written consent of the DIP Lender and the Monitor or order of the Court;
- (l) keep the Borrowers' assets fully insured against such perils and in such manner as would be customarily insured by companies owning similar assets; and
- (m) not, without the prior written consent of the DIP Lender and the consent of the Monitor or order of the Court, incur any borrowings or other secured indebtedness, obligations or liabilities, other than the DIP Facility, or create or grant any security (other than the Administration Charge, the DIP Charge and a charge in favour of the directors and officers) over any of its Property, whether ranking in priority to or subordinate to the DIP Charge;
- (n) not sell, transfer, assign, convey or lease any Property unless agreed to by the DIP Lender and consented to by the Monitor or order of the Court; and
- (o) not enter into a Transaction unless all amounts outstanding under this Term Sheet and any other first-ranking secured debt held by the DIP Lender or its nominees or affiliates at the time such Transaction is entered into (including any such debt acquired from third parties) will be permanently and indefeasibly repaid upon closing of the Transaction, or if the terms of the Transaction have otherwise been approved by the DIP Lender.

15. **INDEMNITY:**

The Borrowers agree to indemnify and hold harmless the DIP Lender and its affiliates and officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the “**Indemnified Persons**”) from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever that may be incurred by or asserted against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, the proposed or actual use of proceeds of the DIP Facility, this Term Sheet, the CCAA Proceedings, the Initial Order, the ARIO or

any other agreements entered into between the DIP Lender and the Borrowers with respect to the foregoing. Notwithstanding the foregoing, none of the Borrowers have any obligation to indemnify any Indemnified Person against any such loss, liability cost or expense (a) to the extent that such Indemnified Person is found by a final judgment of a court of competent jurisdiction to arise from their gross negligence, bad faith or wilful misconduct, or (b) to the extent arising from any dispute solely among Indemnified Persons other than any claims arising out of any act or omission on the part of the Borrowers. The DIP Lender shall not be responsible or liable to the Borrowers or any other person for consequential or punitive damages.

16. EVENTS OF DEFAULT: The DIP Facility shall be subject to the following events of default (“**Events of Default**”):

- (a) the Borrowers’ failure to pay any amount due hereunder when due and payable;
- (b) any covenant, Condition Precedent, payment obligation, or other term or condition of this Term Sheet is not complied with or fulfilled to the satisfaction of the DIP Lender, acting reasonably;
- (c) any representation or warranty made by the Borrowers is incorrect or misleading in any material respect when made;
- (d) the seeking or support by the Borrowers of any Court order (in the CCAA Proceedings or otherwise) that is adverse or potentially adverse to the interests of the DIP Lender;
- (e) the issuance of any court order staying, reversing, vacating or modifying the terms of the Initial Order, the ARIO, the DIP Facility or the DIP Charge without the DIP Lender’s consent, which consent may be withheld in the DIP Lender’s sole discretion;
- (f) the service or filing of a notice of appeal, application for leave to appeal, or an appeal in respect of the Initial Order or the ARIO that is not being diligently contested by the Borrowers, provided that, if the Borrowers are unsuccessful in contesting any such appeal, that shall automatically constitute an Event of Default;
- (g) an event occurs that will, in the opinion of the DIP Lender, acting reasonably, materially impair the Borrowers’ financial condition, operations or ability to perform its obligations under this Term Sheet or any order of the Court;
- (h) failure by the Borrowers to comply with the Initial Order, the ARIO or any further Order of the Court;

- (i) any material adverse change in: (i) the business, operations, or financial condition of the Borrowers or their affiliates; (ii) the Property of the Borrowers; (iii) the DIP Charge, including its priority; (iv) the ability of the Borrowers to perform their obligations under this Term Sheet or to any person under any material contract; (v) the DIP Lender's ability to enforce any of its rights or remedies against the Property, or for the obligations of the Borrowers to be satisfied from the realization thereof;
- (j) one or more of the Borrowers become bankrupt, or a receiver, interim receiver, receiver and manager, or trustee in bankruptcy is appointed in respect of the Borrowers, or any of their Property;
- (k) the acceptance of any Transaction, or the filing of a motion seeking approval of the Court to accept any such Transaction, unless the total indebtedness owing by the Borrowers under the DIP Facility and any other first-ranking secured debt held by the DIP Lender or its nominees or affiliates at the time such Transaction is entered into (including any such debt acquired from third parties) is to be permanently and indefeasibly paid in full in cash or other immediately available funds upon completion of the Transaction or if the terms of the Transaction have otherwise been approved by the DIP Lender;
- (l) the filing of any proposal to which the DIP Lender does not consent, which consent cannot be unreasonably withheld; and
- (m) the commencement of any claim, action, proceeding, application, motion, defense or other contested matter (collectively, a "**Claim**") that is not being diligently contested by the Borrowers, the purpose of which is to seek or the result of which would be to obtain any order, judgment, determination, declaration or similar relief: (i) invalidating, setting aside, avoiding, or subordinating the obligations of the Borrowers under the DIP Facility, the DIP Charge or its priority, (ii) for monetary, injunctive or other relief against the DIP Lender or the Property, or (iii) preventing, hindering or otherwise delaying the exercise by the DIP Lender of any of its rights and remedies hereunder, pursuant to the Initial Order, the ARIIO or under applicable law, or the enforcement or realization by the DIP Lender against any of its collateral, provided that if the Borrowers are unsuccessful in contesting any such Claim, that shall automatically constitute an Event of Default.

17. REMEDIES AND ENFORCEMENT

Upon the occurrence of an Event of Default, the DIP Lender may, in its sole discretion, by way of written notice to the Borrowers, elect to terminate the DIP Facility and accelerate all amounts outstanding under the DIP Facility. In addition, upon the occurrence of an Event of Default, the DIP Lender may, upon providing four business days'

written notice to the Applicants and the Monitor, in accordance with the Initial Order or the ARIO:

- (a) apply to the Court for the appointment of a receiver, an interim receiver or a receiver and manager over the Property, or for the appointment of a trustee in bankruptcy of the Borrowers;
- (b) apply to the Court to be allowed to exercise the rights and powers of a secured lender pursuant to the *Personal Property Security Act* (Ontario), or any legislation of similar effect; and
- (c) exercise all such other rights and remedies available to the DIP Lender under this Term Sheet, the Initial Order, the ARIO, any other order of the Court or applicable law.

No failure or delay on the part of the DIP Lender in exercising any of its rights and remedies shall be deemed to be a waiver of any kind.

- 18. **DIP LENDER APPROVALS** Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail, by the DIP Lender, or its counsel, pursuant to the terms hereof.
- 19. **MONITOR** The monitor of the Borrowers shall be Ernst & Young Inc.
- 20. **LEGAL FEES** The Borrowers shall be responsible for all of the DIP Lender's reasonable legal fees incurred in respect of the DIP Facility on a full indemnity basis.
- 21. **FURTHER ASSURANCES** The Borrowers will, at their own expense and promptly on demand by the DIP Lender at any time, do such acts and things and execute and deliver such documents as the DIP Lender may reasonably request to give effect to any other provisions set out hereunder.
- 22. **ENTIRE AGREEMENT; CONFLICT** This Term Sheet constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Term Sheet and any of the other documentation that the DIP Lender requires the Borrowers to execute, this Term Sheet shall govern.
- 23. **WAIVERS** No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing by the DIP Lender and delivered in accordance with the terms of this Term Sheet, and then such waiver shall be effective only in the specific instance and for the specific purpose given.
- 24. **SEVERABILITY** Any provision in this Term Sheet, which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

25. **ASSIGNMENT** The Borrowers shall not assign this Term Sheet or any of the provisions set out herein without the prior written consent of the DIP Lender, which consent may be unreasonably withheld. The DIP Lender may assign or sell its rights or obligations with respect to this Term Sheet to any person without the prior written consent of the Borrowers.
26. **GOVERNING LAW** The DIP Facility and the provisions set out herein shall be governed and construed in all respects in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
27. **COUNTERPARTS** This Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute one and the same instrument.
28. **ACCEPTANCE** The Borrowers agree that the DIP Lender's services are rendered at the time this Term Sheet is both accepted by the Borrowers and approved by the Court. Notwithstanding the foregoing, the Fee shall be payable by the Borrowers to the DIP Lender if this Term Sheet is not approved by the Court.

If the terms and conditions set out herein are satisfactory and the Borrowers are prepared to seek Court approval of same, kindly acknowledge acceptance by initialling each page and signing below.

BORROWERS' ACKNOWLEDGMENT AND ACCEPTANCE:

The undersigned hereby acknowledge that they have been advised by the DIP Lender to seek legal advice with respect to this Term Sheet and have done so prior to signing this Term Sheet.

The undersigned hereby accepts and agreed to be bound by the terms and conditions of this Term Sheet, expressly subject to Court approval of same.

Dated this 21st day of December, 2023.

BORROWERS:**TREES CORPORATION**

Per: _____

Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

I have the authority to bind the Corporation.

OCH ONTARIO CONSULTING CORP.

Per: _____

Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

I have the authority to bind the Corporation.

2707461 ONTARIO LTD.

Per: _____

Name: Jeffrey Holmgren

Title: President

I have the authority to bind the Corporation.

11819496 CANADA INC.

Per: _____

Name: Jeffrey Holmgren

Title: President

I have the authority to bind the Corporation.

ONTARIO CANNABIS HOLDINGS CORP.

Per: _____

Name: Jeffrey Holmgren

Title: President and Chief Financial Officer

I have the authority to bind the Corporation.

MIRACULO INC.

Per: _____

Name: Jeffrey Holmgren

Title: Chief Financial Officer

I have the authority to bind the Corporation.

Schedule "A"
Cash Flow Forecast

(attached).

Trees Corporation
Consolidated Cash Flow Forecast
\$CDN 000's

	Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
		17-Dec-23	24-Dec-23	31-Dec-23	7-Jan-24	14-Jan-24	21-Jan-24	28-Jan-24	4-Feb-24	11-Feb-24	18-Feb-24	25-Feb-24	3-Mar-24	10-Mar-24	
Receipts															
Retail Sales and Other Receipts	1	\$ 370	\$ 394	\$ 380	\$ 413	\$ 360	\$ 360	\$ 311	\$ 355	\$ 311	\$ 311	\$ 311	\$ 355	\$ 311	\$ 5,269
Total Receipts		370	394	380	413	360	360	311	355	311	311	311	355	311	5,269
Disbursements															
Cannabis and Accessory Inventory Purchases	2	246	351	233	225	208	230	200	230	200	200	200	200	200	3,395
Payroll Costs	3	104	55	61	93	65	91	51	81	55	88	51	83	58	1,082
Rent	4	5	-	-	120	-	-	-	91	-	-	-	91	-	389
Operational G&A and Taxes	5	8	45	119	173	2	16	2	191	2	-	18	75	15	773
Restructuring Costs	6	-	300	-	50	-	50	-	50	-	25	-	25	-	500
Total Disbursements		363	751	413	662	274	387	253	643	257	313	269	474	273	6,139
Net cash receipts/(disbursements)		\$ 7	\$ (358)	\$ (33)	\$ (249)	\$ 86	\$ (27)	\$ 58	\$ (289)	\$ 54	\$ (2)	\$ 42	\$ (120)	\$ 38	\$ (869)
Cash on hand															
Opening Balance	7	\$ 36	\$ 43	\$ 35	\$ 2	\$ 203	\$ 289	\$ 262	\$ 320	\$ 32	\$ 86	\$ 84	\$ 126	\$ 6	\$ 113
DIP Facility Draw/Repayment		-	350	-	450	-	-	-	-	-	-	-	-	-	800
Net Cash Receipts/(disbursements)		7	(358)	(33)	(249)	86	(27)	58	(289)	54	(2)	42	(120)	38	(869)
Ending cash balance		\$ 43	\$ 35	\$ 2	\$ 203	\$ 289	\$ 262	\$ 320	\$ 86	\$ 84	\$ 126	\$ 6	\$ 44	\$ 44	\$ 44
Proposed Debt-in-Process Financing															
Opening balance		\$ -	\$ -	\$ 401	\$ 402	\$ 855	\$ 857	\$ 860	\$ 862	\$ 865	\$ 867	\$ 870	\$ 872	\$ 875	\$ -
Draw/(Repayment)	8	-	350	-	450	-	-	-	-	-	-	-	-	-	800
Commitment fee		-	50	-	-	-	-	-	-	-	-	-	-	-	50
Accrued Interest	8	-	1	1	2	2	2	2	2	2	3	3	3	3	27
Ending balance		\$ -	\$ 401	\$ 402	\$ 855	\$ 857	\$ 860	\$ 862	\$ 865	\$ 867	\$ 870	\$ 872	\$ 875	\$ 877	\$ 877

**IN THE MATTER OF THE CCAA OF TREES CORPORATION, ONTARIO CANNABIS
HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO
CONSULTING CORP., AND 11819496 CANADA INC.
(collectively, the “Applicants”)**

Notes to the Unaudited Cash Flow Forecast of the Applicants

December 17, 2023 to March 16, 2024 (the “Forecast Period”)

Disclaimer:

In preparing this cash flow forecast (the “**Cash Flow Forecast**”), the Applicants, with the assistance of Ernst & Young Inc. (the “**Proposed Monitor**”), 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 Applicants’ operations and additional assumptions discussed below with respect to the requirements and impact of a *Companies’ Creditors Arrangement Act* (“**CCAA**”) filing (the “**Probable and Hypothetical Assumptions**” or the “**Assumptions**”). 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.

The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor pursuant to section 23(1)(b) of the CCAA, which requires a Monitor to review the debtor’s cash flow statements as to its reasonableness and to file a report with the Court on the Monitor’s findings.

Pursuant to this standard, the Proposed Monitor’s review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by management of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor’s procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on the Proposed Monitor’s review, nothing has come to the Monitor’s attention that causes the Proposed Monitor to believe, in any material respect, that:

- (a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;

- (b) As at the date of this report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or
- (c) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Forecast period. The Applicants, with the assistance of the Proposed Monitor, have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the Applicants' ongoing operations and the CCAA proceedings.

Receipts and disbursements are denominated in thousands of Canadian dollars.

Assumptions:**1. Retail Sales and Other Receipts**

This category includes revenues generated by the Applicants' retail stores and the profit-sharing from sales data sold through a service provided to licensed producers.

2. Cannabis and Accessory Inventory Purchases

Represents disbursements related to weekly inventory purchases from the provincial distributors in British Columbia and Ontario for the Applicants' operations, as well as cannabis accessory purchases from vendors.

3. Payroll Costs

Store employees are paid bi-weekly while executives are paid semi-monthly. Payroll is funded on a gross basis through a third-party service provider which then remits withholding taxes. Payroll costs also includes, full-time contractors, and health care benefits and life insurance premiums. It is assumed the closure of certain locations in January.

4. Rent

Represents the monthly lease obligations for the leased retail stores. It is assumed that certain leases are disclaimed.

5. Operational G&A and Taxes

Operational expenses such as utilities, security, software, cash management services, insurance for the store locations, sales taxes, and other general administrative costs. This includes payment of amounts owed to the external corporate counsel.

6. Restructuring Costs

Restructuring costs include professional fee payments and expenses of the Applicants' legal counsel, the proposed Monitor and its counsel in connection with the Applicants' restructuring proceedings.

7. Beginning Balance

Represents the projected opening cash balance as of December 17, 2023.

8. Debt-in-Possession Facility ("DIP") Draws and Repayments

Reflects projected draws and repayments under the DIP facility, subject to Court approval.

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 TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.

Court File No. 23-CV-_____

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

Proceedings commenced at Toronto

AFFIDAVIT OF JEFFREY HOLMGREN

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Tel: 416-304-1616
Fax: 416-304-1313
Lawyers for the Applicants

TAB 3

Court File No. _____

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

THE HONOURABLE)	FRIDAY, THE 22ND
)	
JUSTICE)	DAY OF DECEMBER, 2023

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 **TREES CORPORATION, ONTARIO
CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461
ONTARIO LTD., OCH ONTARIO CONSULTING CORP.,
AND 11819496 CANADA INC.** (collectively, the “**Applicants**”)

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day by way of judicial video conference in Toronto, Ontario by Zoom videoconference.

ON READING the affidavit of Jeffrey Holmgren sworn December 21, 2023, and the Exhibits thereto (the “**Holmgren Affidavit**”), the pre-filing report of the proposed monitor, Ernst & Young Inc. (the “**Proposed Monitor**”) dated December 21, 2023 (the “**Pre-Filing Report**”), and on being advised that the secured creditors who are likely affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for the Proposed Monitor and those other parties listed on the Counsel Slip, and on reading the consent of the Proposed Monitor to act as the monitor (the “**Monitor**”);

SERVICE AND DEFINITIONS

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

2. **THIS COURT ORDERS** that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Holmgren Affidavit.

APPLICATION

3. **THIS COURT ORDERS** that each of the Applicants is a company to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of the Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the cash management system currently in place as described in the Holmgren Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**"), and that any present or future bank or financial institution providing the Cash Management System: (a) 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, (b) 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 (c) shall be, solely in its capacity as provider of the Cash Management System only, an unaffected creditor under any plan of arrangement filed by the Applicants under the CCAA with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System on or after the date of this Order.

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

- (a) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), reasonable amounts owing under corporate credit cards issued to management and employees of the Applicants, vacation pay and reasonable employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing practices, compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants prior to or after the commencement of these proceedings, at their standard rates and charges; and
- (c) with the consent of the Monitor, any taxes, duties or other payments required for goods or services actually provided to the Applicants prior to the date of this Order by third parties up to the maximum amount of \$50,000 if, in the opinion of the Applicants, such third party is critical to the Business and ongoing operations of the Applicants.

7. **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 on their Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (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.

8. **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit 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 that are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods 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 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.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the relevant Applicant 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 relevant Applicant and the landlord from time to time

("Rent"), for the period commencing from and including the date of this Order, in accordance with the terms of the applicable lease agreement. 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.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) terminate the employment of their employees or temporarily lay off their employees as the Applicants deem appropriate; and
- (b) pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing,

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

12. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the relevant Applicant's intention to remove any fixtures from any leased premises at least seven (7) calendar 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 relevant Applicant's entitlement to remove any such fixture under the provisions of the applicable lease agreement, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Applicant, or by further Order of the Court upon application by the

relevant Applicant on at least two (2) calendar days notice to such landlord and any such secured creditors. If the relevant Applicant 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 relevant Applicant's claim to the fixtures in dispute.

13. **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, the relevant landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Applicant 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 relevant Applicant 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

14. **THIS COURT ORDERS** that until and including January 1, 2024, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in or out of any court or tribunal or other forum (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting their Business or their 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:

- (a) empower the Applicants to carry on any business that the Applicants are not lawfully entitled to carry on;
- (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA;
- (c) prevent the filing of any registration to preserve or perfect a security interest; or
- (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants are hereby restrained until further Order of the 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

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease 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

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and 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

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

21. **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 \$251,000, as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

22. **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 20 of this Order.

APPOINTMENT OF MONITOR

23. **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.

24. **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 the Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination to the DIP Lender (defined below) and its counsel on a monthly basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements and reporting required by the DIP Lender pursuant to the DIP Term Sheet, 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 on a monthly basis, or as otherwise agreed to by the DIP Lender;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
 - (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
 - (g) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants, or the direct or indirect subsidiaries or affiliates of any of the Applicants, including but not limited to any activities for which a permit or license is issued or required pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing, retail sale and distributing of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017 S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017 S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial 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.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or 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 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.

27. **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.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of the 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, 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.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Applicants, retainers in the amounts of \$25,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **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.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, 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 \$350,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

DIP FINANCING

32. **THIS COURT ORDERS** that Trees Corporation, OCH Ontario Consulting Corp., 2707461 Ontario Ltd., 11819496 Canada Inc., Ontario Cannabis Holdings Corp. and Miraculo Inc. (collectively, the "**Borrowers**") are hereby authorized and empowered to obtain and borrow under a credit facility from One Plant Retail Corp. (the "**DIP Lender**") in order to finance the Borrowers' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$350,000 (the "**DIP Facility**"), unless permitted by further Order of this Court.

33. **THIS COURT ORDERS THAT** the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Borrowers and the DIP Lender dated as of December 21, 2023 (the "**DIP Term Sheet**"), filed.

34. **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 DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Borrowers are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 and 40 hereof.

36. **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 DIP Term Sheet or the Definitive Documents, the DIP Lender, upon four business days' written 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 DIP Term Sheet, the 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 DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against 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.

37. **THIS COURT ORDERS** 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* (Canada) (the "**BIA**"), with respect to any advances made under the DIP Term Sheet or the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

First – Administration Charge (to the maximum amount of \$350,000);

Second – DIP Lender's Charge; and

Third – Directors' Charge (to the maximum amount of \$251,000).

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

40. **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, provided that the Charges shall rank behind the Encumbrances in favour of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.

41. **THIS COURT ORDERS** that the Applicants shall be entitled, on a subsequent attendance on notice to those Persons likely to be affected thereby, to seek an increase to the amounts, to seek additional charges and to seek priority of the Charges ahead of any Encumbrance over which the Charges have not obtained priority under this Order.

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

43. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees, including the DIP Lender, 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**") that 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 DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, 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 DIP Term Sheet 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.

44. **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.

SERVICE AND NOTICE

45. **THIS COURT ORDERS** that the Monitor shall: (i) without delay, publish in the Globe & 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, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

46. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the "Guide") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* and paragraph 7 of the Guide, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: www.ey.com/ca/trees.

47. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the 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 prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

48. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

49. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the 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).

COMEBACK HEARING

50. **THIS COURT ORDERS** that the comeback hearing shall be heard on December 29, 2023.

GENERAL

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

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

53. **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.

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

55. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

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 **TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.**

Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicants

TAB 4

Revised: January 21, 2014

Court File No. —————

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) ~~WEEKDAY~~FRIDAY, THE #22ND
)
JUSTICE) DAY OF ~~MONTH~~DECEMBER,
) 20YR2023

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 ~~[APPLICANT'S NAME]~~ ~~(the~~
~~"Applicant"~~TREES CORPORATION, ONTARIO CANNABIS
HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO
LTD., OCH ONTARIO CONSULTING CORP., AND
11819496 CANADA INC. (collectively, the "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the ~~Applicant~~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~~, by way of judicial video conference in Toronto, Ontario by Zoom videoconference.

ON READING the affidavit of ~~[NAME]~~Jeffrey Holmgren sworn ~~[DATE]~~December 21, 2023, and the Exhibits thereto (the "Holmgren Affidavit"), the pre-filing report of the proposed monitor, Ernst & Young Inc. (the "Proposed Monitor") dated December 21, 2023 (the "Pre-Filing Report"), and on being advised that the secured creditors who are likely ~~to be~~ affected by the charges created herein were given notice, and on hearing the submissions of counsel for ~~[NAMES], no one appearing for [NAME]~~[†] ~~although duly served as appears from the~~

[†] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2)

~~affidavit of service of [NAME] sworn [DATE] the Applicants, counsel for the Proposed Monitor and those other parties listed on the Counsel Slip, and on reading the consent of [MONITOR'S NAME] the Proposed Monitor to act as the monitor (the "Monitor,");~~

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Holmgren Affidavit.

APPLICATION

3. ~~2-THIS COURT ORDERS AND DECLARES~~ that each of the ~~Applicant~~Applicants is a company to which the CCAA applies.

~~PLAN OF ARRANGEMENT~~

~~3. — THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").~~

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to

~~may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

~~²If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

further Order of ~~this~~the Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its~~their business (the "**Business**") and Property. The ~~Applicant is~~Applicants are authorized and empowered to continue to retain and employ ~~the~~their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as ~~it deems~~they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **{THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to utilize the ~~central~~-cash management system³ currently in place as described in the Holmgren Affidavit of [NAME] sworn [DATE] or replace it with another substantially similar central cash management system (the "**Cash Management System**")₂ and that any present or future bank or financial institution providing the Cash Management System: (a) 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 ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, (b) shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and (c) shall be, solely in its capacity as provider of the Cash Management System only, an unaffected creditor under ~~the Plan~~any plan of arrangement filed by the Applicants under the CCAA with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System on or after the date of this Order.}

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

³~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter company transfers of cash.~~

- (a) all outstanding and future wages, salaries, employee ~~and pension~~ benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), reasonable amounts owing under corporate credit cards issued to management and employees of the Applicants, vacation pay and reasonable employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing practices, compensation policies and arrangements; ~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant in respect~~ Applicants prior to or after the commencement of these proceedings, at their standard rates and charges; and
- (c) with the consent of the Monitor, any taxes, duties or other payments required for goods or services actually provided to the Applicants prior to the date of this Order by third parties up to the maximum amount of \$50,000 if, in the opinion of the Applicants, such third party is critical to the Business and ongoing operations of the Applicants.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~ Applicants shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~ Applicants in carrying on ~~the~~ their Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

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

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

9. **THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the relevant Applicant 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 relevant Applicant 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~~

⁴ ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

~~advance (but not in arrears)~~ accordance with the terms of the applicable lease agreement. 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.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the ~~Applicant~~ 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)~~, have the right to:

~~(a) — permanently or temporarily cease, downsize or shut down any of its business or operations, [and to dispose of redundant or non-material assets not exceeding \$• in any one transaction or \$• in the aggregate]~~⁵

(a) ~~(b)~~ terminate the employment of ~~such of its~~ their employees or temporarily lay off ~~such of its~~ their employees as ~~it deems~~ the Applicants deem appropriate; and

(b) ~~(e)~~ pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of ~~its~~ their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the ~~Applicant~~ Applicants to proceed with an orderly restructuring of the Business (the “Restructuring”).

⁵ ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

12. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the relevant Applicant's intention to remove any fixtures from any leased premises at least seven (7) calendar 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 relevant Applicant's entitlement to remove any such fixture under the provisions of the applicable lease agreement, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Applicant, or by further Order of ~~this~~the Court upon application by the relevant Applicant on at least two (2) calendar days notice to such landlord and any such secured creditors. If the relevant Applicant disclaims ~~for resiliates~~ the lease governing such leased premises in accordance with ~~Section~~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~~section 32(5) of the CCAA), and the disclaimer ~~for resiliation~~ of the lease shall be without prejudice to the relevant Applicant's claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer ~~for resiliation~~ is delivered pursuant to ~~Section~~section 32 of the CCAA, then: (a) during the notice period prior to the effective time of the disclaimer ~~for resiliation~~, the relevant landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~for resiliation~~, 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 relevant Applicant 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 ~~APPLICANT~~APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including ~~[DATE—MAX. 30 DAYS]~~January 1, 2024, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in or out of any court or tribunal or other forum (each, a "**Proceeding**") shall be commenced or continued against or in respect of the ~~Applicant~~Applicants or the

Monitor, or affecting ~~the~~their Business or ~~the~~their Property, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Applicants or affecting ~~the~~their Business or ~~the~~their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **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 ~~Applicant~~Applicants or the Monitor, or affecting ~~the~~their Business or ~~the~~their Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall ~~(i)~~ :

- (a) empower the ~~Applicant~~Applicants to carry on any business ~~which~~that the ~~Applicant~~Applicants ~~is~~are not lawfully entitled to carry on, ~~(ii)~~ ;
- (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, ~~(iii)~~ ;
- (c) prevent the filing of any registration to preserve or perfect a security interest, ~~;~~ or ~~(iv)~~ ;
- (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the ~~Applicant~~Applicants are hereby restrained until further Order of ~~this~~the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants, and that the ~~Applicant~~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 ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease 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 ~~Applicant~~Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **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

⁶~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

of the former, current or future directors or officers of the ~~Applicant~~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 ~~Applicant~~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 ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~its~~their directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,⁷ 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.

21. **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**")⁸ on the Property, which charge shall not exceed an aggregate amount of \$●251,000, as security for the indemnity provided in paragraph {20} of this Order. The Directors' Charge shall have the priority set out in paragraphs {38} and {40} herein.

22. **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 ~~Applicant's~~Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have

⁷~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

⁸~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

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 {20} of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that ~~{MONITOR'S NAME}~~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 ~~Applicant~~Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Applicants and ~~its~~their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~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.

24. **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 ~~Applicant's~~Applicants' receipts and disbursements;
- (b) report to ~~this~~the Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, in its dissemination, to the DIP Lender (defined below) and its counsel on a ~~{TIME INTERVAL}~~monthly basis of financial and other information as agreed to between the ~~Applicant~~Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the ~~Applicant~~Applicants in ~~its~~the preparation of the ~~Applicant~~Applicants's cash flow statements and reporting required by the DIP Lender pursuant to the DIP Term Sheet, 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 ~~{TIME INTERVAL}~~on a monthly basis, or as otherwise agreed to by the DIP Lender;

- ~~(e) — advise the Applicant in its development of the Plan and any amendments to the Plan;~~
- ~~(f) — assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;~~
- (e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not ~~take possession of the Property~~occupy or take control, care, charge, possession or management (separately and/or collectively, "Possession") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants, or the direct or indirect subsidiaries or affiliates of any of the Applicants, including but not limited to any activities for which a permit or license is issued or required pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing, retail sale and distributing of cannabis or cannabis products including, without limitation, under the Cannabis Act, S.C. 2018, c. 16, the Controlled Drugs and Substances Act, S.C. 1996, c. 19, the Excise Tax Act, R.S.C. 1985, c. E. 15, Excise Act, 2001, S.C. 2002, c.22 the British Columbia Cannabis Control and Licensing Act, S.B.C. 2018, c. 29, the British Columbia Cannabis Distribution Act, S.B.C. 2018, c. 28, the Ontario Cannabis Control Act, 2017 S.O. 2017, c. 26, Sched. 1, Ontario Cannabis Retail Corporation Act, 2017 S.O. 2017, c. 26, the Cannabis License Act, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial 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.

26. **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.

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

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of ~~this~~the 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, 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.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the ~~Applicant~~Applicants as part of the costs of these proceedings. The ~~Applicant is~~Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant~~Applicants on a ~~[TIME INTERVAL]~~bi-weekly basis and, in addition, the ~~Applicant is~~Applicants are hereby authorized to pay to the Monitor, ~~counsel to the Monitor,~~ and counsel to the ~~Applicant~~Applicants, retainers in the ~~amount[s]~~amounts of \$~~●~~[25,000 each, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **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.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and the ~~Applicant~~Applicants's 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 \$~~●~~350,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~{38}~~ and ~~{40}~~ hereof.

DIP FINANCING

32. **THIS COURT ORDERS** that ~~the Applicant is~~Trees Corporation, OCH Ontario Consulting Corp., 2707461 Ontario Ltd., 11819496 Canada Inc., Ontario Cannabis Holdings Corp. and Miraculo Inc. (collectively, the "Borrowers") are hereby authorized and empowered to obtain and borrow under a credit facility from ~~[DIP LENDER'S NAME]~~One Plant Retail Corp. (the "**DIP Lender**") in order to finance the ~~Applicant's~~Borrowers' working capital requirements and other general corporate purposes and capital expenditures, provided that

borrowings under such credit facility shall not exceed \$~~●~~350,000 (the "DIP Facility"), unless permitted by further Order of this Court.

33. **THIS COURT ORDERS THAT** ~~such credit facility~~the DIP Facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~DIP Term Sheet between the ~~Applicant~~Borrowers and the DIP Lender dated as of ~~{DATE}~~December 21, 2023 (the "~~Commitment Letter~~DIP Term Sheet"), filed.

34. **THIS COURT ORDERS** that the ~~Applicant is~~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~~DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the ~~Applicant is~~Borrowers are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs ~~{38}~~ and ~~{40}~~ hereof.

36. **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 DIP Term Sheet or the Definitive Documents ~~or the DIP Lender's Charge~~, the DIP Lender, upon ~~●~~four business days' written notice to the ~~Applicant~~Applicants and the Monitor, may exercise any and all of its rights and remedies against the ~~Applicant~~Applicants or the Property under or pursuant to the ~~Commitment Letter~~DIP Term Sheet, the Definitive Documents and

the DIP Lender's Charge, including without limitation, to cease making advances to the ~~Applicant~~Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the ~~Applicant~~Applicants against the obligations of the ~~Applicant~~Applicants to the DIP Lender under the ~~Commitment Letter~~DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the ~~Applicant~~Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~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 ~~Applicant~~Applicants or the Property.

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "Charges"), as among them, shall be as follows⁹:

First – Administration Charge (to the maximum amount of \$●350,000);

⁹~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

Second – DIP Lender’s Charge; and

Third – Directors’ Charge (to the maximum amount of \$●251,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors’ Charge, the Administration Charge or the DIP Lender’s 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.

40. **THIS COURT ORDERS** that each of the ~~Directors’ Charge, the Administration Charge and the DIP Lender’s Charge~~ (all as constituted and defined herein) 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, provided that the Charges shall rank behind the Encumbrances in favour of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.

41. **THIS COURT ORDERS** that the Applicants shall be entitled, on a subsequent attendance on notice to those Persons likely to be affected thereby, to seek an increase to the amounts, to seek additional charges and to seek priority of the Charges ahead of any Encumbrance over which the Charges have not obtained priority under this Order.

42. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~ Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors’ Charge, the Administration Charge or the DIP Lender’s Charge~~ Charges, unless the ~~Applicant~~ Applicants also ~~obtains~~ obtain the prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of the ~~Directors’ Charge and the Administration Charge~~ Charges affected thereby (collectively, the "Chargees"), or further Order of this Court.

43. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge~~Charges, the ~~Administration Charge, the Commitment Letter,~~DIP Term Sheet, and the Definitive Documents ~~and the DIP Lender's Charge~~ 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, including~~ 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~~that binds the ~~Applicant~~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~~DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the ~~Applicant~~Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~Applicants entering into the ~~Commitment Letter~~DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, the ~~Commitment Letter~~DIP Term Sheet 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.

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

SERVICE AND NOTICE

45. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall: (i) without delay, publish in ~~[newspapers specified by the Court]~~ [the Globe & 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, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~ [Applicants](#) of more than \$~~1000~~ [1,000](#), and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

46. ~~45.~~ **THIS COURT ORDERS** that the E-Service ~~Protocol~~ [Guide](#) of the Commercial List (the “~~Protocol~~ [Guide](#)”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the ~~Protocol~~ [Guide](#) (which can be found on the Commercial List website at: ~~<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>~~ <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 ~~of the Rules of Civil Procedure~~ and [paragraph 7 of the Guide](#), 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](#) ~~13~~ of the ~~Protocol~~ [Guide](#), service of documents in accordance with the ~~Protocol~~ [Guide](#) will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the ~~Protocol~~ [Guide](#) with the following URL: ~~“[@](http://www.ey.com/ca/trees)”~~ www.ey.com/ca/trees.

47. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~ [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 prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~ [Applicants'](#) creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~ [Applicants](#) and that any such service or distribution by courier, personal delivery or

facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

48. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the “**Service List**”). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

49. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the 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).

COMEBACK HEARING

50. **THIS COURT ORDERS** that the comeback hearing shall be heard on December 29, 2023.

GENERAL

51. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

52. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Applicants, the Business or the Property.

53. ~~49.~~ **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 ~~Applicant~~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 ~~Applicant~~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 ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

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

55. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

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 TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.

Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

INITIAL ORDER

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Document comparison by Workshare Compare on Thursday, December 21, 2023 5:02:25 PM

Input:	
Document 1 ID	iManage://tgf-mobility-ca.imatege.work/CLIENT/5714538/1
Description	#5714538v1<tgf-mobility-ca.imatege.work> - Model Initial Order
Document 2 ID	file://C:\Users\derekh\Downloads\Trees First Day Initial Order [Final] (1).doc
Description	Trees First Day Initial Order [Final] (1)
Rendering set	Standard

Legend:	
	<u>Insertion</u>
	Deletion
	Moved from
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	Style change
	Format change
	Moved deletion
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	324
Deletions	303
Moved from	1
Moved to	1
Style changes	0
Format changes	0
Total changes	629

TAB 5

Court File No. _____

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

THE HONOURABLE)	FRIDAY, THE 22ND
)	
JUSTICE)	DAY OF DECEMBER, 2023

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 **TREES CORPORATION, ONTARIO
CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461
ONTARIO LTD., OCH ONTARIO CONSULTING CORP.,
AND 11819496 CANADA INC.** (collectively, the “**Applicants**”)

AMENDED AND RESTATED INITIAL ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day by way of judicial video conference in Toronto, Ontario by Zoom videoconference.

ON READING the affidavit of Jeffrey Holmgren sworn December 21, 2023, and the Exhibits thereto (the “**Holmgren Affidavit**”), the Pre-Filing Report of Ernst & Young Inc. (the “**Monitor**”) dated December 21, 2023 (the “**Pre-Filing Report**”), the First Report of the Monitor dated December [▶], 2023, and on being advised that the secured creditors who are likely affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor and those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavit of Service of [▶] sworn December 21, 2023, the Affidavit of Service of [▶] sworn December [▶], 2023, and on reading the consent of the Monitor to act as the monitor;

SERVICE AND DEFINITIONS

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

2. **THIS COURT ORDERS** that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Holmgren Affidavit.

APPLICATION

3. **THIS COURT ORDERS** that each of the Applicants is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

5. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of the Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the cash management system currently in place as described in the Holmgren Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management**

System"), and that any present or future bank or financial institution providing the Cash Management System: (a) 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, (b) 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 (c) shall be, solely in its capacity as provider of the Cash Management System only, 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 on or after the date of this Order.

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

- (a) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), reasonable amounts owing under corporate credit cards issued to management and employees of the Applicants, vacation pay and reasonable employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing practices, compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants prior to or after the commencement of these proceedings, at their standard rates and charges; and
- (c) with the consent of the Monitor, any taxes, duties or other payments required for goods or services actually provided to the Applicants prior to the date of this Order by third parties up to the maximum amount of \$50,000 if, in the opinion of the Applicants, such third party is critical to the Business and ongoing operations of the Applicants.

8. **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 on their Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (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.

9. **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit 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 that are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods 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 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.

10. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the relevant Applicant 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 relevant Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, in accordance with the terms of the applicable lease agreement. 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.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$150,000 in any one transaction or \$1,000,000 in the aggregate, in each case with the consent of the Monitor;
- (b) terminate the employment of their employees or temporarily lay off their employees as the Applicants deem appropriate; and
- (c) pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing,

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

13. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the relevant Applicant’s intention to remove any fixtures from any leased premises at least seven (7) calendar 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 relevant Applicant’s entitlement to remove any such fixture under the provisions of the applicable lease agreement, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Applicant, or by further Order of the Court upon application by the relevant Applicant on at least two (2) calendar days notice to such landlord and any such secured creditors. If the relevant Applicant 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 relevant Applicant’s claim to the fixtures in dispute.

14. **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, the relevant landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Applicant 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 relevant Applicant 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

15. **THIS COURT ORDERS** that until and including February 29, 2024, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in or out of any court or tribunal or other forum (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their

Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting their Business or their 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:

- (a) empower the Applicants to carry on any business that the Applicants are not lawfully entitled to carry on;
- (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA;
- (c) prevent the filing of any registration to preserve or perfect a security interest; or
- (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

18. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other

data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of the 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

19. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease 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

20. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and 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

21. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants

after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

22. **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 \$483,000, as security for the indemnity provided in paragraph 21 of this Order. The Directors' Charge shall have the priority set out in paragraphs 39 and 41 herein.

23. **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 21 of this Order.

APPOINTMENT OF MONITOR

24. **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.

25. **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 the Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination to the DIP Lender (defined below) and its counsel on a monthly basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements and reporting required by the DIP Lender pursuant to the DIP Term Sheet, 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 on a monthly basis, or as otherwise agreed to by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

26. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants, or the direct or indirect subsidiaries or affiliates of any of the Applicants, including but not limited to any activities for which a permit or license is issued or required pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing, retail sale and distributing of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017 S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017 S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial 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.

27. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or 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 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.

28. **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.

29. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of the 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, 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.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Applicants, retainers in the amounts of \$25,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

31. **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.

32. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, 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 \$500,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 39 and 41 hereof.

DIP FINANCING

33. **THIS COURT ORDERS** that Trees Corporation, OCH Ontario Consulting Corp., 2707461 Ontario Ltd., 11819496 Canada Inc., Ontario Cannabis Holdings Corp. and Miraculo Inc. (collectively, the "**Borrowers**") are hereby authorized and empowered to obtain and borrow under a credit facility from One Plant Retail Corp. (the "**DIP Lender**") in order to finance the Borrowers' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$800,000 (the "**DIP Facility**"), unless permitted by further Order of this Court.

34. **THIS COURT ORDERS THAT** the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Borrowers and the DIP Lender dated as of December 21, 2023 (the "**DIP Term Sheet**"), filed.

35. **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 DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Borrowers are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

36. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 39 and 41 hereof.

37. **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 DIP Term Sheet or the Definitive Documents, the DIP Lender, upon four business days' written 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 DIP Term Sheet, the 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 DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against 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.

38. **THIS COURT ORDERS** 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* (Canada) (the "**BIA**"), with respect to any advances made under the DIP Term Sheet or the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

First – Administration Charge (to the maximum amount of \$500,000);

Second – DIP Lender’s Charge (to the maximum amount of \$1,100,000); and

Third – Directors’ Charge (to the maximum amount of \$483,000).

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

41. **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.

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

43. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees, including the DIP Lender, 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**") that 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 DIP Term Sheet or the Definitive Documents shall create or be

- deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, 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 DIP Term Sheet 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.

44. **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.

SERVICE AND NOTICE

45. **THIS COURT ORDERS** that the Monitor shall: (i) without delay, publish in the Globe & 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, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

46. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the "**Guide**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: <https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* and paragraph 7 of the Guide, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 13 of the Guide, service of documents in accordance

with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: www.ey.com/ca/trees.

47. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the 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 prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

48. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

49. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the 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).

RELIEF FROM REPORTING OBLIGATIONS

50. **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the

“**Securities Filings**”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange (collectively, the “**Securities Legislation**”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Legislation.

51. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Legislation during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this Order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SHAREHOLDERS’ MEETING

52. **THIS COURT ORDERS** that the requirement for any future annual general meeting of the shareholders of Trees Corporation be postponed during these proceedings, and the time limit to call and hold such annual general meeting of shareholders is extended until after the conclusion of these proceedings, subject to further Order of this Court.

GENERAL

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

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

55. **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.

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

57. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

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 **TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.**

Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

**AMENDED AND RESTATED INITIAL
ORDER**

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Lawyers for the Applicants

TAB 6

Court File No. _____

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

THE HONOURABLE)	FRIDAY, THE 22ND
)	
JUSTICE)	DAY OF DECEMBER, 2023

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 **TREES CORPORATION, ONTARIO
CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461
ONTARIO LTD., OCH ONTARIO CONSULTING CORP.,
AND 11819496 CANADA INC.** (collectively, the "Applicants")

AMENDED AND RESTATED INITIAL ORDER

THIS ~~APPLICATION~~MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day by way of judicial video conference in Toronto, Ontario by Zoom videoconference.

ON READING the affidavit of Jeffrey Holmgren sworn December 21, 2023, and the Exhibits thereto (the "Holmgren Affidavit"), the ~~pre-filing report of the proposed monitor,~~Pre-Filing Report of Ernst & Young Inc. (the "~~Proposed-Monitor~~") dated December 21, 2023 (the "**Pre-Filing Report**"), the First Report of the Monitor dated December [] , 2023, and on being advised that the secured creditors who are likely affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for the ~~Proposed-Monitor~~ and those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavit of Service of [] sworn December 21, 2023, the Affidavit of Service of [] sworn December [] , 2023, and on reading the consent of the ~~Proposed-Monitor~~ to act as the monitor ~~(the "Monitor")~~;

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Holmgren Affidavit.

APPLICATION

3. **THIS COURT ORDERS** that each of the Applicants is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of the Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. ~~5.~~ **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the cash management system currently in place as described in the Holmgren Affidavit or replace

it with another substantially similar central cash management system (the "**Cash Management System**"), and that any present or future bank or financial institution providing the Cash Management System: (a) 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, (b) 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 (c) shall be, solely in its capacity as provider of the Cash Management System only, an unaffected creditor under ~~any plan of arrangement filed by the Applicants under the CCAA~~the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System on or after the date of this Order.

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

- (a) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), reasonable amounts owing under corporate credit cards issued to management and employees of the Applicants, vacation pay and reasonable employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing practices, compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants prior to or after the commencement of these proceedings, at their standard rates and charges; and
- (c) with the consent of the Monitor, any taxes, duties or other payments required for goods or services actually provided to the Applicants prior to the date of this Order by third parties up to the maximum amount of \$50,000 if, in the opinion of the

Applicants, such third party is critical to the Business and ongoing operations of the Applicants.

8. ~~7.~~ **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 on their Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (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.

9. ~~8.~~ **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit 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 that are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods 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 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.

10. ~~9.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the relevant Applicant 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 relevant Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, in accordance with the terms of the applicable lease agreement. 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.

11. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. ~~11.~~ **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$150,000 in any one transaction or \$1,000,000 in the aggregate, in each case with the consent of the Monitor;
- (b) ~~(a)~~ terminate the employment of their employees or temporarily lay off their employees as the Applicants deem appropriate; and

(c) ~~(b)~~ pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing,

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

13. ~~12.~~ **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the relevant Applicant’s intention to remove any fixtures from any leased premises at least seven (7) calendar 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 relevant Applicant’s entitlement to remove any such fixture under the provisions of the applicable lease agreement, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Applicant, or by further Order of the Court upon application by the relevant Applicant on at least two (2) calendar days notice to such landlord and any such secured creditors. If the relevant Applicant 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 relevant Applicant’s claim to the fixtures in dispute.

14. ~~13.~~ **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, the relevant landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Applicant 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 relevant Applicant 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

15. ~~14.~~ **THIS COURT ORDERS** that until and including ~~January 1~~February 29, 2024, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in or out of any court or tribunal or other forum (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting their Business or their 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:

- (a) empower the Applicants to carry on any business that the Applicants are not lawfully entitled to carry on;
- (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA;
- (c) prevent the filing of any registration to preserve or perfect a security interest; or
- (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

18. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of the 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

19. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease 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

20. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and 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

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

22. ~~21.~~ **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 \$~~251,000~~483,000, as security for the indemnity provided in paragraph ~~20~~21 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~38~~39 and ~~40~~41 herein.

23. ~~22.~~ **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 ~~20~~21 of this Order.

APPOINTMENT OF MONITOR

24. ~~23.~~ **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.

25. ~~24.~~ **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 the Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination to the DIP Lender (defined below) and its counsel on a monthly basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements and reporting required by the DIP Lender pursuant to the DIP Term Sheet, 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 on a monthly basis, or as otherwise agreed to by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) ~~(e)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

(h) ~~(f)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(i) ~~(g)~~ perform such other duties as are required by this Order or by this Court from time to time.

26. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants, or the direct or indirect subsidiaries or affiliates of any of the Applicants, including but not limited to any activities for which a permit or license is issued or required pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing, retail sale and distributing of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017 S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017 S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial 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.

27. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or 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 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.

28. ~~27.~~ **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.

29. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of the 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, 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.

30. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor and counsel to

the Applicants, retainers in the amounts of \$25,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

31. ~~30.~~ **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.

32. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, 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 ~~\$350,000~~500,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~38~~39 and ~~40~~41 hereof.

DIP FINANCING

33. ~~32.~~ **THIS COURT ORDERS** that Trees Corporation, OCH Ontario Consulting Corp., 2707461 Ontario Ltd., 11819496 Canada Inc., Ontario Cannabis Holdings Corp. and Miraculo Inc. (collectively, the "**Borrowers**") are hereby authorized and empowered to obtain and borrow under a credit facility from One Plant Retail Corp. (the "**DIP Lender**") in order to finance the Borrowers' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed ~~\$350,000~~800,000 (the "**DIP Facility**"), unless permitted by further Order of this Court.

34. ~~33.~~ **THIS COURT ORDERS THAT** the DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Borrowers and the DIP Lender dated as of December 21, 2023 (the "**DIP Term Sheet**"), filed.

35. ~~34.~~ **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 DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Borrowers are hereby authorized and

directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

36. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs ~~38~~39 and ~~40~~41 hereof.

37. ~~36.~~ **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 DIP Term Sheet or the Definitive Documents, the DIP Lender, upon four business days' written 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 DIP Term Sheet, the 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 DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against 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.

38. ~~37.~~ **THIS COURT ORDERS** 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* (Canada) (the "**BIA**"), with respect to any advances made under the DIP Term Sheet or the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

First – Administration Charge (to the maximum amount of \$~~350,000~~500,000);

Second – DIP Lender's Charge (to the maximum amount of \$1,100,000); and

Third – Directors' Charge (to the maximum amount of \$~~251,000~~483,000).

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

41. ~~40.~~ **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, ~~provided that the Charges shall rank behind the Encumbrances in favour of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.~~

~~41. **THIS COURT ORDERS** that the Applicants shall be entitled, on a subsequent attendance on notice to those Persons likely to be affected thereby, to seek an increase to the~~

~~amounts, to seek additional charges and to seek priority of the Charges ahead of any Encumbrance over which the Charges have not obtained priority under this Order.~~

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

43. **THIS COURT ORDERS** that the Charges, the DIP Term Sheet, and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees, including the DIP Lender, 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**”) that 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 DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, 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 DIP Term Sheet 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.

44. **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.

SERVICE AND NOTICE

45. **THIS COURT ORDERS** that the Monitor shall: (i) without delay, publish in the *Globe & 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, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

46. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the "**Guide**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at:

<https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/>)

shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* and paragraph 7 of the Guide, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: www.ey.com/ca/trees.

47. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the 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 prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their

respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

48. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the “**Service List**”). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

49. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the 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).

COMEBACK HEARING

RELIEF FROM REPORTING OBLIGATIONS

50. ~~**THIS COURT ORDERS** that the comeback hearing shall be heard on December 29, 2023.~~ **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the “**Securities Filings**”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange (collectively, the “**Securities Legislation**”), is hereby authorized, provided that

nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Legislation.

51. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Legislation during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this Order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SHAREHOLDERS’ MEETING

52. **THIS COURT ORDERS** that the requirement for any future annual general meeting of the shareholders of Trees Corporation be postponed during these proceedings, and the time limit to call and hold such annual general meeting of shareholders is extended until after the conclusion of these proceedings, subject to further Order of this Court.

GENERAL

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

54. ~~52.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

55. ~~53.~~ **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.

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

57. ~~55.~~ **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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

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 **TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.**

Court File No.: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

AMENDED AND RESTATED INITIAL
ORDER

Thornton Grout Finnigan LLP

3200 – 100 Wellington Street West

TD West Tower, Toronto-Dominion Centre
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Document 2 ID	iManage://tgf-mobility-ca.imatech.com/CLIENT/5665473/7
Description	#5665473v7<tgf-mobility-ca.imatech.com> - Trees Amended and Restated Initial Order [Final]
Rendering set	Standard

Legend:	
	<u>Insertion</u>
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Padding cell	

Statistics:	
	Count
Insertions	89
Deletions	75
Moved from	0
Moved to	0
Style changes	0
Format changes	0
Total changes	164

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 TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.

Court File No. 23-CV-_____

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

Proceedings commenced at Toronto

APPLICATION RECORD OF THE APPLICANTS

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