Court File No.: CV-21-00655373-00CL

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 FIGR BRANDS, INC., FIGR NORFOLK INC. AND CANADA'S ISLAND GARDEN INC.

Applicants

APPLICATION RECORD

(Volume 1 of 3)

January 21, 2021

BENNETT JONES LLP
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TAB 1

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Applicants

NOTICE OF APPLICATION

TO THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List on January 21, 2021 at 2:00 p.m. via videoconference due to the COVID-19 pandemic. Please refer to the videoconference details attached as Schedule "A" hereto in order to attend the application and advise if you intend to join the Application by emailing Aiden Nelms at nelmsa@bennettjones.com.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2:00 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: January 21, 2021

Issued by: Maggie Sawka

Digitally signed by Maggie Sawka
DN: cn=Maggie Sawka, o=Ministry of the Attorney General, ou=Superior Court of Justice, email=maggie.sawka@ontario.ca, c=CA
Date: 2021.01.22 09:29:53 -05'00'

Local Registrar

Address of court office: 330 University Avenue, 9th Floor
Toronto, ON M5G 1R7

TO: **THE SERVICE LIST**

APPLICATION

THE APPLICANTS MAKE THIS APPLICATION FOR:

1. An Order substantially in the form attached as Tab 3 of this Application Record (the "**Initial Order**"), *inter alia*:

(a) abridging the time for service and filing of this notice of application and dispensing with service on any person other than those served;

(b) declaring that FIGR Brands, Inc. ("**FIGR Brands**"), FIGR Norfolk Inc. ("**FIGR Norfolk**") and Canada's Island Garden Inc. ("**CIG**" and together with FIGR Brands and FIGR Norfolk, the "**Applicants**") are companies to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C36, as amended (the "**CCAA**") applies;

(c) appointing FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**", and if appointed, the "**Monitor**") as an officer of this Court to monitor the assets, business and financial affairs of the Applicants;

(d) approving the Applicants' ability to borrow under a debtor-in-possession credit facility (the "**DIP Loan**") to finance its working capital requirements and other general corporate purposes, post-filing expenses and costs;

(e) staying, for an initial period of not more than ten (10) days (the "**Stay of Proceedings**"), all proceedings and remedies taken or that might be taken in respect of the Applicants, the Monitor or the Applicants' directors and officers, or affecting the Applicants' business or the Property (as defined below), except with the written consent of the Applicant and the Monitor, or with leave of this Court; and

(f) granting the following charges (collectively, the "**Charges**") over the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**"):

(i) an Administration Charge (as defined in the Initial Order) up to a maximum amount of $600,000;

(ii) a Directors' Charge (as defined in the Initial Order) up to a maximum amount of $2 million;

(iii) a DIP Lender's Charge (as defined in the Initial Order) up to a maximum amount of $2.5 million; and

(iv) an Intercompany Charge (as defined in the Initial Order).

2. Prior to the expiry of the Stay of Proceedings, the Applicants intend to schedule a comeback hearing (the "**Comeback Hearing**") to seek an amended and restated Initial Order (the "**Amended and Restated Initial Order**"). Among other things, the Amended and Restated Initial Order will seek the following additional relief:

(a) an extension to the Stay of Proceedings;

(b) an increase to the quantum of each of the DIP Lender's Charge, the Directors' Charge and the Administration Charge;

(c) approval of a sale and investment solicitation process; and

(d) such other relief as may be required to advance the Applicants' restructuring;

THE GROUNDS FOR THIS APPLICATION ARE:

General

(e) the Applicants are insolvent and are companies to which the CCAA applies;

(f) the Applicants are a vertically integrated cannabis business with expertise at each stage of the cannabinoid product life-cycle, from cultivation and extraction to brand development, marketing and sales;

(g) the Applicant, FIGR Brands, was incorporated under the *Business Corporations Act*, SBC 2002, c 57 (British Columbia), and has its primary place of business in

Toronto, Ontario. FIGR Brands is an indirect, wholly-owned subsidiary of Pyxus International, Inc. ("**New Pyxus International**");

(h) FIGR Brands is the majority shareholder of FIGR Norfolk and CIG. FIGR Norfolk has a licence issued under the *Cannabis Act,* S.C. 2018, c. 16, as amended and its related regulations (together, the "**Cannabis Act**"), to produce cannabis at its facilities in Simcoe, Ontario, and CIG has a licence issued under the Cannabis Act to produce cannabis at its facilities in Charlottetown, Prince Edward Island. Collectively, the Applicants employ 189 people;

(i) the Applicants have been cash flow negative since inception and have been reliant on funding from indirect subsidiaries of New Pyxus International;

(j) such indirect subsidiaries are no longer prepared to continue funding the Applicants without an exit strategy. As a result, the Applicants are concerned with their ability to continue to operate their business and meet certain obligations as they come due;

(k) the boards of directors of each of the Applicants resolved to commence these CCAA proceedings (the "**CCAA Proceedings**");

(l) the Applicants are seeking the Initial Order at this time in order to stabilize and protect their business and to obtain additional financing in order to continue operations and to implement a restructuring and consummate a transaction that would see all or a portion of the Applicants' business sold as a going concern.;

(m) in connection with the commencement of the CCAA Proceedings, the Applicants have entered into the DIP Term Sheet (as defined below) to borrow up to $8 million under the DIP Loan to finance their working capital requirements and other general corporate purposes, post-filing expenses and costs;

(n) FTI has consented to act as the Monitor in the CCAA Proceedings;

Urgent Need For the Stay Of Proceedings

(o) the Applicants require the Stay of Proceedings to prevent potential enforcement action by certain contractual counterparties. It would be detrimental to the Applicants' business if proceedings were commenced or continued or rights and remedies were executed against them and, without the Stay of Proceedings, the Applicants are unable to continue operations in the ordinary course of business;

(p) the Stay of Proceedings will stabilize and preserve the value of the Applicants' business and ultimately provide the Applicants with breathing space to develop and oversee an orderly sale process, while maintaining business operations in the ordinary course;

(q) the Stay of Proceedings is in the best interests of the Applicants and their stakeholders, meets the statutory requirements under the CCAA, and is appropriate in the circumstances;

(r) absent the Stay of Proceedings, the Applicants face the immediate cessation of their business, eroding value for all of their stakeholders;

Immediate Need for the DIP Loan

(s) in connection with the commencement of the CCAA Proceedings, FIGR Brands, as borrower and FIGR Norfolk and CIG, as guarantors, entered into a term sheet dated January 20, 2021 (the "**DIP Term Sheet**") with an indirect subsidiary of New Pyxus International, Alliance One Tobacco Canada, Inc. (in such capacity, the "**DIP Lender**"), pursuant to which DIP Lender has agreed to provide the DIP Loan to FIGR Brands in the maximum principal amount of $8 million;

(t) the Applicants require the DIP Loan to, among other things, fund the cost of their day-to-day operations and develop a plan for their restructuring;

(u) absent the DIP Loan, the Applicants will be forced to immediately cease going concern operations and will be unable to meet their payroll and other obligations;

(v) the proposed DIP Loan is conditional upon the provision of an initial order under the CCAA, among other things, approving the DIP Loan and granting the DIP Lender's Charge over the Property;

(w) the amount to be funded prior to the Comeback Hearing under the DIP Loan is only that portion that is necessary for the Applicants' continued operations in the ordinary course of business during the initial Stay of Proceedings;

(x) the Proposed Monitor believes that the DIP Loan and corresponding DIP Lender's Charge are appropriate and necessary in the circumstances;

Priority Charges

(y) the Applicants are seeking the Charges as part of the relief granted under the Initial Order in the following priority:

First – Administration Charge (up the maximum amount of $600,000)

Second – Director's Charge (up to the maximum amount of $2 million);

Third – DIP Lender's Charge (up to the maximum amount of $2.5 million); and

Fourth – Intercompany Charge.

(z) the relief sought in the Initial Order in respect of the Charges is limited to what is reasonably necessary to stabilize the Applicants' business during the initial Stay of Proceedings;

(aa) the Proposed Monitor is supportive of the granting of each of the Charges and their quantum;

Other Grounds

(bb) the provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;

(cc) rules 1.04, 2.03, 3.02, 14.05(2), 16, 38 and 39 of the Ontario *Rules of Civil Procedure*, R.R.O 1990, Reg. 194, as amended and sections 106 and 137(2) of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and

(dd) such further and other grounds as counsel may advise and this Honourable Court may permit;

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the application for the Initial Order:

(a) the Affidavit of Michael Devon, sworn on January 21, 2021, and the exhibits attached thereto;

(b) the consent of FTI to act as Monitor;

(c) the Factum of the Applicants;

(d) the Pre-Filing Report of the Proposed Monitor dated January 21, 2021; and

(e) such further and other evidence as counsel may advise and this Court may permit;

January 21, 2021

BENNETT JONES LLP

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Lawyers for the Applicants

SCHEDULE "A"

Time: 2:00 p.m.

Join Zoom Meeting
https://us02web.zoom.us/j/81592661027

Meeting ID: 815 9266 1027
One tap mobile
+13017158592,,81592661027# US (Washington D.C)
+13126266799,,81592661027# US (Chicago)

Dial by your location
+1 301 715 8592 US (Washington D.C)
+1 312 626 6799 US (Chicago)
+1 346 248 7799 US (Houston)

+1 646 558 8656 US (New York)
+1 669 900 9128 US (San Jose)
+1 253 215 8782 US (Tacoma)
Meeting ID: 815 9266 1027
Find your local number: https://us02web.zoom.us/u/kcQHRNlMC0

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36,* AS AMENDED AND IN THE MATTER OF FIGR BRANDS, INC., FIGR NORFOLK INC. AND CANADA'S ISLAND GARDEN INC.

Court File No.: CV-21-00655373-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings Commenced in Toronto

NOTICE OF APPLICATION

BENNETT JONES LLP
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Lawyers for the Applicants

TAB 2

Court File No.:CV-21-00655373-00CL

ONTARIO
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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 FIGR BRANDS, INC., FIGR NORFOLK INC. AND CANADA'S ISLAND GARDEN INC.

Applicants

AFFIDAVIT OF MICHAEL DEVON
(Sworn January 21, 2021)

I, Michael Devon, of the city of Toronto, in the Province of Ontario, **MAKE OATH AND SAY**:

1. I am the Chief Financial Officer of FIGR Brands, Inc. ("**FIGR Brands**") and a director of FIGR Norfolk Inc. ("**FIGR Norfolk**") and Canada's Island Garden Inc. ("**CIG**", and together with FIGR Brands and FIGR Norfolk, the "**Applicants**" or the "**FIGR Group**"). As such, I have personal knowledge of the Applicants and the matters to which I depose in this affidavit. Where I have relied on other sources for information, I have so stated and I believe them to be true.

2. All references to currency in this affidavit are in Canadian dollars unless noted otherwise.

I. RELIEF REQUESTED

3. I swear this affidavit in support of an urgent Application by the Applicants for an Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), *inter alia*:

(a) declaring that the Applicants are parties to which the CCAA applies;

(b) appointing FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") as an officer of the Court to monitor the assets, business, and affairs of the Applicants (once appointed in such capacity, the "**Monitor**");

(c) approving the Applicants' ability to borrow under a debtor-in-possession ("**DIP**") credit facility (the "**DIP Loan**") to finance their working capital requirements and other general corporate purposes, post-filing expenses and costs;

(d) staying, for an initial period of not more than ten (10) days (the "**Stay of Proceedings**"), all proceedings and remedies taken or that might be taken in respect of the Applicants, the Monitor or the Directors and Officers (as defined below), or affecting the Applicants' business or the Property (as defined below), except with the written consent of the Applicants and the Monitor, or with leave of the Court; and

(e) granting the following priority charges (collectively, the "**Charges**") over the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**"):

(i) the Administration Charge (as defined below) in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants;

(ii) the Directors' Charge (as defined below) in favour of the Directors and Officers;

(iii) the DIP Lender's Charge in favour of the DIP Lender (each as defined below); and

(iv) the Intercompany Charge (as defined below) in favour of any Intercompany Lender (as defined below).

4. If the Initial Order is granted, the Applicants intend to return to Court within ten (10) days (the "**Comeback Hearing**") to seek approval of an amended and restated Initial Order, which, among other things, would:

(a) extend the Stay of Proceedings;

(b) increase the quantum of each of the DIP Lender's Charge, the Directors' Charge and the Administration Charge;

(c) approve a sale and investment solicitation process (the "**SISP**"); and

(d) seek such other relief as may be required to advance the Applicants' restructuring.

II. OVERVIEW

5. The FIGR Group operates two cannabis facilities – one in Simcoe, Ontario and the other in Charlottetown, Prince Edward Island ("**PEI**"). Since commencing operations, both facilities

have been cash flow negative and are dependant on indirect subsidiaries of New Pyxus International (as defined below) for funding. As described below, Alliance One International Tabak B.V. ("**AOI Tabak**"), an indirect subsidiary of New Pyxus International, was owed approximately $189,729,870 by FIGR Brands as at November 30, 2020, which amount has only increased since that date as a result of further advances and accruing interest.

6. AOI Tabak is no longer prepared to continue funding the FIGR Group without an exit strategy. As a result, the Applicants are seeking protection under the CCAA to, among other things, obtain additional financing in order to continue operations and to implement a restructuring and consummate a transaction that would see all or a portion of the Applicants' business sold as a going concern.

7. Subject to certain conditions, including Court approval, Alliance One Tobacco Canada, Inc. (in such capacity, the "**DIP Lender**") has agreed to provide additional financing through the DIP Loan to, *inter alia*, provide the Applicants with the liquidity necessary to continue to operate while the SISP is conducted. As noted above, the relief in respect of the SISP is intended to be sought at the Comeback Hearing.

8. The CCAA filing and the proposed SISP are intended to benefit all of the Applicants' stakeholders, including the FIGR Group's employees, customers, suppliers and contracting parties, and Health Canada and relevant provincial regulators.

III. CORPORATE STRUCTURE OF THE FIGR GROUP

9. A copy of the FIGR Group's current corporate structure is attached hereto as Exhibit "A". FIGR Brands is a wholly-owned, indirect subsidiary of Pyxus International, Inc. ("**New Pyxus International**").

10. On June 15, 2020, Pyxus International Inc., as it then was ("**Original Pyxus International**"), and 4 affiliated debtors (collectively, the "**US Debtors**") each filed a voluntary petition for relief under title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended in the United States Bankruptcy Court (the "**US Court**") for the District of Delaware (the "**Pyxus Chapter 11 Proceedings**").

11. On August 21, 2020, the Amended Joint Prepackaged Chapter 11 Plan of Reorganization in respect of the US Debtors (the "**US Plan**") became effective and on September 11, 2020, the US Court entered a Final Decree closing each of the US Debtors' cases except Original Pyxus International which is being administered under the name Old Holdco, Inc. Under the US Plan, the US Debtors' debt was reduced by more than USD$400 million and certain debt maturities were extended. The primary purpose of the Pyxus Chapter 11 Proceedings was to enhance the US Debtors' financial flexibility with a view to strengthening the company with a foundation that bolsters its position in target markets with long-term value for all stakeholders, and to refocus the US Debtors' business on its core-operations.

12. For the purpose of this affidavit and for greater certainty, all references to the Applicants include all predecessor entities.

A. FIGR Brands

13. FIGR Brands was incorporated under the *Business Corporations Act*, SBC 2002, c 57 (British Columbia) on October 28, 2019. FIGR Brands' principal place of business is located in Toronto, Ontario and its registered head office is located in Vancouver, British Columbia. FIGR Brands is the majority shareholder of each of FIGR Norfolk and CIG. A copy of FIGR Brands' corporate profile report is attached hereto as Exhibit "B".

14. On December 30, 2020, FIGR Brands amalgamated (the "**FIGR Amalgamation**") with its wholly-owned subsidiary, FIGR Canada Holdings ULC ("**FIGR Canada**"), formerly FIGR Inc., pursuant to a certificate of amalgamation (the "**Certificate of Amalgamation**"). A copy of the Certificate of Amalgamation is attached hereto as Exhibit "C". I understand that the FIGR Amalgamation was completed as part of an earlier-established global tax and structuring plan.

B. FIGR Norfolk

15. FIGR Norfolk was originally incorporated as Goldleaf Pharm Inc. ("**Goldleaf**") under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16 on March 6, 2014. On February 28, 2019, Goldleaf changed its name to FIGR Norfolk Inc. pursuant to articles of amendment. A copy of FIGR Norfolk's corporate profile report is attached hereto as Exhibit "D".

16. FIGR Norfolk was founded by Larry W. Huszczo ("**Huszczo**") and Catherine M. Armstrong ("**Armstrong**"). Both Huszczo and Armstrong continue to be involved in the day-to-day operations of FIGR Norfolk.

17. Pursuant to a Share Purchase Agreement dated January 29, 2018 (the "**FIGR Norfolk SPA**"), Canadian Cultivated Products Ltd. (the former name of one of the amalgamated entities

which now forms FIGR Brands) ("**Canadian Cultivated**") acquired 80% of the common shares of what was then Goldleaf (the "**Norfolk Common Shares**") from Huszczo and Armstrong. Concurrently with the execution of the FIGR Norfolk SPA, Canadian Cultivated, Huszczo and Armstrong entered into a unanimous shareholders' agreement in respect of FIGR Norfolk (the "**FIGR Norfolk USA**"). A copy of the FIGR Norfolk USA is attached hereto as Exhibit "E".

18. As a result of the FIGR Amalgamation, the Norfolk Common Shares that were the subject of the FIGR Norfolk SPA are now owned directly by FIGR Brands. FIGR Brands owns 80% of the Norfolk Common Shares, while Huszczo and Armstrong each own 10% of the Norfolk Common Shares.

C. CIG

19. CIG was incorporated under the PEI *Business Corporation Act*, R.S.P.E.I. 1988, c B-6.01 on August 8, 2013. CIG's principal place of business and registered head office are located in Charlottetown, PEI. CIG currently carries on business under the trade name "FIGR East". A copy of CIG's corporate profile report is attached hereto as Exhibit "F".

20. On January 25, 2018, Canadian Cultivated entered into several share purchase agreements (collectively, the "**CIG SPAs**") with the shareholders of CIG, whereby it acquired 75% of the common shares of CIG (the "**CIG Common Shares**"). Concurrently with the execution of the CIG SPAs, Canadian Cultivated and the shareholders of CIG entered into a unanimous shareholders' agreement (the "**CIG USA**"). Through subsequent purchases, Canadian Cultivated increased its holdings in CIG and as of the date of this affidavit, as a result of the FIGR Amalgamation, FIGR Brands owns 94.25% of the CIG Common Shares. A copy of the CIG USA is attached hereto as Exhibit "G".

IV. BUSINESS OF THE APPLICANTS

A. The Cannabis Industry in Canada

21. The cannabis industry has evolved, and continues to evolve, rapidly in Canada. Licenses to cultivate, process and/or sell cannabis, among other things, are regulated under the *Cannabis Act*, S.C. 2018, c. 16, as amended and related regulations (together, the "**Cannabis Act**").

22. On October 17, 2018, recreational use of cannabis was legalized in Canada. On that date, the Cannabis Act, which regulates retail cannabis for recreational/adult-use, medical cannabis and industrial hemp in Canada, came into effect. Additionally, cannabis was removed as a controlled substance from the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, and the *Access to Cannabis for Medical Purposes Regulations* were repealed.

23. On October 17, 2019, the Cannabis Act was amended to broaden the scope of legal cannabis products, to include edible cannabis, cannabis extracts and cannabis topicals.

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

B. Business

25. The FIGR Group is a vertically integrated cannabis business with expertise at each stage of the cannabinoid product life-cycle, from cultivation and extraction to brand development, marketing and sales. The FIGR Group applies a consumer-driven approach to developing premium

brands and is dedicated to selling high-quality, consumer cannabinoid products in Canada. As a result, the FIGR Group's products capture a broad customer base.

26. The FIGR Group's brand portfolio was developed to target the varying consumer demands along with the different sales and distribution channels within the market (the "**FIGR Product Portfolio**"). The FIGR Group produces an array of premium cannabis and hemp-derived CBD products including, among others, dried flower, pre-roll, tincture oil and vape cartages.

27. The FIGR Group supplies various cannabinoid products to a number of provincial purchasing entities pursuant to supply agreements, including:

(a) British Columbia (BC Liquor Distribution Branch);

(b) Alberta (Alberta Gaming, Liquor and Cannabis Commission);

(c) Manitoba (Manitoba Liquor and Lotteries);

(d) Ontario (Ontario Cannabis Retail Corporation);

(e) PEI (PEI Cannabis Management Corporation);

(f) Nova Scotia (Nova Scotia Liquor Corporation);

(g) Saskatchewan (Saskatchewan Liquor and Gaming Authority);

(h) Newfoundland (Newfoundland Labrador Liquor Corporation); and

(i) New Brunswick (Cannabis NB Ltd.).

28. The FIGR Group also has sale and supply agreements in place with a number of private third-party purchasers and retailers. The FIGR Product Portfolio was created with the intention of offering a carefully crafted product for every consumer type in the market. The FIGR Product Portfolio was developed using a consumer-centric strategy and is the product of significant consumer driven market research coupled with the FIGR Group's extensive knowledge in the cannabis space. Additionally, the FIGR Group leverages the sentry seed-to-sale tracking platform to position itself as a leading competitor in the cannabis industry.

1. *The Facilities and Production*

29. The FIGR Group has advanced cannabis cultivation and cannabinoid extraction and processing facilities which include high-quality indoor and purpose-built greenhouse cannabis cultivation and cannabinoid extraction infrastructure at the CIG Facility and the Norfolk Facility (each as defined below).

(i) *The CIG Facility*

30. CIG's original facility was a purpose-built indoor cannabis processing and hydroponic cultivation facility located in an industrial park in Charlottetown, PEI (the "**Original CIG Facility**"). The Original CIG Facility contained 24,000 square feet of production-licenced area with a production capacity capable of yielding approximately 1,400 kilograms of dried cannabis and dried cannabis equivalent products per annum.

31. In November 2019, CIG completed the expansion of the Original CIG Facility to add an additional 306,200 square feet of hydroponic cultivation space through the construction of a

purpose-built greenhouse adjacent to the Original CIG Facility (the "**CIG Expansion Facility**" and together with the Original CIG Facility, the "**CIG Facility**").

32. Following the completion of the CIG Expansion Facility, and after obtaining the necessary regulatory approvals from Health Canada, the CIG Facility has an annual production capacity of approximately 43,170 kilograms which is derived from approximately 163,904 square feet of flowering area.

33. There is a mechanics lien on title to the CIG Facility which relates to a dispute between Fitzgerald & Snow (2010) Ltd, CIG's general contractor in respect of the CIG Expansion Facility, and one of its subcontractors (the "**CIG Mechanics Lien**"). I understand that the dispute relating to the CIG Mechanics Lien is proceeding to arbitration. A copy of the CIG Mechanics Lien is attached hereto as Exhibit "H".

34. CIG owns the CIG Facility and the approximately 15 acres of land on which it is located.

(ii) ***The FIGR Norfolk Facility***

35. FIGR Norfolk's facility is located in Simcoe, Ontario and is licensed for cultivation by Health Canada (the "**FIGR Norfolk Facility**"). The FIGR Norfolk Facility consists of approximately 19,100 square feet of indoor space allocated for cultivation and processing. The FIGR Norfolk Facility has an annual production capacity of approximately 1,205 kilograms of dried cannabis and dried cannabis equivalent. The FIGR Norfolk Facility employs a hydroponic cultivation method to grow its premium quality cannabis. In July 2018, Goldleaf (the predecessor name of FIGR Norfolk) purchased the 18.72 acre plot of vacant land adjacent to the FIGR Norfolk Facility to accommodate a proposed expansion, but no expansion has been undertaken to date.

36. FIGR Norfolk owns the FIGR Norfolk Facility and the land on which it is situated.

C. Cannabis Licenses

37. FIGR Norfolk holds a Standard Cultivation, Standard Processing and Sale for Medical Purposes licence (the "**FIGR Norfolk Licence**") under the Cannabis Act. The licensed site is located at 11 Grigg Drive in Simcoe, Ontario. The most recent amendment to the FIGR Norfolk Licence was granted on May 8, 2020. The FIGR Norfolk Licence expires on September 28, 2021. Pursuant to the FIGR Norfolk Licence, FIGR Norfolk is authorized to conduct the following activities at the licensed site:

(i) possess cannabis;

(ii) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis;

(iii) for the purpose of testing, to obtain cannabis by altering its chemical or physical properties by any means;

(iv) produce cannabis, other than obtain it by cultivating, propagating or harvesting it; and

(v) sell recreational or medicinal dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds to authorized individuals under the Cannabis Act.

38. CIG holds a Standard Cultivation, Standard Processing and Sale for Medical Purposes licence (the "**CIG Licence**"). The licensed site is located at 7 Innovation Way, Charlottetown, PEI,

Canada. The CIG Licence was renewed on June 12, 2020 and expires on June 12, 2023. Pursuant to the CIG Licence, CIG is authorized to conduct the following activities at the licensed site:

(i) possess cannabis;

(ii) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis;

(iii) produce cannabis, other than obtain it by cultivating, propagating or harvesting it; and

(iv) sell recreational or medicinal dried cannabis, fresh cannabis, cannabis plants, cannabis plant seeds, edible cannabis, cannabis topicals or cannabis extracts to authorized individuals under the Cannabis Act.

39. FIGR Norfolk and CIG are subject to a comprehensive and rigorous regulatory regime as set out in the Cannabis Act and enforced by Health Canada. This regime requires ongoing compliance, record keeping, and reporting. There are strict site, security and operational requirements, including that directors, officers, individuals in a position to exercise direct control, and key individuals on the ground at the licensed site must hold security clearances.

D. Employees

1. General Overview

40. The FIGR Group currently employs 189 people (the "**Employees**"). The Employees and their designations are further detailed in the chart below:

Employee Designation	CIG	FIGR Norfolk	FIGR Brands	Total
Full Time (Salaried)	27	11	19	56
Full Time (Hourly)	99	13	0	112
Full Time (Temporary)	15	0	0	15
Part Time (Salaried)	1	0	0	1
Part Time (Hourly)	1	0	0	1
On Leave	1	2	1	4
Total	144	25	20	189

41. The aggregate payroll, and respective payroll providers, for the FIGR Group are as follows:

(a) FIGR Brands – approximately $170,000 semi-monthly (administered through Ceridian);

(b) FIGR Norfolk – approximately $59,000 bi-weekly (administered through Good Redden Klosler LLP); and

(c) CIG – approximately $244,229 bi-weekly (administered through ADP, LLC).

(b) Retention and Severance Entitlements

42. Certain executives and key employees of the FIGR Group were subject to key employee retention arrangements with New Pyxus International (collectively, the "**Pyxus Retention Agreements**"). I understand that all amounts owing under the Pyxus Retention Agreements were paid in full on or prior to January 15, 2021.

43. Pursuant to amendments to the Pyxus Retention Agreements, New Pyxus International has also guaranteed certain termination and severance obligations owing to certain executives and key employees of the FIGR Group.

(c) Agency Agreement

44. On January 11, 2021, FIGR Canada and Velvet Management Inc. ("**Velvet**") entered into a Services Agreement (the "**Agency Agreement**"). Under the Agency Agreement, Velvet is responsible for the promotion and commercialization of the Products (as that term is defined in the Agency Agreement) for the Term (as that term is defined in the Agency Agreement) to government-operated or government-licensed provincial and territory physical and online cannabis retailer. The Agency Agreement does not allow Velvet to promote or commercialize the Products for sale to medical customers and customers who purchase the Products for sale to medical customers only. A copy of the Agency Agreement is attached hereto as Exhibit "I".

E. Owned and Leased Real Property

45. As detailed above, the Applicants own the CIG Facility, the FIGR Norfolk Facility and the land on which they are located.

46. The FIGR Group also leases certain office space located at: (i) Atria III, 2225 Sheppard Avenue East, Suite No. 900, Toronto, ON (the "**Ontario Office Space**") and (ii) 23 Fourth Street, Charlottetown, PEI (the "**PEI Office Space**").

47. The Ontario Office Space is leased pursuant to a Lease of Office Space Agreement between FIGR Inc. (the former name of one of the amalgamated entities which now forms FIGR Brands) and Dorsay Development Corporation and Ontario Holdings Ltd dated June 18, 2019 (the

"**Ontario Office Space Lease Agreement**"). The Office Space Lease Agreement is guaranteed by Alliance One International GmbH ("**AOI**"), a Swiss entity related to the FIGR Group, pursuant to a Guarantee Agreement dated June 18, 2019 (the "**Ontario Office Space Lease Agreement Guarantee**"). Copies of the Ontario Office Space Lease Agreement and the Ontario Office Space Lease Agreement Guarantee are attached hereto as Exhibit "J" and Exhibit "K", respectively.

48. The PEI Office Space is leased pursuant to an Offer to Lease by and between Twinprop Investments Inc. and CIG dated December 1, 2020 (the "**PEI Office Space Lease Agreement**"). A copy of the PEI Office Space Lease Agreement is attached hereto as Exhibit "L".

F. Suppliers

49. The FIGR Group relies on a number of vendors and third-party service providers to operate its business. For instance, logistics providers, lab services and utility providers are all essential to the FIGR Group's operations. The FIGR Group is current with respect to most of their obligations under a number of agreements with these vendors and third-party service providers.

G. Excise Duty

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

51. The security required to be posted with the CRA is calculated as the highest amount of cannabis duties payable for a calendar month in the previous 12 calendar months. These duties are

calculated, in part, based on the expected number of grams or milligrams of packaged cannabis products sold to the recreational market.

52. As of the date of this affidavit:

(a) FIGR Norfolk has provided a deposit with the CRA in the amount of $5,000; and

(b) CIG has provided a surety bond through Intact Insurance in the amount of $300,000 which is secured via a irrevocable letter of credit issued by Provincial.

H. Intellectual Property

53. The Canadian trademarks are currently held by FIGR Inc. The FIGR Group is in the process of filing the necessary paperwork with the various intellectual property offices to update/amend the ownership entity to FIGR Brands (as a result of the FIGR Amalgamation).

54. Certain other intellectual property, such as trade names and plant genetics, are held by other Applicants.

I. Cash Management and Credit Cards

55. The FIGR Group maintains six (6) bank accounts – one (1) with Provincial Credit Union Limited ("**Provincial**") and five (5) with Bank of Montreal.

56. The FIGR Group's cash management system is managed out of Toronto, Ontario and Charlottetown, PEI. As detailed below, funding from AOI has been provided to FIGR Brands and subsequently disbursed by FIGR Brands to each of FIGR Norfolk and CIG, respectively.

57. CIG has one corporate credit with Collabria Visa through Provincial.

V. FINANCIAL POSITION OF THE FIGR GROUP

58. The FIGR Group has been cash flow negative since inception and has been reliant on funding from New Pyxus International and its indirect subsidiaries.

59. A copy of the FIGR Group's unaudited consolidated balance sheet as at November 30, 2020 is attached hereto as Exhibit "M". Certain information contained in this unaudited balance sheet is summarized below.

A. Assets

60. As at November 30, 2020, the FIGR Group had total consolidated assets with a book value of approximately $153,166,418, which consisted primarily of the following:

Asset Type	Value
Current Assets: $27,869,914	
Cash	$1,774,333
Third Party Receivables	$1,765,619
Prepaid Expenses and Deposits	$1,242,673
Harmonized sales tax receivable	$588,582
Inventory	$20,896,163
Biological Assets	$1,458,254
Other Assets	$144,290
Non-Current Assets: $125,296,504	
Investment Tax Credits	$468,240
Intangible Assets	$33,214,283

Asset Type	Value
Right-of-use Lease Assets	$417,121
Property, Plant and Equipment	$91,196,859
Total	**$153,166,418**

B. Liabilities

61. As at November 30, 2020, the unaudited book value of the FIGR Group's consolidated liabilities was approximately $203,362,540:

Liability Type	Value
Current Liabilities: $4,624,163	
Accounts Payables and Accrued Liabilities	$4,208,106
Harmonized sales tax payable	$217,507
Lease Obligations	$131,877
Current Portion of Long-Term Debt	$66,672
Non-Current Liabilities: $198,738,377	
Lease Obligations	$336,497
Long-Term Debt	$627,633
Related Party Payable	$189,729,870
Deferred tax liability	$8,044,377
Total	**$203,362,540**

C. Secured Obligations

62. The FIGR Group does not have any secured funded debt. All of the intercompany advances have been made on an unsecured basis.

63. Attached as Exhibit "N" are search results from searches conducted against each of the Applicants under the *Personal Property Security Act* (Ontario), the *Personal Property Security Act* (British Columbia) and the *Personal Property Security Act* (Prince Edward Island).

64. There is a registered financing statement against CGI in PEI, and FIGR Inc. (the former name of one of the amalgamated entities which now forms FIGR Brands) has a number of registered financing statements against it in Ontario.

65. The party with a registration against CGI is Compaction Credit Ltd., and the collateral secured was described as follows:

> *"[o]ne 2x13 litre extraction unit serial number P4900 manufacturer Advanced Extraction Systems and all present and after acquired attachments, accessories, repair parts and other goods placed on the said extraction unit (the "Collateral") and all proceeds that are present or after acquired personal property with respect to the Collateral.*

66. The party with certain registrations against FIGR Inc. is Jim Pattison Industries Ltd. These registrations are all in respect of certain leased motor vehicles.

67. The parties with registrations will not be served for the application for the Initial Order, and are not proposed to be primed. The Applicants expect to seek to prime them at the Comeback Hearing.

D. Unsecured Intercompany Obligations

1. *The AOI Note*

68. FIGR Inc. was the borrower under a promissory note (the "**AOI Note**") issued to AOI. The AOI Note bears interest at a rate equal to 0.5% plus the arithmetic average of: (a) LIBOR 1-month rate plus 0.025%; and (b) US prime rate plus 0.015%. As at November 30, 2020, approximately $189,729,870 was outstanding under the AOI Note.

69. The AOI Note has no stated maturity and may be prepaid at any time.

70. Proceeds from the AOI Note were used by FIGR Inc. to fund its obligations and those of CIG and FIGR Norfolk through intercompany notes detailed below. On December 30, 2020, AOI assigned (the "**AOI Assignment**") its rights under the AOI Note to its parent company and sole shareholder, AOI Tabak (the "**AOI Assignment Agreement**").

71. Copies of the AOI Note and the AOI Assignment Agreement are attached hereto as Exhibit "O" and Exhibit "P", respectively.

2. The CIG Note

72. CIG is the borrower under a promissory note (the "**CIG Note**") issued by FIGR Inc. (the former name of one of the amalgamated entities which now forms FIGR Brands). The CIG Note bears interest at a rate equal to 1.0% plus the arithmetic average of: (a) LIBOR 1-month rate plus 0.025%; and (b) US prime rate plus 0.015%.

73. Proceeds from the CIG Note were used by CIG to fund the construction of the CIG Expansion Facility and CIG's operating losses. The CIG Note has no stated maturity and may be prepaid at any time.

74. As at November 30, 2020, approximately $93,910,479 was outstanding under the CIG Note.

75. A copy of the CIG Note is attached hereto as Exhibit "Q".

3. The FIGR Norfolk Note

76. FIGR Norfolk is the borrower under a promissory note issued by FIGR Inc. (the former name of one of the amalgamated entities which now forms FIGR Brands) (the "**FIGR Norfolk Note**") pursuant to the FIGR Norfolk USA. The FIGR Norfolk Note bears interest at a rate of 9% per annum, compounded quarterly and payable monthly commencing January 29, 2020 and thereafter on the first day of each month for the remainder of the term. The FIGR Norfolk Note matures on January 29, 2023.

77. Proceeds from the FIGR Norfolk Note were used by FIGR Norfolk to fund operating losses.

78. As at November 30, 2020, approximately $40,103,454 was outstanding under the FIGR Norfolk Note.

79. A copy of the FIGR Norfolk Note is attached hereto as Exhibit "R".

4. Other Unsecured Obligations and Claims

(a) ACOA Contribution Agreement

80. CIG entered into a Contribution Agreement with the Atlantic Canada Opportunities Agency ("**ACOA**") on June 10, 2019 (the "**Contribution Agreement**"). A copy of the Contribution Agreement is attached hereto as Exhibit "S". ACOA is a Canadian Federal economic development agency responsible for creating opportunities for economic growth in Canada's Atlantic Provinces.

81. Pursuant to the Contribution Agreement, ACOA agreed to contribute up to $800,000 (the "**Contribution Amount**") for the expansion of the CIG Expansion Facility. Pursuant to the terms of the Contribution Agreement, CIG is obligated to repay the Contribution Amount in monthly installments between the period of March 1, 2021 and February 1, 2029. Approximately $627,633 remains outstanding under the Contribution Agreement as at November 30, 2020.

(b) Third Party Suppliers

82. Given the nature of its business, the FIGR Group relies on a number of vendors and third party service providers and, as such, are party to a number of agreements for the provision of certain essential services including, among other things, insurance, phone and internet, security, utilities, professional costs and other services provided in connection with operating a business in the cannabis industry. As of the date of this affidavit, the FIGR Group is indebted to certain third party suppliers.

(c) Shareholder Obligations:

83. Pursuant to the FIGR Norfolk USA, FIGR Brands is obligated to fund the operational requirements of FIGR Norfolk provided, however, that as soon as FIGR Norfolk has sufficient cash flow to finance its own operations it is required to do so instead of incurring additional debt (the "**Operational Funding Obligations**"). To date, the Operational Funding Obligations have been met through amounts lent under the FIGR Norfolk Note. The FIGR Norfolk Note requires FIGR Norfolk to make interest payments on the principal amount outstanding beginning January 29, 2020. FIGR Norfolk is in arrears in respect of these payment obligations.

84. In addition, pursuant to the FIGR Norfolk USA, FIGR Brands was obligated to fund the construction of the FIGR Norfolk Facility, including, on commercially reasonable terms and in certain circumstances, the financing of at least an 80,000 square foot facility for the phase II buildout of the FIGR Norfolk Facility with the size, cost and type of facility to be determined by the shareholders of FIGR Norfolk, acting reasonably. The FIGR Norfolk shareholders are also obligated, in this context, to pursue replacement financing from third party lenders on certain terms stipulated in the Norfolk USA and otherwise on commercially reasonable terms. To date, the FIGR Norfolk shareholders have yet to establish terms concerning the size, cost or type of facility contemplated by any phase II expansion, nor have they been able to obtain third party financing for any such expansion on the terms contemplated by the FIGR Norfolk USA.

5. Employee Liabilities

85. As discussed above, the FIGR Group's aggregate payroll is as follows:

(a) FIGR Brands – approximately $170,000 semi-monthly;

(b) FIGR Norfolk – approximately $59,000 bi-weekly; and

(c) CIG – approximately $244,229 bi-weekly.

86. While the FIGR Group is current with respect to its payment of payroll and the remittance of employee source reductions, its ability to meet future payroll obligations, including payroll due in respect of FIGR Norfolk on January 23, CIG on January 30 and FIGR Brands on January 31 is contingent on the granting of the relief sought in the Initial Order.

VI. THE PROPOSED DIP LOAN

87. On January 20, 2021, FIGR Brands, as borrower (in such capacity, the "**Borrower**"), FIGR Norfolk and CIG, as guarantors (in such capacity, the "**Guarantors**" and each a "**Guarantor**") and the DIP Lender, entered into a term sheet in respect to the DIP Loan (the "**DIP Term Sheet**"). A copy of the DIP Term Sheet is attached hereto as Exhibit "T".

88. The DIP Term Sheet provides for a super-priority, DIP interim, non-revolving credit facility up to a maximum principal amount of $8 million. The interest rate applicable to advances under the DIP Loan is 8% per annum and shall accrue and be paid on the Maturity Date (as defined in the DIP Term Sheet).

89. The DIP Loan is conditional, among other things, upon the granting of a priority charge over the Property in favour of the DIP Lender to secure the amounts borrowed under the DIP Loan (the "**DIP Lender's Charge**"). In accordance with the DIP Term Sheet, the DIP Loan is to be used during these CCAA proceedings (the "**CCAA Proceedings**") to fund:

(a) working capital needs in accordance with the Cash Flow Forecast (as defined below);

(b) fees and expenses associated with the DIP Loan (including without limitation certain expenses, fees of the Monitor, and legal fees of counsel to the DIP Lender, the Applicants and the Monitor); and

(c) such other costs and expenses of the FIGR Group as agreed to by the DIP Lender, in writing.

90. The DIP Loan is subject to customary covenants, conditions precedent, and representations and warranties made by the Applicants to the Lender. The DIP Loan must be repaid in full by the date that is the earlier of:

(a) the occurrence of an Event of Default (as defined in the DIP Term Sheet); and

(b) June 30, 2021.

91. The amount of the DIP Loan to be funded during the initial Stay of Proceedings (up to $2.5 million) is only that portion that is necessary to ensure the continued operation of the Applicants' business in the ordinary course during the initial 10 days.

VII. RELIEF SOUGHT

A. Stay of Proceedings

92. The FIGR Group urgently requires a broad stay of proceedings to prevent enforcement action by certain contractual counter parties and to provide the FIGR Group with breathing space

while it conducts the SISP, all the while permitting its business to continue to operate as a going concern.

93. The FIGR Group is concerned about its failure to meet certain obligations as they become due. It would be detrimental to the FIGR Group's business if proceedings were commenced or continued, or rights and remedies were executed, against the FIGR Group. Absent the Stay of Proceedings, the FIGR Group will not be able to continue to operate its business.

94. In light of the foregoing, the Stay of Proceedings is in the best interests of the FIGR Group and its stakeholders. I understand that the Proposed Monitor believes that the Stay of Proceedings is appropriate in the circumstances.

B. Proposed Monitor

95. The proposed Initial Order contemplates that FTI will act as Monitor in the Applicants' CCAA Proceedings. I understand that FTI has consented to act as Monitor of the Applicants in the CCAA Proceedings if the proposed Initial Order is granted. A copy of FTI’s consent to act as Monitor is attached hereto as Exhibit "U".

C. Ability to Pay Certain Pre-Filing Amounts

96. Pursuant to the proposed Initial Order, the Applicants are seeking authorization (but not the obligation) to pay, among other things:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case

incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

(b) with the consent of the Monitor and the DIP Lender, amounts owing for goods and services actually supplied to the Applicants and all outstanding amounts related to honouring customer obligations whether existing before or after the date of the proposed Initial Order, incurred in the ordinary course of business and consistent with existing policies and procedures.

97. I believe this relief is necessary to maintain ordinary course operations, particularly given the highly regulated nature of the FIGR Group's business. The FIGR Group's ability to operate its business in the normal course is dependent on its ability to obtain an interrupted supply of certain goods and services.

98. I understand that the Monitor and the DIP Lender are supportive of that relief.

D. Administration Charge

99. The Initial Order provides for a Court-ordered charge in favour of the Proposed Monitor, as well as counsel to the Proposed Monitor and the Applicants, over the Property, to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of the Applicants up to a maximum amount of $600,000 (the "**Administration Charge**"). The Administration Charge is proposed to rank ahead of and have priority over all of the other Charges.

100. The Applicants require the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during the CCAA Proceedings in order to

complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in the Applicants' restructuring.

101. The Applicants and the Proposed Monitor worked collaboratively to estimate the quantum of the Administration Charge required, which takes into account the limited retainers the professionals currently have and their existing outstanding fees. I believe that the Administration Charge is fair and reasonable in the circumstances. I understand that the Proposed Monitor is also of the view that the Administration Charge is fair and reasonable in the circumstances.

E. Directors' Charge

102. Under the Initial Order, the Applicants are seeking to stay all proceedings against the directors and officers of the Applicants (collectively, the "**Directors and Officers**").

103. I am advised by Sean Zweig of Bennett Jones LLP, and believe that, in certain circumstances, directors and officers can be held liable for obligations of a company, including those owed to employees and government entities. Among other things, I understand that these obligations may include unpaid accrued wages and unpaid accrued vacation pay, together with unremitted excise, sales, goods and services, and harmonized sales taxes.

104. It is my understanding that the Applicants' present and former Directors and Officers who are or were employed by the Applicants are among the potential beneficiaries under liability insurance policies maintained by New Pyxus International for the benefit of itself and its direct and indirect subsidiaries. However, I understand that these policies have various exceptions, exclusions and carve-outs and that they may not provide sufficient coverage against the potential liability that the Directors and Officers could incur in connection with the CCAA Proceedings.

105. Given the risks related to these CCAA Proceedings and the uncertainty surrounding available indemnities and insurance, I understand that the current Directors and Officers' involvement in the CCAA Proceedings is conditional upon the granting of a priority charge in favour of the Directors and Officers in the amount of $2 million (the "**Directors' Charge**"). The Director's Charge would serve as security for the indemnification obligations and potential liabilities the Directors and Officers may face during the initial 10-day period of the CCAA Proceedings. The Directors' Charge is proposed to rank in priority to the DIP Lender's Charge and the Intercompany Charge, but subordinate to the Administration Charge.

106. The Applicants believe that the Directors' Charge is reasonable in the circumstances. I understand that the Proposed Monitor is supportive of the Directors' Charge and its quantum.

F. DIP Lender's Charge

107. The DIP Term Sheet provides, among other things, that the DIP Loan is contingent on the granting of the DIP Lender's Charge. The proposed Initial Order contemplates that the DIP Lender's Charge will rank subordinate to Administration Charge and the Directors' Charge, but in priority to the Intercompany Charge and all other claims (except secured creditors who did not receive notice of this application).

108. Pursuant to the proposed Initial Order, the DIP Lender's Charge will secure all of the credit advanced under the DIP Loan. The DIP Lender's Charge will not secure obligations incurred prior to the CCAA Proceedings.

109. The amount to be funded under the DIP Loan during the initial Stay of Proceedings is limited to the amount necessary to ensure the continued operations of the Applicants' business.

Correspondingly, the DIP Lender's Charge under the proposed Initial Order is limited to the amount to be funded during the initial Stay of Proceedings. The Applicants intend to seek an increase to the DIP Lender's Charge at the Comeback Hearing.

G. Intercompany Charge

110. Should the Initial Order be granted, to the extent that any member of the FIGR Group (each an "**Intercompany Lender**) makes any payment or incurs or discharges any obligation that is a payment or obligation of one or more of the other members of the FIGR Group (other than the Intercompany Lender) or otherwise transfers value to or for the benefit to one or more of the other members of the FIGR Group (other than the Intercompany Lender, as applicable), it is proposed that such Intercompany Lender be granted a charge on the Property in the amount of such payment or obligation or transfer (the "**Intercompany Charge**").

111. The Intercompany Charge is necessary to protect members of the FIGR Group (and their respective creditors) for any obligation an Intercompany Lender incurs on behalf of another member of the FIGR Group (other than its own obligations) and to secure such amounts.

112. The proposed Initial Order contemplates that the Intercompany Charge will rank subordinate to Administration Charge, the Directors' Charge and the DIP Lender's Charge, but in priority to all other claims (except secured creditors who did not receive notice of this application). The Intercompany Charge will not secure any intercompany advances made by an Intercompany Lender to an Intercompany Borrower before the date of the Initial Order.

H. Cash Flow Forecast

113. With the assistance of the Proposed Monitor, the Applicants have undertaken a cash flow analysis to determine the quantum of funding required to finance their operations, assuming the Initial Order is granted, over the 13-week period from January 16, 2021, to April 16, 2021 (the "**Cash Flow Forecast**"). I understand that the Cash Flow Forecast will be attached to the pre-filing report of the Proposed Monitor.

114. The Cash Flow Forecast indicates that the Applicants urgently require DIP financing to ensure that they have the liquidity required to meet their obligations and continue their business operations during the Stay of Proceedings.

VIII. CONCLUSION

115. The proposed Initial Order is in the best interests of the Applicants and their stakeholders. The Stay of Proceedings and the DIP Loan will allow the Applicants to continue ordinary course operations with the breathing space and stability necessary to develop a plan for their restructuring. Absent the Stay of Proceedings and the DIP Loan, the Applicants will be unable to fund payroll and will be forced to cease their operations, which would be detrimental to the value of their business, and in turn, the interests of their stakeholders.

116. In the circumstances, I believe that the CCAA Proceedings are the only viable means of restructuring the Applicants' business for the benefit of their stakeholders and that the relief sought in the Initial Order is limited to what is reasonably necessary to stabilize the Applicants' business.

SWORN BEFORE ME over videoconference on this 21st day of January 2021. The affiant was located in the City of Toronto, in the Province of Ontario and the Commissioner was located in the Town of Kimberley, in the Province of Ontario. This affidavit was commissioned remotely as a result of COVID-19 and the declaration was administered in accordance with Ontario *Regulation 431/20*.

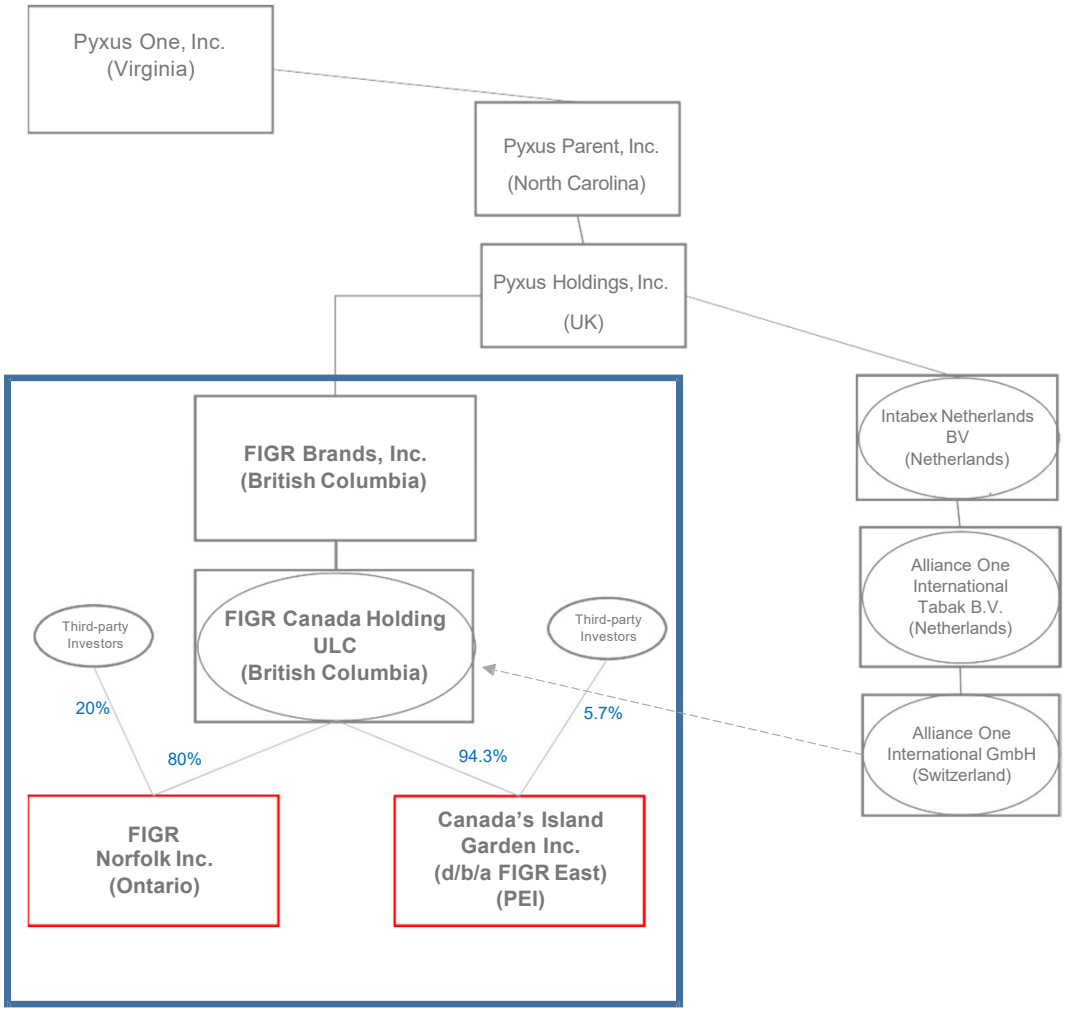
Aiden Nelms
A Commissioner for Oaths in and for the Province of Ontario

Michael Devon

This is Exhibit **"A"** ***referred to in the***

affidavit of Michael Devon
sworn before me, this 21st
day of January, 2021

A COMMISSIONER FOR TAKING AFFIDAVITS


Pyxus One, Inc.
(Virginia)
Pyxus Parent, Inc.
(North Carolina)
Pyxus Holdings, Inc.
(UK)
FIGR Brands, Inc.
(British Columbia)
Intabex Netherlands BV
(Netherlands)
Alliance One International Tabak B.V.
(Netherlands)
Alliance One International GmbH
(Switzerland)
FIGR Canada Holding ULC
(British Columbia)
Third-party Investors
Third-party Investors
20%
80%
94.3%
5.7%
FIGR Norfolk Inc.
(Ontario)
Canada's Island Garden Inc.
(d/b/a FIGR East)
(PEI)

This is Exhibit **"B"** ***referred to in the***

affidavit of Michael Devon
sworn before me, this 21st
day of January, 2021

A COMMISSIONER FOR TAKING AFFIDAVITS

BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

BC Company Summary

For

FIGR BRANDS, INC.

Date and Time of Search: **January 14, 2021 02:37 PM Pacific Time**

Currency Date: October 15, 2020

ACTIVE

Incorporation Number: BC1281641

Name of Company: FIGR BRANDS, INC.

Recognition Date and Time: December 30, 2020 10:09 AM Pacific Time as a result of an Amalgamation

In Liquidation: No

Last Annual Report Filed: Not Available

Receiver: No

AMALGAMATING CORPORATION(S) INFORMATION

Name of Amalgamating Corporation	Incorporation Number in BC
FIGR BRANDS, INC.	BC1228242
FIGR CANADA HOLDING ULC	C1213996

REGISTERED OFFICE INFORMATION

Mailing Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

Delivery Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

RECORDS OFFICE INFORMATION

Mailing Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

Delivery Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
Carroll, Harvey

Mailing Address:
28 COUNTRY CLUB CRESCENT
UXBRIDGE ON L9P 0B8
CANADA

Delivery Address:
28 COUNTRY CLUB CRESCENT
UXBRIDGE ON L9P 0B8
CANADA

NO OFFICER INFORMATION FILED .

This is Exhibit **"C"** ***referred to in the***

affidavit of Michael Devon
sworn before me, this 21st
day of January, 2021

A COMMISSIONER FOR TAKING AFFIDAVITS

BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

Cover Sheet

FIGR BRANDS, INC.

Confirmation of Service

Form Filed:	Amalgamation Application Short Form (Vertical)
Date and Time of Filing:	December 30, 2020 10:09 AM Pacific Time
Amalgamation Effective Date:	The amalgamation is to take effect at the time that this application is filed with the Registrar.
Recognition Date and Time:	Amalgamated on December 30, 2020 10:09 AM Pacific Time
Name of Company:	FIGR BRANDS, INC.
Incorporation Number:	**BC1281641**

Corporate Online will notify Canada Revenue Agency (CRA) of this amalgamation. CRA will contact you shortly to determine the federal Business Number for your newly amalgamated company.

For assistance or additional information regarding the Business Number, contact Canada Revenue Agency at 1-800-959-5525 from 8:15 a.m. to 8:00 p.m., Monday through Friday, excluding statutory holidays.

This package contains:

- Certified Copy of the Amalgamation Application Short Form (Vertical)
- Certified Copy of the Notice of Articles
- Certificate of Amalgamation

Check your documents carefully to ensure there are no errors or omissions. If errors or omissions are discovered, please contact the Corporate Registry for instructions on how to correct the errors or omissions.

The British Columbia Business Corporations Act requires all incorporated companies to file information such as annual reports, a change of address or a change of directors. For information regarding these filings, review the "Maintaining Your B.C. Company" document at www.bcregistryservices.gov.bc.ca/local/bcreg/documents/forms/reg36.pdf.

For information regarding completion of forms, contact the Corporate Registry at 1 877 526-1526.

BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

Vertical Short Form Amalgamation Application

FORM 14
BUSINESS CORPORATIONS ACT
Section 275 and 51.7

CERTIFIED COPY
Of a Document filed with the Province of British Columbia Registrar of Companies

CAROL PREST

FILING DETAILS:	*Amalgamation Application for:* **FIGR BRANDS, INC.**
	Incorporation Number: **BC1281641**
Filed Date and Time:	**December 30, 2020 10:09 AM Pacific Time**
Recognition Date and Time:	**December 30, 2020 10:09 AM Pacific Time as a result of an Amalgamation.**

AMALGAMATION APPLICATION

The amalgamated company will adopt as its Notice of Articles, the Notice of Articles of the amalgamating holding corporation, FIGR BRANDS, INC., Incorporation No. BC1228242.

AMALGAMATION EFFECTIVE DATE:

The amalgamation is to take effect at the time that this application is filed with the Registrar.

AMALGAMATING CORPORATION(S) INFORMATION

Name of Amalgamating Corporation(s)	Incorporation Number in BC
FIGR BRANDS, INC.	BC1228242
FIGR CANADA HOLDING ULC	C1213996

AMALGAMATION STATEMENT

This amalgamation has been effected without court approval. A copy of all of the required affidavits under section 277(1) have been obtained and the affidavit obtained from each amalgamating company has been deposited in that company's records office.

BC Registry Services

Mailing Address:
PO Box 9431 Stn Prov Govt
Victoria BC V8W 9V3
www.corporateonline.gov.bc.ca

Location:
2nd Floor - 940 Blanshard Street
Victoria BC
1 877 526-1526

CERTIFIED COPY
Of a Document filed with the Province of British Columbia Registrar of Companies

CAROL PREST

Notice of Articles

BUSINESS CORPORATIONS ACT

This Notice of Articles was issued by the Registrar on: December 30, 2020 10:09 AM Pacific Time

Incorporation Number: **BC1281641**

Recognition Date and Time: *December 30, 2020 10:09 AM Pacific Time as a result of an Amalgamation*

NOTICE OF ARTICLES

A BC company must REMOVE from the face of each share certificate the following statement:

"The shareholders of this company are jointly and severally liable to satisfy the debts and liabilities of this company to the extent provided in section 51.3 of the Business Corporations Act."

Name of Company:

FIGR BRANDS, INC.

REGISTERED OFFICE INFORMATION

Mailing Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

Delivery Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

RECORDS OFFICE INFORMATION

Mailing Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

Delivery Address:
25TH FLOOR, 666 BURRARD STREET
VANCOUVER BC V6C 2X8
CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
Carroll, Harvey

Mailing Address:
28 COUNTRY CLUB CRESCENT
UXBRIDGE ON L9P 0B8
CANADA

Delivery Address:
28 COUNTRY CLUB CRESCENT
UXBRIDGE ON L9P 0B8
CANADA

AUTHORIZED SHARE STRUCTURE

1.	No Maximum	Common Shares	Without Par Value With Special Rights or Restrictions attached
2.	No Maximum	Proportionate Voting Shares	Without Par Value With Special Rights or Restrictions attached
3.	No Maximum	Subordinate Voting Shares	Without Par Value With Special Rights or Restrictions attached
4.	No Maximum	Preferred Shares	Without Par Value With Special Rights or Restrictions attached

Number: BC1281641

CERTIFICATE
OF
AMALGAMATION

BUSINESS CORPORATIONS ACT

I Hereby Certify that FIGR BRANDS, INC., incorporation number BC1228242, and FIGR CANADA HOLDING ULC, incorporation number C1213996 were amalgamated as one company under the name FIGR BRANDS, INC. on December 30, 2020 at 10:09 AM Pacific Time.

Issued under my hand at Victoria, British Columbia
On December 30, 2020

CAROL PREST
Registrar of Companies
Province of British Columbia
Canada

ELECTRONIC CERTIFICATE

This is Exhibit **"D"** ***referred to in the***

affidavit of Michael Devon
sworn before me, this 21st
day of January, 2021

A COMMISSIONER FOR TAKING AFFIDAVITS

CORPORATION DOCUMENT LIST

Ontario Corporation Number
2409768

Corporation Name
FIGR NORFOLK INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)	
CIA	CHANGE NOTICE PAF: SONSHINE, AARON	1	2020/12/03	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2019 PAF: HUSZCZO, LARRY	1C	2019/10/27	(ELECTRONIC FILING)
BCA	ARTICLES OF AMENDMENT	3	2019/02/28	
CIA	ANNUAL RETURN 2018 PAF: HUSZCZO, LARRY	1C	2018/07/01	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2018 PAF: HUSZCZO, LARRY	1C	2018/06/17	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2018 PAF: HUSZCZO, LARRY	1C	2018/04/08	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2017 PAF: HUSZCZO, LARRY	1C	2018/01/21	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2016 PAF: HUSZCZO, LARRY	1C	2018/01/21	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2015 PAF: HUSZCZO, LARRY	1C	2018/01/21	(ELECTRONIC FILING)
CIA	ANNUAL RETURN 2014 PAF: HUSZCZO, LARRY	1C	2018/01/21	(ELECTRONIC FILING)
CIA	INITIAL RETURN PAF: DONE, RYAN	1	2017/06/28	(ELECTRONIC FILING)
BCA	ARTICLES OF INCORPORATION	1	2014/03/06	(ELECTRONIC FILING)

CORPORATION DOCUMENT LIST

Ontario Corporation Number
2409768

Corporation Name
FIGR NORFOLK INC.

ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)

THIS REPORT SETS OUT ALL DOCUMENTS FOR THE ABOVE CORPORATION WHICH HAVE BEEN FILED ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

ALL "PAF" (PERSON AUTHORIZING FILING) INFORMATION IS DISPLAYED EXACTLY AS RECORDED IN ONBIS. WHERE PAF IS NOT SHOWN AGAINST A DOCUMENT, THE INFORMATION HAS NOT BEEN RECORDED IN THE ONBIS DATABASE.

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2409768	FIGR NORFOLK INC.	2014/03/06

Jurisdiction
ONTARIO

Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE

Registered Office Address

11 GRIGG DRIVE
PO BOX 338

SIMCOE
ONTARIO
CANADA N3Y 4L2

Mailing Address

11 GRIGG DRIVE
PO BOX 338

SIMCOE
ONTARIO
CANADA N3Y 4L2

Date Amalgamated	Amalgamation Ind.
NOT APPLICABLE	NOT APPLICABLE

New Amal. Number	Notice Date
NOT APPLICABLE	NOT APPLICABLE

Letter Date
NOT APPLICABLE

Revival Date	Continuation Date
NOT APPLICABLE	NOT APPLICABLE

Transferred Out Date	Cancel/Inactive Date
NOT APPLICABLE	NOT APPLICABLE

EP Licence Eff.Date	EP Licence Term.Date
NOT APPLICABLE	NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification

NOT AVAILABLE

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2409768	FIGR NORFOLK INC.

Corporate Name History	Effective Date
FIGR NORFOLK INC.	2019/02/28
GOLDLEAF PHARM INC.	2014/03/06

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:

Name (Individual / Corporation)	Address
HARVEY CARROLL	28 COUNTRY CLUB CRESCENT UXBRIDGE ONTARIO CANADA L9P 0B8

Date Began	First Director	
2020/11/24	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

CORPORATION PROFILE REPORT

Ontario Corp Number

2409768

Corporation Name

FIGR NORFOLK INC.

Administrator:
Name (Individual / Corporation)

HARVEY

CARROLL

Address

28 COUNTRY CLUB CRESCENT

UXBRIDGE
ONTARIO
CANADA L9P 0B8

Date Began

2020/11/25

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

CHAIRMAN

Resident Canadian

Administrator:
Name (Individual / Corporation)

MICHAEL

DEVON

Address

100 KING STREET WEST
1 FIRST CANADIAN PLACE
Suite # 3400
TORONTO
ONTARIO
CANADA M5X 1A4

Date Began

2020/11/24

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

CORPORATION PROFILE REPORT

Ontario Corp Number

2409768

Corporation Name

FIGR NORFOLK INC.

Administrator:
Name (Individual / Corporation)

MICHAEL

DEVON

Address

100 KING STREET WEST
1 FIRST CANADIAN PLACE
Suite # 3400
TORONTO
ONTARIO
CANADA M5X 1A4

Date Began

2020/11/25

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Administrator:
Name (Individual / Corporation)

MICHAEL

DEVON

Address

100 KING STREET WEST
1 FIRST CANADIAN PLACE
Suite # 3400
TORONTO
ONTARIO
CANADA M5X 1A4

Date Began

2020/11/25

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

TREASURER

Resident Canadian

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2409768	FIGR NORFOLK INC.

Administrator:
Name (Individual / Corporation)

LARRY
W
HUSZCZO

Address

31 9TH CONCESSION ROAD
RR#2

BURFORD
ONTARIO
CANADA N0E 1A0

Date Began	First Director	
2014/03/06	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
DIRECTOR		Y

Administrator:
Name (Individual / Corporation)

LARRY
W
HUSZCZO

Address

31 9TH CONCESSION ROAD
RR#2

BURFORD
ONTARIO
CANADA N0E 1A0

Date Began	First Director	
2014/03/06	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2409768	FIGR NORFOLK INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2020/12/03 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

This is Exhibit **"E"** ***referred to in the***

affidavit of Michael Devon
sworn before me, this 21st
day of January, 2021

A COMMISSIONER FOR TAKING AFFIDAVITS

GOLDLEAF PHARM INC.

UNANIMOUS SHAREHOLDERS' AGREEMENT

JANUARY 29, 2018

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UNANIMOUS SHAREHOLDERS' AGREEMENT

THIS AGREEMENT made effective as of January 29, 2018

A M O N G:

EACH OF THE PARTIES WHO EXECUTES THIS AGREEMENT AS A SHAREHOLDER OR PRINCIPAL

- and -

GOLDLEAF PHARM INC.

(the "**Corporation**")

RECITALS:

A. In these recitals, all capitalized terms, unless otherwise defined, shall have the meanings given them in Section 1.1;

B. The Corporation was incorporated under the Act by Articles of Incorporation dated March 6, 2014;

C. The Corporation is authorized to issue an unlimited number of Class "A" and Class "B" common shares (collectively, the "**Common Shares**"), and an unlimited number of Class "A", Class "B" and Class "C" Special shares (collectively "**Preferred Shares**"); and

D. The parties to this Agreement desire to enter into certain agreements relating, among other things, to their shareholdings in the Corporation, their rights and duties as shareholders of the Corporation and the management, operation, and financing of the Corporation;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by each of the parties), the parties covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless there is something in the subject matter or context inconsistent therewith, the words defined in the preamble of this Agreement have the meanings given to them, and the following words and terms, which may be used in the singular or the plural, have the respective meanings given to them as follows:

"**Accountants**" means the accountants of the Corporation, as may be appointed from time to time in accordance with the provisions of this Agreement;

"**ACMPR**" means the *Access to Cannabis for Medical Purpose Regulations* as the same may be amended, modified or replaced from time to time;

"**ACMPR License Application**" means license application number 10-MM0504 issued by Health Canada to Goldleaf, as may be amended from time to time, pursuant to the Regulations;

"**Act**" means the *Business Corporations Act* (Ontario), as may be amended from time to time;

"**Arm's Length**" shall have the meaning implied by section 251 of the *Income Tax Act* as at the date of this Agreement;

"**Articles**" means the articles of incorporation of the Corporation more particularly described in the recitals to this Agreement, as may from time to time be amended in accordance with the provisions of this Agreement and the Act;

"**Auditors**" means the auditors of the Corporation, as may be appointed from time to time in accordance with the provisions of this Agreement and the Act;

"**Authorized Capital**" means the numbers and classes of shares that the Corporation is authorized to issue by virtue of the Articles, currently being an unlimited number of Common Shares, and an unlimited number of Preferred Shares, as may from time to time be amended in accordance with the provisions of this Agreement and the Act;

"**Board**" means the board of directors of the Corporation, as may be elected from time to time in accordance with the provisions of this Agreement and the Act;

"**Business Day**" means any day other than a Saturday, a Sunday or a statutory holiday observed in the Province of Ontario;

"**Business Issuance**" with respect to a proposed issuance of securities of the Corporation that is approved in accordance with the terms of this Agreement, will mean the issuance of securities in connection with (a) any transaction which is primarily a borrowing transaction with an Arms' Length financial institution in connection with which the lender is granted the right to acquire options, warrants, shares or other securities of the Corporation; (b) a Going Public Transaction; (c) a Secondary Offering; (d) a reverse take-over of the Corporation (a "**RTO**") pursuant to which any of the outstanding shares of the Corporation are exchanged for or become (through amalgamation or otherwise) shares in a corporation that is a reporting issuer for purposes of the *Securities Act* (Ontario) or similar legislation in another province of Canada; (e) issuances for *bona fide* Arm's Length acquisitions of assets or shares; (f) issuances pursuant to any Shareholder approved stock option plan that includes employees of the Corporation; or (g) issuances pursuant to or as a result of a consolidation, subdivision, amalgamation, merger, reorganization or arrangement with respect to the Corporation or a dividend payable in securities of the Corporation, duly approved in accordance with the terms of this Agreement;

"**Cathy**" means Catherine Armstrong, an individual resident in the County of Brant, Province of Ontario;

"**CCP**" means Canadian Cultivated Products Ltd., a corporation incorporated under the laws of the Province of Ontario;

"**Claims**" means all claims, damages (direct, indirect, consequential or otherwise), losses, liabilities (whether accrued, actual, contingent or otherwise), demands, suits, judgments, causes of action, legal proceedings, penalties or other sanctions and any costs and expenses arising in connection therewith, including legal fees and disbursements on a solicitor and client basis (including all such legal fees and disbursements in connection with any appeals);

"**Competitor**" has the meaning assigned to it in section 15.1(a);

"**Consent Agreement**" means an agreement, in the form attached as Schedule "A" to be entered into by any Person who becomes a shareholder of the Corporation whereby such Person consents to the terms of this Agreement and agrees to assume and be bound by all of the obligations of a Shareholder under this Agreement;

"**Corporate Shareholder**" means a Shareholder which is a corporation;

"**Cultivation License**" has the meaning assigned to that term in the SPA;

"**Drag-along Sale**" has the meaning assigned to it in section 10.1;

"**Encumbrance**" means any security interest, lien, prior claim, charge, hypothec, hypothecation, reservation of ownership, pledge, encumbrance, mortgage or adverse claim of any nature or kind, together with any agreement to grant any of the foregoing rights or interests;

"**Financing**" means any Arm's Length third party equity financing undertaken by the Corporation, including any private or public subscription or issuance for any securities of the Corporation, but, for certainty, shall not include any debt financing;

"Going Public Transaction" means any transaction or series of related transactions one of the results of which is that the Corporation becomes a reporting issuer for purposes of the *Securities Act* (Ontario) or similar legislation in another province of Canada, or the Common Shares become listed and posted for trading on a stock exchange or quoted on an over-the-counter-market;

"**Immediate Family**" with respect to an Individual Shareholder means:

(a) the spouse and issue of that Shareholder, provided that any such person is then not under any legal disability;

(b) a corporation which has no shareholders other than that Shareholder or the spouse or issue of that Shareholder (provided that such person is then not under any legal disability), or any trust or trusts described in paragraph (c) below; provided that the issued and outstanding shares of such corporation are free and clear of all Encumbrances whatsoever and no Person has any agreement or option or any right capable of becoming an agreement or option for the purchase or transfer of any of such shares and provided that the shareholders of such corporation shall agree not to sell, transfer, assign, encumber or deal with the shares of such corporation or permit such corporation to issue shares or grant options or rights in respect of the shares of such corporation except to that Shareholder or any person described in paragraphs (a) or (c), without the prior written consent of the Shareholders, and all share certificates of such corporation shall

have the legend set out in the section entitled "Legend on Share Certificates" endorsed thereon; and

(c) a trust which has no beneficiaries other than that Shareholder and/or the spouse and/or issue of that Shareholder;

"**Immediate Family**" with respect to a Corporate Shareholder means:

(a) the spouse and issue of the Principal who represents that Corporate Shareholder, provided that any such person is then not under any legal disability;

(b) a corporation which has no shareholders other than the Principal who represents that Corporate Shareholder or the spouse or issue of such Principal (provided that such person is then not under any legal disability), or any trust or trusts described in paragraph (c) below; provided that the issued and outstanding shares of such corporation are free and clear of all Encumbrances whatsoever and no Person has any agreement or option or any right capable of becoming an agreement or option for the purchase or transfer of any of such shares and provided that the shareholders of such corporation shall agree not to sell, transfer, assign, encumber or deal with the shares of such corporation or permit such corporation to issue shares or grant options or rights in respect of the shares of such corporation except to the Principal of that Corporate Shareholder or any person described in paragraphs (a) or (c), without the prior written consent of the Shareholders, and all share certificates of such corporation shall have the legend set out in the section entitled "Legend on Share Certificates" endorsed thereon; and

(c) a trust which has no beneficiaries other than the Principal which represents that Corporate Shareholder and/or the spouse and/or issue of that Principal;

"**Income Tax Act**" means the *Income Tax Act* (Canada);

"**Individual Shareholder**" means a Shareholder that is an individual;

"**Interim Period**" means the period from the date of this Agreement to the date that is 5 Business Days after the Corporation is granted a Cultivation License, such period only being applicable if CCP has not elected any directors to the Board in accordance with Section 4.1;

"**Intermediary Corporation**" means each corporation through which a Principal indirectly owns shares in the Shareholder which such Principal represents;

"**Issued Shares**" means the issued and outstanding shares in the capital of the Corporation from time to time, and includes any shares issued out of the Authorized Capital and any share of any class into which the same may be converted, subdivided, reclassified or otherwise exchanged or which may result from any stock-split or similar restructuring of the Authorized Capital, as may from time to time be made in accordance with the provisions of this Agreement and the Act;

"**Key Employee**" means any employee or consultant engaged by the Corporation that has annual compensation greater than $100,000.00 or is an officer of the Corporation;

"**Larry**" means Larry Huszczo, an individual resident in the County of Brant, Province of Ontario;

"**Officer**" means an officer of the Corporation, as may be appointed from time to time in accordance with the provisions of this Agreement and the Act;

"**Ordinary Resolution**" means a resolution of the Shareholders that is:

(a) submitted to a meeting of the Shareholders and approved, with or without amendment, at the meeting by not less than 50% of the Shareholders present or represented by proxy at such meeting who, alone or in the aggregate, own at least 50% of the Issued Shares to which voting rights are attached; or

(b) consented to in writing by Shareholders who, alone or in the aggregate, own at least 50% of the Issued Shares to which voting rights are attached;

"**Person**" means an individual, a corporation, a limited partnership, a general partnership, a trust, a joint stock company, a joint venture, an association, a syndicate, a bank, a trust company, an authority and any other legal or business entity;

"**Phase I Amount**" means $5,250,000.00;

"**Principal**" means any Person who is the registered legal holder and beneficial owner of at least fifty-one percent (51%) of the voting shares of a corporation which is a Corporate Shareholder, subject to the Board determining that a Corporate Shareholder does not have a Principal for the purposes of this Agreement;

"**Principal Agreement**" means an agreement, in the form attached as Schedule "B" to be entered into by the Principal of every corporation that becomes a Corporate Shareholder after the date of this Agreement, whereby such Principal agrees to comply with and be bound by the provisions of this Agreement unless otherwise determined by the Board;

"**Property"** means the real property municipally known as 11 Grigg Drive, Simcoe, Ontario, N3Y 4L1;

"**Proportionate Share**" means, in respect of a Shareholder, the percentage of the total number of the Issued Shares which is owned by that Shareholder at the relevant time;

"**Regulations**" means the *Access to Cannabis for Medical Purposes Regulations*, and any successor or replacement regulations, promulgated under the Act as the same may be amended from time to time and includes all notices, guidance, guidelines and ancillary rules or regulations promulgated thereunder or in connection therewith;

"**Reorganization**" means the reorganization of the share capital of the Corporation, pursuant to which the Letters Patent of the Corporation shall be amended to provide for a single class of common shares with the same attributes and the cancellation of all other classes of shares of the Corporation, and each of the Shareholders shall exchange each of their Issued Shares for such common shares on a one-for-one basis;

"**RTO**" means a reverse take-over of the Corporation, pursuant to which any of the outstanding shares of the Corporation are exchanged for or become (through amalgamation or otherwise)

shares in a corporation that is a reporting issuer for purposes of the *Securities Act* (Ontario) or similar legislation in another province of Canada;

"**Sales License**" has the meaning assigned to that term in the SPA;

"**Schedule**" means Schedule "A" attached to this Agreement, which is more particularly described in Section 1.2;

"**Secondary Offering**" means a distribution by one or more Shareholders to the public of shares owned by such Shareholders pursuant to a prospectus or registration statement required to be filed with any of the appropriate securities regulatory authorities in any jurisdiction in Canada or the United States in connection with such a distribution to the public;

"**Shareholder**" means each of the parties to this Agreement, other than the Corporation, so long as such party is a shareholder of the Corporation, together with all other Persons who become shareholders of the Corporation in accordance with the provisions of this Agreement;

"**Special Resolution**" means a resolution of the Shareholders that is:

(a) submitted to a meeting of the Shareholders and approved, with or without amendment, at the meeting by not less than 90% of the Shareholders present or represented by proxy at such meeting who, alone or in the aggregate, own at least 90% of the Issued Shares to which voting rights are attached; or

(b) consented to in writing by Shareholders who, alone or in the aggregate, own at least 90% of the Issued Shares to which voting rights are attached;

"**SPA**" means the Share Purchase Agreement dated January 29, 2018 among CCP, Larry, and Cathy;

"**Subsidiary**" means a subsidiary of the Corporation within the meaning of the Act;

"**Transfer**" includes any sale, exchange, assignment, gift, bequest, disposition, Encumbrance or any arrangement by which possession, legal title or beneficial ownership passes from one Person to another, or to the same Person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing, save and except for any transfer of legal title or beneficial ownership as a result of the death of a Shareholder or Principal; and the words "**Transferred**", "**Transferring**" and similar words have corresponding meanings;

"**Valuator**" has the meaning attributed to that term in Section 12.2(b)(iv);

"**Value**" means:

(a) in respect of all of the Issued Shares, the fair market value of such shares determined in accordance with Article 12; and

(b) in respect of the Issued Shares which are the subject of a sale transaction pursuant to an Article in this Agreement where the purchase price is based upon the Value of such Issued Shares, the relevant selling Shareholder's Proportionate Share of the amount described in paragraph (a) of this definition.

Certain terms which have been defined within specific sections of this Agreement for use solely within those sections or the Article in which the section is located are not referred to in this Section 1.1; and

"**Venture Norfolk Loan**" has the meaning assigned to that term in Section 5.2.

1.2 Schedule

The following Schedules are attached to this Agreement:

Schedule "A"	-	Consent Agreement
Schedule "B"	-	Principal Agreement
Schedule "C"	-	Notice Provisions
Schedule "D"	-	Shareholder Loans

These Schedules are incorporated into and form an integral part of this Agreement.

1.3 Interpretation

(a) In this Agreement, words importing the singular include the plural and vice-versa, words importing gender include all genders and words importing persons include corporations and vice-versa;

(b) where the word "including" or "includes" is used, it means including or includes "without limitation";

(c) the division of this Agreement into Articles and sections and the insertion of headings is for convenience of reference only and shall not affect the construction or interpretation of this Agreement or any part of it;

(d) any reference to an Article, section or Schedule in this Agreement shall be deemed a reference to the applicable Article, section or Schedule contained in this Agreement and to no other agreement or document unless specific reference is made to such other agreement or document;

(e) any reference to a statute in this Agreement includes a reference to all regulations made pursuant to such statute, all amendments made to such statute and regulations in force from time to time and to any statute or regulation which may be passed and which has the effect of supplementing or superseding such statute or regulations;

(f) any reference to consent of a majority of the holders of Common Shares shall mean majority votes and not the actual number of Persons that are holders of Common Shares;

(g) time shall be of the essence of this Agreement and no extension or variation of this Agreement shall operate as a waiver of this provision. When calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date which the reference date in calculating such period shall be

excluded. If the last day of such period is not a Business Day the period in question shall end on the next following Business Day; and

(h) unless otherwise indicated, all dollar amounts referred to in this Agreement are in lawful Canadian funds. All amounts to be paid pursuant to this Agreement in connection with the purchase of Issued Shares are to be paid in lawful Canadian funds by certified cheque, money order or bank draft, or where agreed between payor and payee, as applicable, by e-transfer or wire transfer of immediately available funds.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES

2.1 Recitals True and Correct

Each of the parties represents and warrants that each of the recitals to this Agreement is true and correct in substance and in fact, as such recital relates to such party, respectively, and the said recitals are incorporated in this Agreement as an integral part of this Agreement.

2.2 Anti-Corruption

No Shareholder or Principal has made, nor will he/she/it make while a Shareholder or Principal, any payment, directly or indirectly, on behalf of or to the benefit of the Corporation, in violation of any applicable laws prohibiting the payment of undisclosed commissions or bonuses or the making of bribe or incentive payments or other arrangements of a similar nature, including the *Corruption of Foreign Public Officials Act* (Canada), the *U.S. Foreign Corrupt Practices Act*, the *Corruption of Foreign Public Officials Act* and the Organization for Economic Cooperation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and any similar legislation.

2.3 Issued Shares Unencumbered

Other than the report to CCP, each Shareholder represents and warrants that the Issued Shares owned by such Shareholder are free and clear of Encumbrances whatsoever, and, other than as contemplated in this Agreement, no Person has an agreement or option or any right capable of becoming an agreement or option for the purchase or transfer of any of the Issued Shares owned by such Shareholder**.**

2.4 Shares of Shareholder Unencumbered

Each Principal represents and warrants that:

(a) he/she is the registered and beneficial owner of not less than 51% of the issued and outstanding shares in the capital of the Corporate Shareholder which he/she represents; and

(b) all of the shares held by him or her in the capital of the Corporate Shareholder which he/she represents are free and clear of all Encumbrancse whatsoever, and no Person has an agreement or option or any right capable of becoming an agreement or option for the purchase or transfer of any such shares, if and as applicable.

ARTICLE 3
COMPLIANCE WITH AGREEMENT

3.1 Compliance with Agreement

The Shareholders shall at all times do all acts and things and vote the Issued Shares and otherwise exercise their respective rights as Shareholders to cause such meetings to be held, resolutions to be passed, by-laws to be enacted, documents to be executed and, to the extent permitted by applicable law and if applicable, to cause their respective nominees on the Board to act, so that at all times the provisions, conditions, restrictions and prohibitions contained in this Agreement relating to their respective shareholdings in the capital of the Corporation and the business and corporate affairs of the Corporation shall fully apply, including the amendment or repeal of the Articles, by-laws and/or resolutions of the Corporation to the extent necessary to resolve any conflict between same and this Agreement so that this Agreement shall at all times prevail.

3.2 Compliance by Principals

Each Principal covenants and agrees with the other parties that he/she shall cause the Corporate Shareholder which he/she represents to perform all of his obligations under this Agreement and agrees to carry into effect the provisions of this Agreement by taking whatever action may be necessary in the Principal's capacity as a shareholder of the Corporate Shareholder which he/she represents.

3.3 Reorganization

(a) Each of the Shareholders hereby authorizes and approves the Reorganization, and shall, promptly, and in any event, no later than five Business Days from receipt of notice of the Reorganization from the Corporation, execute all documents, instruments, deeds or instruments as the Corporation may reasonable require to effect the Reorganization and exchange such Shareholder's Issued Shares for Common Shares on a one-for-one basis.

(b) In the event that such Shareholder does not execute and deliver the documents required by the Corporation to effect the Reorganization in the time period prescribed by Section 3.3(a), such Shareholder hereby irrevocably constitutes and appoints the Corporation as its true and lawful attorney-in-fact and agent in the name of and on behalf of such Shareholder to execute and deliver in the name of the Shareholder all such assignments, transfers, deeds or instruments as may be necessary to effectively complete the Reorganization. Such Shareholder hereby ratifies and confirms and agrees to ratify and confirm that which the Corporation may lawfully do or cause to be done by virtue of the provisions hereof. The Shareholder hereby irrevocably consents to the exchange of its Issued Shares for Common Shares on a one-for-one basis made pursuant to the provisions of this Section 3.3.

ARTICLE 4
PROVISIONS FOR MANAGEMENT

4.1 Election of Board

(a) Subject to the terms of this Agreement, the affairs of the Corporation shall be managed and supervised by the Board.

(b) CCP shall be entiteld at all times that it is a Shareholder holding the majority of the voting rights to have three (3) nominees nominated and elected as directors of the Corporation, provided that CCP shall ensure the director residency requirements under the Act are at all times complied with. In addition to the foregoing, CCP shall have the right to have one (1) additional observer (who shall not be a director or have voting rights) to receive notice of and attend all meetings of the Board.

(c) So long as Larry and Cathy (or one or more Corporate Shareholders controlled by them), collectively, own at least 10% of the Issued Shares to which voting rights are attached, they shall be entitled to appoint one (1) nominee to the Board. In addition to the foregoing, Larry and Cathy shall have the right to have one (1) additional observer (who shall not be a director or have voting rights) to receive notice of and attend all meetings of the Board.

(d) Each of Shareholder entitled to nominate a director hereunder may replace his nominee from time to time. Should any vacancy occur in the Board, the Shareholder whose nominee caused the vacancy shall forthwith fill such vacancy by appointing a replacement nominee.

(e) The Board may appoint (or re-appoint, as the case may be) committees of the Board consisting of no less than three members of the Board (unless otherwise determined by the Board) at such time, and from time to time, as the directors determine in their sole discretion. Subject to decisions requiring unanimous approval of the Board or Special Resolution pursuant to this Agreement, decisions of any committee shall be implemented upon approval of a majority thereof.

(f) Notwithstanding the foregoing, election of a nominee to the Board shall be subject to the nominee director obtaining any requisite security clearances as may be required and any other requirements that may be necessary in order for the Corporation to obtain or maintain its status as a Licensed Producer pursuant to the ACMPR.

4.2 Meetings of the Board

(a) The Board shall meet on a mutually convenient date after the first fiscal year, and quarterly thereafter.

(b) The quorum for the transaction of business at any meeting of the Board shall consist of a majority of the directors provided that at least 2 directors are directors nominated by CCP and 1 director is a director nominated by Larry or Cathy. However, if one or more directors (the "**Absent Director**") fails to attend a duly called meeting of the Board and such failure to attend results in a quorum not being present, such meeting shall be adjourned to such

date as may be determined by the directors in attendance at the original meeting, which adjourned meeting shall not be less than five (5) days nor more than ten (10) days following the originally called meeting. If the Absent Director fails to attend the adjourned meeting and such failure to attend results in a quorum not being present, then the remaining directors that are present shall constitute a quorum for the adjourned meeting.

(c) Each director shall have 1 vote and subject to Section 4.2(b), all decisions at a meeting of the Board shall require the approval of a majority of the directors present at such meeting.

4.3 Meetings of Shareholders

(a) The quorum for the transaction of business at any meeting of the Shareholders shall consist of:

(i) with respect to any matter which does require Special Resolution, those Shareholders, present in person or represented by proxy, representing 90% of the Issued Shares to which voting rights are attached; or

(ii) with respect to any matter which does not require Special Resolution, those Shareholders, present in person or represented by proxy, representing a majority of the Issued Shares to which voting rights are attached, provided that, at minimum, CCP and Larry or Cathy are present in person or represented by proxy.

(b) If one or more Shareholders (the "**Absent Shareholder**") fails to attend a duly called meeting of Shareholders, and such failure to attend results in a quorum not being present, such meeting shall be adjourned to such date as may be determined by a majority of the Shareholders in attendance at the original meeting, which adjourned meeting shall not be less than five (5) days nor more than 10 days following the originally called meeting. If one or more Absent Shareholders fails to attend the adjourned meeting, and such failure to attend results in a quorum not being present, then the remaining Shareholders that are present shall constitute a quorum for the adjourned meeting.

(c) Subject to Section 4.4 and 4.5, all decisions at a meeting of the Shareholders shall require the approval of a majority of the votes cast on the question.

4.4 Matters Requiring Approval by Special Resolution

The undertaking of any of the following actions by, or in respect of, the Corporation will require the approval of the Shareholders in order for such actions to have any force or effect and such actions shall require approval by Special Resolution:

(a) the dissolution, liquidation or winding-up of the Corporation, whether voluntary or involuntary;

(b) changing the composition or number of members who may be appointed to the Board, other than as contemplated by Section 4.1;

(c) other than pursuant to the Reorganization, the filing of articles of amendment, articles of amalgamation or articles of continuance;

(d) other than pursuant to the Reorganization, the enactment, revocation or amendment of any of the by-laws of the Corporation;

(e) other than pursuant to the Reorganization or in accordance with this Agreement, issuing any further shares in the capital of the Corporation;

(f) other than with respect to a services agreement with CCP in a form approved by the Board (payments under which will not commence until after the Corporation has received a Sales License), the entering into of any contract or transaction between the Corporation and any Person not dealing at Arm's Length with the Corporation or any Shareholder, including any guarantee by the Corporation of any obligations of any such Person or the making of any payment to any such Person, unless such payment is made pursuant to a contract existing prior to the date of this Agreement;

(g) purchasing for cancellation, redeeming or otherwise acquiring any of the issued and outstanding shares in the capital of the Corporation;

(h) entering into any agreement or making any offer or granting any right capable of becoming an agreement, to allot or issue any shares in the capital of the Corporation or to grant any other options or rights to purchase or subscribe for shares of the Corporation, except in accordance with this Agreement;

(i) other than as provided in this Agreement, the declaration or payment of any dividend or distribution, whether in cash, stock or in specie, on any of the issued and outstanding in the capital of the Corporation it being acknowledged that no dividend or distribution shall be paid until all amounts owing to CCP pursuant to loans made to the Corporation in accordance with Section 5.2 are repaid in full;

(j) any purchase of assets or shares by the Corporation with a cost in excess of $100,000.00 in the case of any one such transaction or in the aggregate in any fiscal year;

(k) the determination of, or any material alteration in, the remuneration and compensation or other terms and conditions of employment of any Key Employee;

(l) selling, leasing, exchanging, encumbering, transferring or otherwise disposing of the property of the Corporation, except for dispositions of inventory and surplus or obsolete assets in each case in the ordinary course of business; and

(m) other than as provided in this Agreement, borrowing on the credit of the Corporation, or the provision of any guarantee, indemnity, or other financial support by the Corporation.

4.5 Interim Period Resolutions

(a) Notwithstanding anything to the contrary in this Agreement but subject to Section 4.4, if during the Interim Period CCP elects not to nominate any nominees to the Board in

accordance with Section 4.1, this Section 4.5 shall be deemed to restrict all powers of the Board to manage the business and affairs of the Corporation.

(b) All powers of the Board to manage or supervise the management of the business and affairs of the Corporation during the Interim Period, including, without limitation, the power to pass resolutions and to make, amend or repeal any by-laws that regulate the business or affairs of the Corporation, whether such powers arise from the Act or the articles, by-laws or other constating documents of the Corporation, or pursuant to any other similar legislative provisions to those contained in the Act, or otherwise, are wholly abrogated to the fullest extent permitted by law.

(c) During the Interim Period, subject to Section 4.4, the Shareholders will have, enjoy, exercise and perform all the rights, powers and duties of the Board to manage or supervise the management of the business and affairs of the Corporation including, without limitation, the power to pass resolutions and to make, amend or repeal any by-laws that regulate the business or affairs of the Corporation by Ordinary Resolution. To the extent that any such rights, powers and duties are required by the Act, the articles, by-laws or other constating documents of the Corporation or any other applicable or similar laws, or otherwise, to be exercised or performed by the Board, such rights, powers and duties will be performed and carried out, subject to Section 4.4, solely by the Shareholders by Ordinary Resolution.

(d) This Section 4.5 and the restriction of the powers of the Board herein contained will not affect any action, step, resolution or by-law duly taken, made, passed or consented to by the Board prior to or after the Interim Period.

(e) After the Interim Period, the powers of the Board to manage or supervise the management of the business and affairs of the Corporation including, without limitation, the power to pass resolutions and to make, amend or repeal any by-laws that regulate the business or affairs of the Corporation, will be restored and the Board will have the power to amend or repeal any resolution passed or by-law made by the Shareholders during the Interim Period, subject to Section 4.4. For greater certainty, any resolution or by-law passed or made by the Shareholders during the Interim Period will remain in full force and effect unless and until duly amended or repealed by the Board in accordance with this Agreement.

(f) Subject to Section 4.4, in the event of any conflict between the provisions of this Section 4.5 and of the articles, by-laws or other constating documents of the Corporation, the provisions of this Section 4.5 will in all events govern for all purposes and supersede such conflicting provisions to the extent of such conflict. Subject to Section 4.4, the Shareholders will do all such acts and things, including voting in favour of amendments to such articles, by-laws or other constating documents, as will be necessary to remove or otherwise resolve any such conflict in favour of the provisions of this Section 4.5 and to reflect the paramountcy of this Section 4.5 in such regard.

4.6 Officers

The Board may, from time to time, appoint such Officers to perform such duties as are set out in the by-laws of the Corporation. If any Officer resigns or is removed from his office, the Board shall be entitled to appoint a replacement.

4.7 Directors' and Officers' Insurance

The Corporation will secure directors' and officers' insurance as soon as the Board determines it is feasible and commerically reasonable to do so on terms acceptable to the Board.

4.8 Corporate Opportunities

(a) No Shareholder, Principal, or director of the Corporation may, in the absence of advance disclosure and approval under the Act and this Agreement:

(i) take for themselves or any party not at Arms' Length from such Shareholder, Principal, or director, opportunities that are discovered through the use of the Corporation's property, business, information, or position;

(ii) use any property, information, or position of the Corporation for personal gain or the gain of any party not at Arms' Length from such Shareholder, Principal, or director; or

(iii) other than with respect to CCP, compete with the Corporation in any manner.

(b) In accordance with the Act and all applicable law, each Shareholder, Principal, and director of the Corporation is required to advance the interests of the Corporation and, for greater certainty, each Shareholder, Principal, and director of the Corporation is required to present any opportunity relating to the business of the Corporation to the Board so that the Board may determine whether such opportunity is in the best interests of the Corporation to pursue.

4.9 Yearly Financials

The Corporation shall deliver to each Shareholder within twenty-five (25) days following the financial year end of the Corporation one copy of unaudited annual financial statements for the Corporation (and each of its Subsidiaries, which shall be prepared by the Corporation on a consolidated and non-consolidated basis) in accordance with the generally accepted accounting principles from time to time approved by the Chartered Professional Accountants of Canada or any successor institutes, including the balance sheet and statements of income, retained earnings, cash flow and changes in financial position, together with all supporting schedules. Such financial statements shall, if required, be signed by one or more authorized officers or directors of the Corporation and shall be compiled or reviewed by the independent accountants or auditors of the Corporation.

4.10 Interim & Other Reports

The Corporation shall provide the following documents to each Shareholder: an unaudited quarterly financial and management report within twenty (20) days after the end of each quarter consisting of the quarterly and year to date financial statements of the Corporation as prepared by management, which shall include, without limitation, a profit and loss statement, cash flow statement and balance sheet.

ARTICLE 5
OPERATION AND FINANCING

5.1 Records Confidential

Each Shareholder and Principal, as applicable, acknowledges and agrees that:

(a) all records, material and information pertaining to the Corporation and any copies thereof (collectively, the "**Corporate Information**") obtained by any Shareholder or Principal are confidential and shall remain the exclusive property of the Corporation;

(b) it shall not, at any time, divulge the Corporate Information to any Person other than the Corporation's qualified employees and professional advisors or the Shareholder's or Principal's professional advisors, but only to the extent required to permit such Persons to carry out their duties or obligations;

(c) it shall only use the Corporate Information for the purposes of the Corporation; and

(d) it shall not remove any of the Corporate Information from the Corporation's premises, except as may be reasonably required in connection with the carrying on of the Corporation's business.

5.2 CCP Financing

(a) CCP shall:

(i) use commercially reasonable efforts to assist and cause the Corporation to obtain its Cultivation License and Sales License under its ACMPR License Application pursuant to the Regulations as soon as commercially reasonable;

(ii) finance, on commercially reasonable terms, the buildout and purchase of equipment for Phase I of the buildout of the facility located at the Property, up to the Phase I Amount, with the size, cost and type of facility to be determined by the Parties, each acting reasonably; and

(iii) subject to the Corporation being granted a Sales License, finance, on commercially reasonable terms, at least an 80,000 square foot facility for Phase II buildout of the facility located at the Property or any adjacent property acquired for use by the Corporation, with the size, cost and type of facility to be determined by the Shareholders, each acting reasonably.

(b) As soon as practical and in any event within thirty (30) days of the date of this Agreement, the parties shall use a portion of the Phase I Amount to repay or reimburse in full (i) all historical loans or other obligations of the Corporation owing to Larry, Cathy and their affiliates that were previously incurred and relate to Phase I, which amounts are itemized in Schedule "D" to this Agreement, and (ii) the $350,000 principal loan made to the Corporation by Norfolk District Business Development Corporation o/a Venture Norfolk on December 27, 2017 (the "**Venture Norfolk Loan**"), together with all paid and unpaid interest thereon and all other costs and expenses relating to the implementation and discharge of such Venture Norfolk Loan. For greater certainty, the parties shall ensure that upon payout in full of the Venture Norfolk Loan, any and all security relating to such Venture Norfolk Loan, including, without limitation, all mortgages and all corporate and personal guarantees of Larry, Cathy and certain of their affiliates, shall be released and discharged concurrently with no further obligations thereunder. With respect to historical loans or other obligations of the Corporation owing to Larry, Cathy and their affiliates that were previously incurred but do not relate to Phase I (the "**Ineligible Debt**"), which Ineligible Debt amount totals $190,904.55 in the aggregate, the Corporation will cause such Ineligible Debt to be repaid in full on the date hereof such that all historical shareholder loans are fully repaid, it being understood that the payment of such Ineligible Debt will result in a decrease to the initial purchase price payable to Larry and Cathy under the SPA.

(c) In addition to the foregoing, on the date of this Agreement (being the date of the closing of the transactions contemplated in the SPA), CCP will ensure that the Corporation has received a sufficient portion of the Phase I Amount to allow the Corporation to meet its urgent payment requirements relating to Phase I, which amount is estimated to be $1,338,453.63.

(d) Subject to Section 5.2(e), the financing obligations of CCP pursuant to this Section 5.2 shall be funded by secured debt financing by CCP or an affiliate thereof on terms to be agreed to by the Board, acting reasonably, provided that the parties shall use commercially reasonable efforts to source debt financing on terms as or more favourable to the terms below:

(i) a 5 year term (the "**Term**") with an annual rate of 9% per annum compounded quarterly (the "**Interest**");

(ii) the Interest to be paid shall accrue immediately on borrowed amounts but will not be payable for the initial 2 years of the Term;

(iii) after the initial 2 years of the Term, the Interest shall be paid on the principal amount and any interest thereon on the 1st day of the month for the remainder of the Term, with all amounts owing being payable at the end of the Term.

For greater certainty, the security for the above financing shall be limited to a secured grid promissory note and a general security agreement against the Corporation (including registrations under the *Personal Property Security Act* (Ontario)).

(e) All required funding of the Corporation strictly for operational requirements of the Corporation, will be funded by CCP on the terms below financing terms as set forth below, provided, however, that as soon as the Corporation has sufficient excess cash flow to finance its own operations it shall do so in lieu of incurring additional debt, and furthermore the parties shall cause the Corporation to repay all debt, in whole or in part, as soon as commercially reasonable and prior to the payment of dividends or other distributions, subject always to the Board's determination of reasonable working capital and other reserve requirements that may be prudent:

(i) a 3 year term (the "**Excess Period Term**") with an annual rate of 9% per annum compounded quarterly (the "**Excess Period Interest**");

(ii) the Excess Period Interest to be paid shall accrue immediately on borrowed amounts but will not be payable for the initial 2 years of the Excess Period Term;

(iii) after the initial 2 years of the Term, the Interest shall be paid on the principal amount and any interest thereon on the 1st day of the month for the remainder of the Term, with all amounts owing being payable at the end of the Excess Period Term.

For greater certainty, the security for the above financing shall be limited to a secured grid promissory note and a general security agreement against the Corporation (including registrations under the *Personal Property Security Act* (Ontario)).

(f) For greater certainty, the Shareholders agree that in no event or circumstance shall the financing obligations of CCP pursuant to this Section 5.2 result in the dilution of the shareholdings of Larry or Cathy (or one or more Corporate Shareholders controlled by them) in the capital of the Corporation.

(g) With respect to any financing of the Corporation, the parties acknowledge and agree that no Shareholder, nor any Principal of any Shareholder, shall be obligated or required to provide any guarantee (whether corporate or personal) of any borrowings of the Corporation.

ARTICLE 6
SHARE RESTRICTIONS

6.1 Restrictions on Encumbrance and Transfer

Except as provided in this Agreement, or except with the prior written unanimous consent of the Board or by Special Resolution, no Shareholder shall:

(a) other than with respect to CCP, Encumber any of the Issued Shares owned by such Shareholder; or

(b) Transfer, or agree or grant an option to Transfer legally, beneficially or otherwise any of the Issued Shares owned by such Shareholder.

The Corporation shall not consent to, authorize, suffer, permit or ratify any transaction in breach of the foregoing resolutions.

6.2 Restrictions on Issue

No Shareholder shall cause, suffer or permit any further issuance of shares out of the Authorized Capital (including issuance by way of stock dividends) or the granting of any rights or privileges to acquire shares of the Corporation, save and except:

(a) as provided in this Agreement; or

(b) with the prior written unanimous consent of the Board or by Special Resolution.

The Corporation shall not consent to, authorize, suffer, permit or ratify any transaction in breach of the foregoing restriction.

6.3 Permitted Transfers

(a) Notwithstanding anything contained in this Agreement, each Shareholder (the "**Transferor**") shall have the right, without the approval of the other Shareholders, to dispose of all or any of its Issued Shares to a Corporate Shareholder where the Transferor is the Principal (each a "**Transferee**"), provided that more than 51% of the shares of the Transferee to which voting rights are attached are owned and shall continue to be owned (both legally and beneficially) by the Transferor, and provided that the Transferor controls and shall continue to control the Transferee; and further provided that all of the remaining legal and beneficial holder of any securities of the Transferee is the Immediate Family of the Principal.

(b) No such disposition contemplated by this Section 6.3 shall be valid or effective until:

(i) written notice of such disposition has been given by the Transferor to the other parties to this Agreement; and

(ii) the Transferee and Principal thereof shall have delivered a written notice to the parties to this Agreement consenting to the terms of this Agreement and agreeing to assume and be bound by all the obligations of the Transferor as though the Transferee was the Transferor, in which event such Transferee shall be entitled to all of the rights and subject to all of the obligations of this Agreement on the part of the Transferor. In the event of such a transfer, the Transferor shall continue to remain liable under this Agreement as a principal debtor, such liability to be joint and several with the Transferee.

6.4 Restrictions on Transfers of Shares of Corporate Shareholders

Other than with respect to CCP and except as provided in this Agreement, or except with the prior written unanimous consent of the Board or by Special Resolution, no Principal shall, so long as the Corporate Shareholder which the Principal represents is a Shareholder of the Corporation:

(a) Encumber any of the shares in the capital of such Corporate Shareholder or any Intermediary Corporation; or

(b) Transfer or agree or grant an option to Transfer ownership legally, beneficially or otherwise any of the shares in the capital of such Corporate Shareholder or in the capital of any Intermediary Corporation.

No Corporate Shareholder shall consent to, authorize, suffer, permit or ratify any transaction in breach of the foregoing restrictions.

6.5 Further Issue of Shares of Corporate Shareholders

Each Principal and the Corporate Shareholder which such Principal represents agree that so long as such Corporate Shareholder is a Shareholder of the Corporation, no additional shares of such Corporate Shareholder shall be issued, save and except to the existing shareholders of the Corporate Shareholder, the Principal who represents that Corporate Shareholder, or a member of the Principal's Immediate Family, provided that such Principal continues at all times to be the registered and beneficial owner of not less than 51% of all of the issued and outstanding shares to which voting rights are attached in the capital of the Corporate Shareholder represented by such Principal. No such issuance shall be valid or effective until written notice of such issuance shall have been given by such Corporate Shareholder to the parties to this Agreement.

6.6 Change of Control

Other than with respect to CCP, each Corporate Shareholder, and every Principal who represents such Corporate Shareholder, covenants that, so long as such Corporate Shareholder is a Shareholder of the Corporation, such Corporate Shareholder:

(a) shall not take part in any amalgamation, merger or reorganization or in any similar proceeding, or permit any transfer of its shares, the effect of which would be a change in the Corporate Shareholder's direct or indirect registered or beneficial ownership of Issued Shares; and

(b) shall continue to be controlled by the Principal which represents such Corporate Shareholder as of the later of:

(i) the date of this Agreement; and

(ii) the date that such Corporate Shareholder acquires any Issued Shares,

unless otherwise consented to in writing by all of the other Shareholders.

ARTICLE 7
PRE-EMPTIVE RIGHTS

7.1 Business Issuances

If the Shareholders by Special Resolution have determined that a proposed share issuance is a Business Issuance, the Board may issue such shares.

7.2 Further Issue of Shares of the Corporation

(a) Subject to Section 7.3, if at any time, by the unanimous approval of the Board or by Special Resolution, the Board proposes to issue, or to grant an option or other right to purchase or subscribe for shares out of the Authorized Capital, to any Person or Persons (the "**Contemplated Issue**"), the provisions of this Article shall apply. In these circumstances, each Shareholder shall first be entitled to subscribe for his Proportionate Share of the Contemplated Issue. The Board shall, by notice in writing (the "**Offer Notice**"), offer the Contemplated Issue to the Shareholders. The Offer Notice shall specify the number and class of shares forming the Contemplated Issue, the number and class of shares offered to each Shareholder, the subscription price for such shares and the purchase date, which shall be not less than 10 days following the date of the Offer Notice, and such contents of the Offer Notice shall be determined by approval of the Board. The Offer Notice shall specify the time within which the offer, if not accepted, shall be deemed to be declined, which time shall be not less than 5 days nor more than 10 days following the date that the Offer Notice is received by each Shareholder. The Offer Notice shall also state that any Shareholder who wishes to subscribe for a number of shares less than or in excess of his/her Proportionate Share should, in his subscription, specify the number of shares less than or in excess of his Proportionate Share that he/she wishes to purchase.

(b) Each Shareholder may, within the time limit contained in the Offer Notice, subscribe for all or a part of the shares of the Corporation thereby offered. If no subscription is received by the Corporation from a Shareholder within the time limit contained in the Offer Notice, such Shareholder shall be deemed to have refused such offer and the Corporation may proceed to issue the Contemplated Issue.

(c) If all of the Shareholders do not subscribe for their respective Proportionate Share of the Contemplated Issue, the unsubscribed shares will be used to satisfy the subscriptions of those Shareholders who subscribed for shares in excess of their Proportionate Share and, if the subscriptions in excess are more than sufficient to exhaust such unsubscribed shares, the unsubscribed shares will be divided pro-rata among the Shareholders who wish to subscribe for excess shares, in proportion to the number of shares held by them at the date of the Offer Notice; provided that no Shareholder shall be obligated to purchase any shares in excess of the number indicated in its subscription.

7.3 Pre-Emptive Right Carve-Outs

The pre-emptive right in Section 7.2 will not apply: (a) to a Business Issuance; (b) to an investor determined unanimously by the Board or by Special Resolution to be a strategic investor; (c) to the exercise, conversion or exchange of any securities of the Corporation issued prior to the date hereof or issued pursuant to this pre-emptive right or an execution therefrom; (d) the repurchase by the Corporation of any Issued Shares for cancellation at a purchase price per Issued Share which is equal to or lower than the issue price thereof; (e) a Going Public Transaction; or (f) a RTO.

7.4 Closing

Any Shareholder subscribing for shares pursuant to the Offer Notice shall purchase and pay for the shares in full on the purchase date set out in the Offer Notice. If the Shareholders collectively

are not prepared to purchase all of the Contemplated Issue, the Corporation may issue any part of the Contemplated Issue not purchased by the Shareholders to such Person(s) as the Board may determine, for a consideration not less than the consideration set out in the Offer Notice within forty (40) days of the purchase date set out in the Offer Notice. If the Corporation does not sell all of the Contemplated Issue within the said forty (40) day period, the provisions of this Article will once again apply to any further issuance of shares out of the Authorized Capital. This Article shall apply every time the Corporation wishes to issue further shares out of the Authorized Capital.

7.5 Agreement Required

Prior to the issuance of shares in the Authorized Capital to any Person pursuant to this Article, such Person, if not already a Shareholder, shall be required to enter into a Consent Agreement and, if applicable, a Principal Agreement consenting to the terms of this Agreement and agreeing to assume and be bound by all of the terms and conditions of this Agreement as if such Person were an original party to this Agreement, failing which the Corporation shall not be entitled to issue any shares out of the Authorized Capital to such Person.

ARTICLE 8
RIGHTS OF REFUSAL

8.1 Rights of First Refusal

(a) **Right of First Refusal (Last Right to Match).** If at any time any Shareholder or group of Shareholders (but not including CCP) acting in concert (individually a "**Selling Shareholder**" or, if more than one, "**Selling Shareholders**") desire to sell, assign, transfer, or dispose of any Issued Shares held by the Selling Shareholder(s) (the "**Sale Shares**") to a third party (the "**Third Party**") with whom each Selling Shareholder deals at Arm's Length, they shall obtain from the Third Party a bona fide offer (the "**Offer**") in writing, which the Selling Shareholder(s) are ready and willing to accept, to purchase such Sale Shares for the amount set forth in the Offer. The Offer must acknowledge that the consummation of same is subject to the terms and conditions of this Article 8.

(b) **Offer Notice.** The Selling Shareholder(s) covenant to give written notice of any Offer together with a copy of same to the other Shareholders and the Corporation within ten (10) days following receipt of same (the "**Selling Shareholder Notice**"). The Selling Shareholder Notice shall specify: (i) the number of Sale Shares to be sold, assigned, transferred, or disposed of, by the Selling Shareholder; (ii) the name of the Person or entity who has offered to purchase such Sale Shares; (iii) the per share purchase price and the other material terms and conditions of the Offer, including a description of any non-cash consideration in sufficient detail to permit the valuation thereof; and (iv) the proposed date, time and location of the closing of the Offer, which shall not be less than sixty (60) days from the date of the Selling Shareholder Notice.

(c) **Right of First Refusal – Corporation**. The Corporation shall have the irrevocable right, exercisable by written notice given to the Selling Shareholder(s) within thirty (30) days following receipt of the Selling Shareholder Notice to elect to purchase the Sale Shares of the Selling Shareholder(s) which form the subject matter of the Offer on the terms and conditions and for the price per Sale Share contemplated by the Offer.

(d) **Right of Second Refusal – Other Shareholders.** If section 8.1(c) is not applicable or the Corporation declines to exercise its right pursuant to that section (including any failure to respond to the Selling Shareholder Notice), each Shareholder that is not a Selling Shareholder shall have the irrevocable right exercisable by written notice given to the Selling Shareholder(s) within 30 days following receipt of the Selling Shareholder Notice to elect to purchase the Sale Shares of the Selling Shareholder(s) which form the subject matter of the Offer on the terms and conditions and for the price per Sale Share contemplated by the Offer. Each Shareholder who so elects shall be entitled to purchase, unless another allocation is agreed upon by such Shareholder, such number of Sale Shares forming the subject matter of the Offer multiplied by a fraction, the numerator of which is the number of Issued Shares held by such Shareholder, and the denominator of which is the number of Issued Shares held by the other Shareholders, in each case as of the date immediately prior to the sale of Sale Shares pursuant to the Offer.

(e) **Sales of Shares – Right of First Refusal Not Exercised**. If, following compliance with sections 8.1(a), 8.1(b), 8.1(c) and 8.1(d) there remains Sale Shares that the other Shareholders have not elected to purchase, then the Selling Shareholder(s) may transfer the remaining Sale Shares to the Third Party in accordance with the terms and conditions of the Offer and the requirements of sections 8.1(a), 8.1(b), 8.1(c) and 8.1(d), as applicable, and the parties hereby agree to take all steps and proceedings required to have the Third Party entered on the books of the Corporation as a Shareholder, provided that if the transfer to the Third Party is not completed within one hundred twenty (120) days after the giving of the notice by the Selling Shareholder(s) to the Corporation and the other Shareholders pursuant to the Selling Shareholder Notice in accordance with section 8.1(a) and 8.1(b), the obligation, right and entitlement of the Selling Shareholder(s) to complete the transfer to the Third Party in accordance with the terms of the Offer shall expire and the provisions of this section 8.1(e) shall thereafter apply *mutatis mutandis* to any Offer, transfer or proposed sale of Issued Shares. The Selling Shareholder(s) are hereby irrevocably appointed the agent and attorney of the Shareholders and each of them for the purposes of effecting registration of the Third Party as a Shareholder of the Corporation. This appointment, being coupled with an interest, shall not, to the extent permitted by applicable law, be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the grantor or for any other reason. The Board or the Shareholders (including the Selling Shareholder(s)), as the case may be, before consenting to any transfer of Sale Shares to a Third Party, shall require proof that the sale process was conducted in accordance with the terms of the relevant Offer and in compliance with the terms and conditions of this section 8.1(e) and shall require the Third Party to execute and deliver a Consent Agreement or Principal Agreement, as applicable. The Board shall refuse the recording of any transfer of the Sale Shares that may have occurred otherwise than in accordance with the provisions of this Agreement.

8.2 Right of First Refusal Carve-Out

The right of first refusal in Section 8.1 will not apply to: (a) Transfer of Issued Shares in accordance with Article 6; (b) Transfer of Issued Shares in accordance with Article 9; (c) a Transfer of Issued Shares in accordance with Article 10; (d) a Transfer of Issued Shares in accordance with Article 11; or (e) a proposed Transfer of Issued Shares by CCP.

8.3 Competitor Offers

Notwithstanding anything to the contrary herein, if, at any time, one or more Shareholders wishes to transfer any of his/her/its Issued Shares to a Competitor, such transfer shall not be permitted without approval of CCP. If CCP approves such transfer, such Selling Shareholder shall be permitted to transfer his Sale Shares in accordance with this Article 8.

ARTICLE 9
PIGGY-BACK

9.1 Right to Participate in Sale

If any Shareholder (in this Article 9, the "**Offeree Shareholder**") receives a bona fide written offer (in this Article 9 called the "**Third Party Offer**") from any Person dealing at Arm's Length with the Offeree Shareholder to purchase all or part of its Issued Shares, or if the Offeree Shareholder is a Corporate Shareholder all of its issued and outstanding shares (which shall be deemed to include any offer made by the Offeree Shareholder to any Third Party to sell all of its Issued Shares or all of its issued and outstanding shares to the Third Party) which the Offeree Shareholder proposes to accept, the Offeree Shareholder shall, prior to any acceptance thereof, give notice in writing (the "**Sales Notice**") to the other Shareholders (in this Article 9, the "**Non-Offeree Shareholders**") and to the Corporation of the Third Party Offer. The Sales Notice shall be accompanied by a true copy of the Third Party Offer.

9.2 Option to Participate

Each of the Non-Offeree Shareholders shall have the option, within fifteen (15) days following his receipt of the Sales Notice, to give notice in writing (a "**Participation Notice**") to the Offeree Shareholder and to the Corporation that he/she wishes to participate in the proposed sale described in the Sales Notice. The Participation Notice shall constitute the Offeree Shareholder as the agent of the Non-Offeree Shareholder giving a Participation Notice to agree to the sale of all or part of the Issued Shares of such Non-Offeree Shareholder, on the terms and conditions described in the Third Party Offer, save and except that the purchase price payable to the Non-Offeree Shareholder(s) shall be paid in cash or by certified cheque, bank draft, or wire transfer of immediately available funds on Closing and the Arms' Length purchaser shall be obligated to execute and deliver a Consent Agreement or Principal Agreement, as applicable. All Issued Shares purchased pursuant to the Third Party Offer shall be purchased pro-rata in accordance with its Proportionate Share as at the date of the Sales Notice from the Offeree Shareholder and a Non-Offeree Shareholder that has duly delivered a Participation Notice.

9.3 Deemed Election

In the event any or all of the Non-Offeree Shareholders do not deliver a Participation Notice within the time period referred to in the preceding section, such Non-Offeree Shareholders shall be deemed to have elected not to sell any of their Issued Shares in accordance with the Sales Notice provided that the Arms' Length purchaser shall be obligated to execute and deliver a Consent Agreement or Principal Agreement, as applicable.

9.4 Sale to Third Party

After the expiration of the time period referred to in Section 9.2, the Offeree Shareholder shall be entitled to accept the Third Party Offer, provided that the Third Party agrees to also purchase the shares of those Non-Offeree Shareholders who have delivered a Participation Notice within the required time period, whereupon a binding agreement of purchase and sale for the Issued Shares of the Offeree Shareholder and such Non-Offeree Shareholders shall be deemed to have come into effect. If the Third Party does not agree to purchase the shares of all such Non-Offeree Shareholders, then the Offeree Shareholder shall not be entitled to accept the Third Party Offer. To the extent one or more Non-Offeree Shareholders do not sell all of their Issued Shares pursuant to the Third Party Offer, the Arms' Length purchaser shall be obligated to execute and deliver a Consent Agreement or Principal Agreement, as applicable.

9.5 Consideration

In connection with a Third Party Offer, all Non-Offeree Shareholders that delivered a Participation Notice will be entitled to receive the same consideration per Issued Share, and, as part of the closing of the sale to the Third Party, the Offeree Shareholder and its shareholders shall jointly and severally represent and warrant to the participating Non-Offeree Shareholders that the Offeree Shareholder and its shareholders and/or their respective Affiliates have not entered into any collateral agreement, commitment or understanding with the Third Party making the Third Party Offer that has the effect of providing the Offeree Shareholder or any of its shareholders or respective Affiliates with consideration that is not identical to the consideration payable to the participating Non-Offeree Shareholders pursuant to the Third Party Offer.

9.6 Time of Closing

Any purchase and sale contemplated pursuant to this Article shall take place on the date set for Closing contained in the Third Party Offer, or as otherwise agreed to by the Offeree Shareholder and the Third Party, provided such date shall not be later than sixty (60) days or such longer period as may be mutually agreed to by the Third Party, the Offeree Shareholder and each Non-Offeree Shareholder who has delivered a Participation Notice following the expiry of the time period referred to in Section 9.2. In the event that any Shareholder sells fewer than all of its Issued Shares to the Third Party, it shall be a condition of the said sale that the Third Party and, if such Third Party is a corporation, the shareholders of the Third Party, enter into a written agreement with the parties to this Agreement consenting to the terms of this Agreement and agreeing to assume and be bound by all of the terms and conditions of this Agreement as if they were original parties to this Agreement, failing which the transfer of shares to the Third Party shall not be valid or effective.

9.7 Completion of Sale

The Board, before consenting to the transfer of the Issued Shares being sold pursuant to this Article, shall be entitled to require proof that the sale process was conducted in accordance with the provisions of this Article. The Corporation shall refuse to permit the recording of a transfer of the Issued Shares which may have been sold otherwise than in accordance with the provisions of this Article.

9.8 Further Sales

If a sale of shares pursuant to this Article is not completed within the time period set out in Section 9.5, following the expiry of the time period set out in Section 9.2, no sale by the Offeree Shareholder to a Third Party shall be completed without the Offeree Shareholder again complying with the provisions of this Article.

ARTICLE 10
DRAG-ALONG RIGHT

10.1 Notice of Exercise of Right

If at any time Shareholders holding more than 75% of the Issued Shares to which voting rights are attached (collectively, the "**Controlling Shareholders**") obtain from any third party with whom they deal at Arm's Length a bona fide offer (in this Section 10.1, a "**Control Offer**") to purchase all, but not less than all, of the Issued Shares, the Controlling Shareholders shall have the right, exercisable upon ten (10) days' notice given to the other Shareholders (in this Section 10.1, the "**Recipient Shareholders**") to require the Recipient Shareholders to sell their Issued Shares pursuant to the terms and conditions of the Control Offer (a "**Drag-along Sale**") and to execute and deliver all documents and to do and cause to be done all such things as are necessary to conclude the transaction of purchase and sale contemplated under the Control Offer (including to the extent permitted by applicable law, causing their respective nominees on the Board to approve any transaction).

10.2 Cooperation

Each Recipient Shareholder shall make or provide the same representations, warranties, covenants, indemnities and agreements as the Controlling Shareholders make or provide in connection with the Drag-along Sale, or as may be necessary to consummate the Drag-along Sale, provided that (i) such representations, warranties, covenants, indemnities and agreements are made severally and not jointly and severally, and (ii) no Recipient Shareholder shall be required to make any representations, warranties, covenants, indemnities or agreements specific to the Controlling Shareholders.

10.3 Consideration

In connection with a Control Offer, except as herinafter provided, all Shareholders of the same class will be entitled to receive the same consideration per Issued Share, and, as part of the closing of the Drag-along Sale, the Controlling Shareholders and its shareholders shall jointly and severally represent and warrant to the Recipient Shareholders that none of the Controlling Shareholders or its shareholders and/or Affiliates has entered into any collateral agreement, commitment or understanding with the third party making the Control Offer that has the effect of providing the Controlling Shareholders or any of its shareholders or respective Affiliates with consideration that is not identical to the consideration payable to the Recipient Shareholders pursuant to the Control Offer.

10.4 Completion of Purchase and Sale

The purchase and sale of all of the shares pursuant to Section 10.1 shall take place not earlier than twenty (20) days after the notice given to the Recipient Shareholders pursuant to Section 10.1 in accordance with the terms of the Control Offer.

ARTICLE 11
MANDATORY TRANSFER OF SHARES

11.1 Events of Default

(a) For the purposes of this Article, an "**Event of Default**" means the occurrence of any one of the following:

(i) if any act or omission by a Shareholder or a Principal, directly or indirectly:

(A) prevents the Corporation from obtaining or renewing a license for activities that require a license under the ACMPR;

(B) restricts the Corporation from operating as a licensed producer under applicable laws; or

(C) causes the Corporation to have its license suspended or revoked;

(ii) if any breach of Article 15 occurs in relation to any Shareholder or a Principal;

(iii) if any Shareholder or a Principal makes an assignment for the benefit of creditors or a proposal under the *Bankruptcy and Insolvency Act* (Canada) or if a receiving order is made against any Shareholder or a Principal;

(iv) if an Encumbrance is granted by a:

(A) Shareholder in any Issued Shares to any Person; or

(B) Principal in the shares owned by such Principal in the Corporate Shareholder which such Principal represents;

(v) if an execution or any similar process is levied or enforced upon or against the Issued Shares owned by any Shareholder and remains unsatisfied for a period of thirty (30) days, or if any Shareholder ceases to control such Shareholder's Issued Shares;

(vi) if any Person takes possession of the Issued Shares owned by a Principal in the Corporate Shareholder which such Principal represents, or if an execution or any similar process is levied or enforced upon or against such issued shares and remains unsatisfied for a period of thirty (30) days, or if a Principal ceases to control such shares or be the registered and beneficial owner of not less than 51% of all of the issued and outstanding Issued Shares of all classes in the capital of the Corporate Shareholder that such Principal represents;

(vii) if any of the securities of the Corporate Shareholder are issued to a Person who is not a member of the Principal's Immediate Family; and

(viii) any other failure or breach of material obligations, covenants, representations or warranties under this Agreement, or under an instrument or document delivered pursuant to this Agreement at any time after the date of this Agreement, and such failure or breach is not corrected within ten (10) Business Days after receipt of notice of the failure or breach from any other party or where, due to the nature of the failure or breach it cannot be rectified within such ten (10) Business Days, rectification of such failure or breach has not been commenced within ten (10) Business Days and diligently pursued thereafter.

(b) In this Article, the Shareholder involved in an Event of Default shall be referred to as the "**Defaulting Shareholder**", and such term shall include any Person with an interest in the Issued Shares owned by such Shareholder, including the spouse of such Shareholder, and the Issued Shares being sold by the Defaulting Shareholder pursuant to this Article shall be referred to as the "**Purchased Shares**". If a Principal is involved in an Event of Default, the Corporate Shareholder which such Principal represents shall be deemed to be involved in such Event of Default.

11.2 Option to Purchase

Upon the occurrence of an Event of Default, each Defaulting Shareholder hereby grants to the Corporation an option to purchase all but not less than all of the Issued Shares owned by such Shareholder on the terms and conditions contained in this Article. The Corporation shall be entitled to exercise such option by delivering a notice in writing to the Defaulting Shareholder at any time within twelve (12) months following the date that the Corporation becomes aware of an Event of Default (such notice date being the "**Option Date**") provided that at the date of delivery of such notice the Event of Default is continuing.

11.3 Purchase Price

(a) Subject to Section 11.3(b), the purchase price for the Purchased Shares (the "**Purchase Price**") of the Defaulting Shareholder pursuant to this Article 11 shall be the Value on the Option Date determined in accordance with Article 12 discounted by 10% of such Value.

(b) In the event of a disposition pursuant to Section 11.1(a)(viii), the Purchase Price for the Purchased Shares of the Defaulting Shareholder pursuant to this Article 11 shall be the Value on the Option Date determined in accordance with Article 12 entitled "Valuation of Shares".

11.4 Payment of Purchase Price

The Purchase Price for the Purchased Shares shall be paid in its entirety by the Corporation to the applicable Shareholder on the date of closing of the transaction of purchase and sale contemplated by this Article. Payment of the Purchase Price may be made in whole or in part to the legal representative of the Defaulting Shareholder or any Person with an interest in the Purchased Shares, as may be required by law or by any order of a court of competent jurisdiction.

11.5 Time of Closing

Unless otherwise agreed by the Defaulting Shareholder and the Corporation, the closing of the transaction of purchase and sale contemplated by this Article shall take place on the later of sixty (60) days following the Option Date and ten (10) days following the date upon which the amount of the Purchase Price for the Purchased Shares is calculated in accordance with Article 12 entitled "Valuation of Shares".

11.6 Power of Attorney

If the Defaulting Shareholder does not produce all necessary documentation to transfer the Issued Shares to the Corporation free and clear of any Encumbrance then to the extent permitted at law, the Defaulting Shareholder hereby irrevocably constitutes and appoints the Corporation as its true and lawful attorney-in-fact and agent in the name of and on behalf of the Defaulting Shareholder to execute and deliver in the name of the Defaulting Shareholder all such assignments, transfers, deeds or instruments as may be necessary to effectively transfer and assign the Issued Shares being sold to the Corporation. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the dissolution, winding-up, bankruptcy or insolvency of the Defaulting Shareholder and the Defaulting Shareholder hereby ratifies and confirms and agrees to ratify and confirm that which the Corporation may lawfully do or cause to be done by virtue of the provisions hereof. The Defaulting Shareholder hereby irrevocably consents to the transfer of its Issued Shares made pursuant to the provisions of this Article.

ARTICLE 12
VALUATION OF SHARES

12.1 Value Equal to Fair Market Value

The Value of the Issued Shares being sold pursuant to this Agreement (other than pursuant to the provisions of Article 8, Article 9 and Article 10) shall be equal to the Proportionate Share of the vendor in the relevant sales transaction (the "**Vendor**") of the fair market value of all of the Issued Shares, as determined pursuant to this Article.

12.2 Determination of Value

(a) The Value of the Issued Shares shall be unanimously agreed upon by the Vendor and the purchaser(s) in the relevant sales transaction (the "**Purchaser**") within ten (10) Business Days following the date that the event causing the obligation to sell arises (the "**Negotiation Period**"). The Vendor and the Purchaser shall act reasonably and in good faith during such negotiations.

(b) If the Vendor and the Purchaser are unable to agree upon the Value of the Issued Shares within the Negotiation Period, the Value of all Issued Shares shall be determined as follows:

(i) within ten (10) Business Days following the expiry of the Negotiation Period (the "**Delivery Period**"), the Vendor shall deliver to the Purchaser a list (the "**Valuator List**") containing the names of three (3) reputable chartered accounting firms

having experience in business valuation and with no pre-existing relationship (professional or otherwise) with the Corporation or any Shareholder or Principal;

(ii) within three (3) Business Days following the date the Vendor provides the Valuator List to the Purchaser (the "**Selection Period**"), the Purchaser shall select one of the accounting firms named in the Valuator List and notify the Vendor in writing of such selection. If, within the Selection Period, the Purchaser fails to advise the Vendor of the accounting firm selected by the Purchaser, the Vendor may at any time prior to the Purchaser advising the Vendor of the accounting firm selected by the Purchaser, select one of the accounting firms named in the Valuator List and advise the Purchaser in writing of such selection. If the Vendor so selects one of the accounting firms, the Purchaser may not thereafter select one of the accounting firms;

(iii) if the Vendor fails to deliver a Valuator List to the Purchaser within the Delivery Period, the Purchaser may at any time prior to the Vendor delivering a Valuator List to the Purchaser, deliver a Valuator List to the Vendor and, if the Purchaser does so, the Vendor may not subsequently deliver a Valuator List to the Purchaser and shall have a period of three (3) Business Days within which to select one of the accounting firms named in the Valuator List provided by the Purchaser and notify the Purchaser in writing of such selection. If, within such three (3) Business Day period, the Vendor fails to advise the Purchaser of the accounting firm selected by the Vendor, the Purchaser may at any time prior to the Vendor advising the Purchaser of the accounting firm selected by the Vendor, select one of the accounting firms named in the Valuator List and advise the Vendor in writing of such selection. If the Purchaser so selects one of the accounting firms, the Vendor may not thereafter select one of the accounting firms;

(iv) the responsible partner at the accounting firm selected in accordance with the preceding provisions shall designate one of its members who is a certified business valuator and, for the purposes hereof, such person shall be called the "Valuator";

(v) the Valuator shall be retained solely on behalf of the Corporation and the costs of the Valuator shall be borne by the Corporation; and

(vi) the Valuator shall act as a business valuator and not as an arbitrator or umpire. The Valuator shall apply such business valuation principles as it in its sole discretion deems appropriate and may consult such other expert valuators as it considers advisable. Despite the foregoing, the Value of the Issued Shares shall be determined without any restrictions applying to the transfer of such shares, without any premium or discount being applied for a majority or minority share interest.

12.3 Valuation Conclusive

The determination of the Value of the Issued Shares in accordance with this Article, shall, however determined in accordance with this Article, be conclusive and binding upon the Vendor and the Purchaser with no rights of appeal therefrom.

ARTICLE 13
ARBITRATION

13.1 Arbitration Procedures

If any dispute or question (a "**dispute**") arises between the parties hereto concerning the interpretation of this Agreement or any part thereof, the parties to the dispute will attempt in good faith to resolve such dispute. If the parties to the dispute have not agreed to a settlement of the dispute within thirty (30) days from the date on which the dispute first became known to the Corporation, then the dispute will be submitted to arbitration pursuant to the *Arbitration Act, 1991* (Ontario) in accordance with the following:

(a) The arbitration tribunal will consist of one independent arbitrator appointed by mutual agreement of the parties to the dispute, or in the event of failure to agree within ten (10) Business Days following delivery of the written notice to arbitrate, any party to the dispute may apply to a judge of the Ontario Superior Court of Justice to appoint an arbitrator. The arbitrator must be qualified by education and training to rule upon the particular matter to be decided.

(b) The arbitrator will be instructed that time is of the essence in the arbitration proceeding and that, in any event, the arbitration award must be made within thirty (30) days of the submission of the dispute to arbitration.

(c) After written notice is given to refer any dispute to arbitration, the parties will meet within ten (10) Business Days of delivery of the notice and negotiate in good faith any changes in these arbitration provisions or the rules of arbitration which are adopted by this section, in an effort to expedite the process and otherwise ensure that the process is appropriate given the nature of the dispute and the values at risk.

(d) The arbitration will take place in Toronto, Ontario.

(e) The arbitration award will be given in writing and is final and binding on the parties, not subject to any appeal. Subject to the provision of this Section 13.1(e), the arbitration award will deal with the question of costs of arbitration and all related matters. A party to a dispute may, at any time, make an offer to the other parties to the dispute to settle all or any part of the dispute. Any offer to settle is deemed to be an offer of compromise made in confidence and without prejudice. The fact that an offer to settle has been made may not be communicated to the arbitrator until the arbitrator has made a final determination of all aspects of the dispute other than costs. If an offer to settle is not accepted and the arbitration award is no more favourable to the party to which the offer was made, the party making the offer is entitled to all of its costs in connection with the arbitration in respect of the period from the date the offer to settle was made to the

making of the arbitration award. The costs of arbitration include the arbitrators' fees and expenses, the provision of a reporter and transcripts, reasonable legal fees and reasonable costs of preparations.

(f) Judgment upon any award may be entered in any Court having jurisdiction or application may be made to the Court for a judicial recognition of the award or an order of enforcement, as the case may be.

(g) All disputes referred to arbitration (including the scope of the agreement to arbitrate, any statute of limitations, set-off claims, conflict of laws, rules, tort claims and interest claims) are governed by the law of Ontario and the federal law of Canada applicable therein.

(h) Despite the submission of a dispute to arbitration, each party shall continue to perform all of its obligations under this Agreement until the final disposition of the arbitration. Each party shall only cease or curtail such performance if the party is expressly permitted to do so by a final award of the arbitral tribunal that has not been appealed, by a final court judgment, or otherwise by court order. The parties agree that the breach of this term requiring continued performance of the agreement will cause serious and irreparable damage and harm to the affected party and that remedies at law may be inadequate to compensate for such a breach. Each party agrees that an injunction or order for specific performance, or both, is an appropriate remedy to enforce this term, without proof of factual damages, in addition to any other remedy to which the affected party may be entitled.

(i) In addition to any other confidentiality obligations that may apply, the parties shall keep confidential and not disclose to any person the existence of the arbitration and any element of the arbitration (including submissions and any evidence of or documents presented or exchanged and any awards thereunder), except to the arbitral tribunal, the parties' auditors and insurers, legal counsel to the parties and any other person necessary to the conduct of the arbitration and except to the extent required by law, the rules of a stock exchange or securities regulatory authority having jurisdiction over a party, or as required for any court application to set aside or enforce any award or decision made pursuant thereto. No individual shall be appointed as an arbitrator unless he/she agrees in writing to be bound by a confidentiality provision similar in form and substance to this paragraph.

(j) By agreeing to arbitration, the Shareholders do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment or other order in aid of the arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies in aid of arbitration as may be available under the jurisdiction of a legal court, the arbitrator shall have full authority to grant provisional remedies, statutory remedies and to award damages for the failure of the disputing Shareholders to respect the arbitrator's orders to that effect.

ARTICLE 14
GENERAL SALE PROVISIONS

14.1 Provisions Applicable to all Sales

Whenever a sale or purchase of shares occurs pursuant to the terms of this Agreement (the "**Sale Transactions**"), the following additional provisions shall apply:

(a) in this Article:

(i) the party (or parties) selling is called the "**Vendor**";

(ii) the party (or parties) purchasing is called the "**Purchaser**";

(iii) the closing of the Sale Transaction is called the "**Closing**";

(iv) the Issued Shares being sold are called the "**Purchased Shares**"; and

(v) the purchase price for the Purchased Shares is called the "**Purchase Price**";

(b) the Closing shall occur at 2:00 p.m. (Toronto time) at the registered office of the Corporation on the date set for Closing pursuant to the provisions of this Agreement, subject to any further written agreement between the parties;

(c) on Closing, the Vendor shall:

(i) to the extent it is selling all of its Issued Shares, deliver to the Corporation signed resignations of the Vendor and the Vendor's nominees, if any, as directors and officers of the Corporation;

(ii) assign and transfer the Purchased Shares to the Purchaser and deliver to the Purchaser the share certificate(s) evidencing the Purchased Shares, which certificates shall be duly endorsed for transfer;

(iii) do all other acts and things reasonably required in order to deliver good and marketable title to the Purchased Shares to the Purchaser, free and clear of Encumbrances whatsoever, including the delivery of any declarations of transmission. If, on Closing, the Purchased Shares are not free and clear of Encumbrances, the Purchaser may, without prejudice to any other rights which the Purchaser may have, pay all, or such portion, of the Purchase Price to such Person or Persons as may be necessary to discharge the Encumbrances; and

(iv) either provide the Purchaser with evidence reasonably satisfactory to the Purchaser that the Vendor is not then a non-resident of Canada within the meaning of the Income Tax Act or provide the Purchaser with a certificate pursuant to section 116(2) of the Income Tax Act, with a certificate limit in an amount which is not less than the Purchase Price. If such evidence or certificate is not delivered on Closing, the Purchaser may pay the tax required to be paid by

the Vendor in connection with the sale of the Purchased Shares under the Income Tax Act and deduct such payment from the Purchase Price;

(d) if any part of the Purchase Price is to be paid in installments, then the following terms shall apply:

(i) if the Purchaser defaults in any payment of principal or interest due on any deferred balance of the Purchase Price (the "**Balance**") and such default continues for a period of ten (10) Business Days after written notice of such default is given to the Purchaser, then, without prejudice to any other rights which the Vendor may have, the Balance shall, at the option of the Vendor, immediately be accelerated and become due and payable in full;

(ii) the Purchaser shall have the right to prepay at any time or times the whole or any part of any Balance without notice, bonus or penalty, provided that such prepayments are made in multiples of $1,000.00, but if less than $1,000.00 remains unpaid, then the entire Balance must be paid;

(iii) as long as any Balance remains outstanding, the parties shall do all such acts and things as may be reasonably necessary to ensure that:

(A) the rate of payment and the amount of salaries, commissions, bonuses, directors' fees or other remuneration paid by the Corporation to the remaining Shareholder(s) or any person not dealing at Arm's Length with the remaining Shareholder(s) shall not be greater than the amount paid during the fiscal year ending immediately prior to Closing, except for reasonable and customary increases;

(B) the remaining Shareholder(s) shall not Encumber any of his Issued Shares and, except pursuant to this Agreement, shall not Transfer any of its Issued Shares unless on the closing of such Transfer, the Balance is paid to the Vendor; and

(C) the Corporation does not

i. pay any dividends;

ii. purchase, redeem or otherwise retire any of its shares, except if obligated to do so under this Agreement;

iii. permit any withdrawls by or on behalf of the remaining Shareholder(s); or

iv. repay any loans to the remaining Shareholder(s),

it being intended that all monies available for such purposes be used to pay such unpaid balance of the Purchase Price;

(D) the Corporation does not sell, mortgage, transfer, exchange or otherwise dispose of any of its assets except in the normal course of its business, unless the proceeds so generated will be immediately applied to prepay the Balance;

(e) on Closing, if the Vendor, or any Person, for or on behalf of the Vendor, has any guarantees, securities or covenants lodged with any Person to secure any indebtedness, liabilities or obligations of the Corporation, then the Purchaser and the Corporation shall use its best efforts to deliver or cause to be delivered to the Vendor or cancel or cause to be cancelled such guarantees, securities or covenants at the closing. If, despite such best efforts, the delivery or cancellation of any such guarantees, securities or covenants is not obtained, the Corporation shall deliver to the Vendor and/or the Person who shall have provided such guarantees, securities or covenants, an indemnity in writing in a form reasonably satisfactory to counsel for the Vendor, indemnifying him or them against any and all Claims, demands, costs, expenses, damages, liabilities and suits paid, suffered or incurred by them with respect to the said guarantees, securities or covenants; and

(f) if the Vendor does not produce all necessary documentation to transfer the Issued Shares to the Purchaser and complete the Sale Transaction three (3) Business Days prior to Closing, then, to the extent permitted at law, the Vendor hereby irrevocably constitutes and appoints the Corporation as its true and lawful attorney-in-fact and agent in the name of and on behalf of the Vendor to execute and deliver in the name of the Vendor all such assignments, transfers, deeds or instruments as may be necessary to effectively Transfer the Issued Shares being sold to the Purchaser provided that the Purchaser has made full payment therefor. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the dissolution, winding-up, bankruptcy or insolvency of the Vendor and the Vendor hereby ratifies and confirms and agrees to ratify and confirm all that the Purchaser may lawfully do or cause to be done by virtue of the provisions hereof. The Vendor hereby irrevocably consents to the Transfer of its Issued Shares made pursuant to the provisions of this Section.

14.2 Provisions Applicable Where the Purchaser is the Corporation

If the Purchaser is the Corporation, the following additional provisions shall apply:

(a) if the Corporation is indebted to the Vendor on Closing in an amount recorded on the books of the Corporation and verified by the Accountants or Auditors, the amount of such indebtedness shall be paid by the Corporation to the Vendor in the same manner and at the same times as the Purchase Price; and

(b) if the Vendor is indebted to the Corporation on Closing in an amount recorded on the books of the Corporation and verified by the Accountants or Auditors, the Corporation shall have the right to deduct the amount of such indebtedness from the Purchase Price.

14.3 Provisions Applicable where the Purchaser is not the Corporation

If the Purchaser is not the Corporation, the following additional provisions shall apply:

(a) on Closing, if the Corporation is indebted to the Vendor in an amount recorded on the books of the Corporation and verified by the Accountants or Auditors (the "**Corporation's Indebtedness**"), the Purchaser shall pay or satisfy the Corporation's Indebtedness to the Vendor in the same manner as the Purchase Price, and the Vendor shall assign the Corporation's Indebtedness to the Purchaser (together with any security held by the Vendor in respect of the Corporation's Indebtedness), free and clear of all Encumbrances and rights of set-off; and

(b) on Closing, if the Vendor is indebted to the Corporation in an amount recorded on the books of the Corporation and verified by the Accountants or Auditors (the "**Vendor's Indebtedness**"), the Purchaser shall have the right to pay or satisfy all or any portion of the Vendor's Indebtedness and to receive and take credit against the Purchase Price for the amount so paid on account of the Vendor's Indebtedness.

ARTICLE 15
NON-COMPETITION AND NON-SOLICITATION

15.1 Agreement to Not Compete

Each Shareholder, other than CCP, and Principal agrees that as long as he/she, or, in the case of a Principal, its Corporate Shareholder, is a shareholder of the Corporation and for a period of twelve (12) months thereafter, it shall not, either directly or indirectly and whether individually or in partnership or jointly or in conjunction with any Person as principal, agent, employee, shareholder or in any other manner whatsoever:

(a) carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit his, hers or its name or any part thereof to be used or employed by any Person engaged in or concerned with or interested in any business which is in direct competition with the business of the Corporation in the Province of Ontario (a "**Competitor**"). Notwithstanding the foregoing, the definition of "Competitor" for the purposes of this Section 15.1 shall not include any engagements, involvement, or interest in any business involved in the tobacco industry, the hemp industry, or any industries ancillary thereto;

(b) divulge to any Person the name of any customer or client of the Corporation;

(c) interfere in any manner with the Corporation's relationship with its suppliers, or solicit the Corporation's suppliers in connection with any products or services of the type then being supplied by such suppliers to the Corporation, or any similar or related products or services;

(d) interfere in any manner with the Corporation's relationship with its customers or employees, including endeavouring to entice away the Corporation's customers or employees from the Corporation;

(e) solicit the Corporation's customers in respect of products or services of the type then being provided by the Corporation to its customers, or any similar or related products or services; and

(f) solicit the Corporation's employees with offers of employment from Persons other than the Corporation.

This Section 15.1 shall not prevent a Shareholder or a Principal or any of their respective affiliates from holding, in aggregate, up to 5% of the equity, voting rights or debt of a Competitor.

15.2 Applicability

(a) For the purposes of this Article, every Person who has:

(i) supplied the Corporation with products or services; or

(ii) been supplied by the Corporation with products or services,

during the twelve (12) month period preceding the date that such Shareholder ceases to be a shareholder of the Corporation, shall be deemed to be a supplier or a customer of the Corporation, as the case may be.

(b) Every person who was an employee of the Corporation at any time during the twelve (12) month period preceding and following the date that such Shareholder ceases to be a shareholder of the Corporation shall be deemed to be an employee of the Corporation.

15.3 Restrictions Reasonable

Each Shareholder and Principal acknowledges that in the context of the specific knowledge of the affairs of the Corporation held by it or him, the nature of the business carried on by the Corporation and the relationship of each Shareholder and Principal to the Corporation, the restrictions set out in this Article are reasonable and valid in all respects, including the nature of the restrictions, the territory and the time period concerned, and all defenses to the strict enforcement thereof are waived by each Shareholder and Principal. Each Shareholder and Principal further acknowledges and agrees that a breach of this Article will likely result in irreparable harm to the Corporation and the Corporation may apply for an injunction to restrain any breach of this Article.

15.4 Survival

The provisions of this Article shall survive any termination of this Agreement.

ARTICLE 16
HOLDBACK AND ESCROW

16.1 Holdback Agreement

In connection with a Going Public Transaction, if requested by the Corporation and the managing underwriter of such Going Public Transaction, each Shareholder agrees not to effect any sale or distribution of shares (other than as part of such Going Public Transaction) without the prior written consent of the Corporation or such managing underwriter for such period of time as may be requested by the Corporation and such managing underwriter (not to exceed the period beginning seven (7) days prior to the effective date of the final prospectus for the Going Public

Transaction and ending one-hundred and eighty (180) days after the completion of the Going Public Transaction) provided this sentence will not apply unless each Officer and director of the Corporation and holders of 5% or more of the Corporation's voting securities then outstanding are bound by similar restrictions.

16.2 Escrow Requirements

In connection with any Going Public Transaction, the Shareholders will comply with any regulatory requirements to place shares owned by them in escrow on completion of the Going Public Transaction provided that the Shareholders will be afforded a reasonable opportunity to make submissions orally and in writing to the regulatory authorities who propose to impose such escrow requirements prior to their imposition.

16.3 Confidentiality of Notices

Any Shareholder receiving any written notice from the Corporation regarding the Corporation's plans to file a prospectus or conduct a Going Public Transaction will treat such notice confidentially and will not disclose such information to any person other than as necessary to exercise its rights under this Agreement.

ARTICLE 17
CONFIDENTIAL INFORMATION

17.1 Confidential Information

In this section, the words "**Confidential Information**" means all confidential information concerning the business, operations, Financing and affairs of the Corporation, including, without limiting the generality of the foregoing, the following:

(a) such information as may be designated by a director, Officer, or senior employee of the Corporation as being confidential;

(b) all trade secrets and know-how of the Corporation;

(c) all information relating to the Corporation or to any Person with which the Corporation does business and which is not generally known to Persons outside the Corporation;

(d) the Corporation's customers lists and records;

(e) the Corporation's marketing, pricing and sales policies, techniques and concepts;

(f) the buying habits and preferences of the Corporation's customers and prospective customers; and

(g) the Corporation's production records and financial records, including accounts receivable records.

17.2 Confidentiality

(a) Each Shareholder and Principal acknowledges and agrees that:

(i) all Confidential Information which is furnished to it by or with the concurrence of the Corporation or to which it becomes privy, will be furnished to it in confidence;

(ii) at all times it shall keep the Confidential Information in the strictest of confidence;

(iii) it shall not disclose, directly or indirectly, the Confidential Information to any other Person, except as permitted pursuant to this Agreement;

(iv) it shall use the Confidential Information solely for the benefit of the Corporation;

(v) it shall not use, at any time, any Confidential Information for its own benefit or purposes or for the benefit or purposes of any Person, other than the Corporation;

(vi) the disclosure of the Confidential Information will be highly detrimental to the Corporation;

(vii) it shall indemnify and save harmless the Corporation from and against any and all Claims occasioned or suffered by the Corporation as a result of the Shareholder or the Principal, as the case may be, disclosing any of the Confidential Information contrary to the provision of this Article; and

(viii) upon the Shareholder or, in the case of a Principal, the Corporate Shareholder which the Principal represents, ceasing to be a shareholder of the Corporation, it shall immediately return to the Corporation all Confidential Information without retaining any copies, subject to compliance with appliacable laws and any written policies of the relevant party.

(b) The restrictions contained in Section 17.2(a) shall not apply to any portion of the Confidential Information which becomes generally known to the public, unless the Shareholder or the Principal in question is responsible for making the Confidential Information known to the public.

(c) Without prejudice to any other rights of the Corporation, the parties acknowledge and agree that if a Shareholder or a Principal breaches or otherwise violates, or attempts to breach or otherwise violate, the provisions of this Article, the Corporation will likely suffer irreparable harm and an injunction or other like remedy shall be the only effective remedy to protect the Corporation's rights and interests and that an interim injunction may be granted immediately on the commencement of any law suit.

17.3 Non-Disparagement

Each Shareholder and Principal agrees that such Shareholder and Principal shall not engage in any pattern of conduct that involves the making or publishing of written or oral statements or remarks

(including the repetition or distribution of derogatory rumours, allegations, negative reports or comments) which are disparaging, deleterious or damaging to the integrity, reputation or goodwill of the Corporation or any of its Subsidiaries, or the management of any such entity.

17.4 Restrictions Reasonable

Each Shareholder and Principal acknowledges and agrees that in the context of the specific knowledge of the affairs of the Corporation held by it and him, the nature of the business carried on by the Corporation and the relationship of each Shareholder and Principal to the Corporation, the restrictions set out in this Article are reasonable and valid in all respects, including the nature of the restrictions, the time period concerned, and all defenses to the strict enforcement thereof are waived by each Shareholder and Principal.

17.5 Other Obligations

The provisions of this Article shall apply in addition to, and not in substitution for, all obligations owed by the Shareholders and the Principals to the Corporation at law or in equity, including fiduciary duties and duties of confidentiality.

ARTICLE 18
GENERAL

18.1 All Shares Subject to this Agreement

Each of the Shareholders will be bound by the terms of this Agreement with respect to all shares and other shareholders of the Corporation held by it from time to time.

18.2 Legend on Share Certificates

All share certificates of the Corporation and all instruments that are convertible into Issued Shares shall have the following memorandum endorsed thereon forthwith after the execution of this Agreement:

> "This certificate is subject to restrictions on transfer set forth in the Articles of the Corporation and in a unanimous shareholder agreement dated January 29, 2018 among the Corporation and the shareholders of the Corporation, as such agreement may be amended from time to time."

18.3 Shareholders Agreement to Supersede Articles, By-laws and Regulations

This Agreement will be a unanimous shareholders' agreement within the meaning of the Act and, to the extent permitted by law, this Agreement will supersede the Articles, by-laws and resolutions of the Corporation. In the event of any conflict between any provision of this Agreement and any provision of any statute or regulation, the Articles or by-laws of the Corporation or any resolution, instrument or other document relating to the Corporation, the provisions of this Agreement will, to the extent permitted by law, prevail and the parties hereto agree to cause such meetings to be held and to exercise their vote and influence so as to cause such Articles, by-laws or resolutions to be amended or repealed to the extent necessary to resolve any such conflict in a manner so that the provisions of this Agreement will at all times prevail.

18.4 Directors Duties Subordinate to Requirements of Shareholders Agreement

The powers of the directors of the Corporation are hereby restricted to the extent provided in this Agreement and the directors are to the same extent relieved of their duties and liabilities.

18.5 Termination of Prior Agreements

All agreements between some or all of the parties to this Agreement, including regarding the organization and affairs of the Corporation and/or the sale of any of the Issued Shares owned by any of the Shareholders under certain circumstances, whether oral or written are hereby terminated.

18.6 Term of Agreement

This Agreement will come into force and effect as of the date set out on the first page of this Agreement and, except as provided below, will continue in force until the earlier of:

(a) the written consent of 90% of the Issued Shares to which voting rights are attached;

(b) the date on which one Shareholder holds all the Issued Shares; and

(c) the date on which the Corporation completes a Going Public Transaction.

Notwithstanding the foregoing, although this Agreement will be terminated as set out above, the provisions of Article 15 will continue in force in accordance with their terms for a period of one (1) year after termination, but will only apply to signatories of this Agreement at the time of termination of this Agreement and not to Arm's Length third parties who purchase shares for value after termination of this Agreement.

18.7 Termination Not to Affect Rights or Obligations

A termination of this Agreement will not affect or prejudice any rights or obligations which have accrued or arisen under this Agreement prior to the time of termination and such rights and obligations will survive the termination of this Agreement.

18.8 Dissolution, or Liquidation or Winding-Up

Each Shareholder agrees that such Shareholder shall not bring any court application or commence any proceedings to take any action which either requests or may result in an order dissolving, liquidating or winding up the Corporation. Each Shareholder agrees that this provision may be pleaded as a complete bar to any such application brought pursuant to the Act.

18.9 Entire Agreement

This Agreement, including the Schedules attached to this Agreement, constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. There are no representations, warranties or other agreements, whether

oral or written, between the parties in connection with the subject matter of this Agreement except as specifically set out in this Agreement.

18.10 Waiver

No waiver of any provision of this Agreement shall be deemed to constitute a waiver of any other provision, whether or not similar, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. No forbearance by any party to seek a remedy for any breach by any other party of any provision of this Agreement shall constitute a waiver of any rights or remedies with respect to any subsequent breach.

18.11 Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless consented to in writing by Shareholders who together hold 90% of the Issued Shares to which voting rights are attached. The President or Secretary of the Corporation shall deliver a copy of such written consent to each Shareholder that did not execute such consent.

18.12 Applicable Law

This Agreement shall be construed in accordance with the laws of the Province of Ontario (other than Ontario principles of conflicts of law) and the laws of Canada applicable in the Province of Ontario and shall be treated in all respects as an Ontario contract. Each of the parties irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

18.13 Currency

Unless otherwise indicated, all dollar amounts referred to in this Agreement are in lawful Canadian funds. All amounts to be paid pursuant to this Agreement in connection with the purchase of Issued Shares are to be paid in lawful Canadian funds by certified cheque, money order or bank draft, but any payments which are to be made over time in accordance with this Agreement may be made by uncertified cheque.

18.14 Invalidity

If any provision of this Agreement or any part of any provision of this Agreement is held to be invalid, illegal or unenforceable by a court of competent jurisdiction, such provision or part shall not affect the validity, legality or enforceability of any other provision of this Agreement or the balance of any provision of this Agreement absent such part and such invalid, illegal or unenforceable provision or part shall be deemed to be severed from this Agreement and this Agreement shall be construed and enforced as if such invalid, illegal or unenforceable provision or part had never been inserted in this Agreement.

18.15 Further Assurances

Each of the Shareholders will vote and act at all times as a shareholder of the Corporation and in all other respects use reasonable efforts (other than through expenditure of money) to take all such steps, execute all such documents and do all such acts and things as may be reasonably

within its power to implement to their full extent the provisions of this Agreement and to cause the Corporation to act in the manner contemplated by this Agreement.

18.16 Notice

Any notice or other communication required or permitted to be given hereunder will be in writing and will be given by facsimile or other means of electronic communication or by regular mail or by delivery as hereafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand will be deemed to have been received at the time it is delivered to the applicable address set out in the securities register of the Corporation. Notice of change of address will also be governed by this section. Notices and other communications will be addressed as set out in Schedule "C". If no address is specified in Schedule "C", notice shall be given to the Shareholder at the Corporation's address. The Corporation will attempt to notify the Shareholder using the Corporation's records. The Corporation shall have no liability for failing to notify a Shareholder. The Corporation may from time to time circulate an updated Schedule "C" to Shareholders which updated Schedule will thereafter become the effective Schedule "C" for the purposes of this Agreement. Any notice, request, demand or other communication required or permitted to be given to a party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (i) the date of personal delivery; (ii) the date of transmission by facsimile, with confirmed transmission and receipt, or the date of transmission by electronic transmission (in each case, if sent during normal business hours of the recipient, and if not, then on the next Business Day); (iii) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (iv) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by facsimile will be sent with postage and other charges prepaid and properly addressed to the party to be notified at the address set forth for such party.

18.17 Tender

Any tender of documents pursuant to this Agreement may be made upon the parties or their respective solicitors.

18.18 Assignability

Neither this Agreement nor any rights or obligations of any of the parties under this Agreement may be assigned by any of the parties without the prior written consent of all of the other parties.

18.19 Counterparts

This Agreement may be signed in counterparts and each of such counterparts will constitute an original document and such counterparts, taken together, will constitute one and the same instrument. Execution of this Agreement may be made by electronic or facscimile signature which, for all purposes, shall be deemed to be an original signature.

18.20 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and legal personal representatives.

18.21 Corporation Bound

The Corporation confirms its knowledge of this Agreement and undertakes to carry out and be bound by the provisions of this Agreement to the full extent it has the capacity and power at law to do so.

18.22 Independent Legal Advice

EACH OF THE PARTIES ACKNOWLEDGES THAT THE LAW FIRM OF BENNETT JONES LLP IS ACTING ONLY ON BEHALF OF CCP IN CONNECTION WITH THIS AGREEMENT AND THAT EACH OF THE OTHER PARTIES HAS BEEN ADVISED TO OBTAIN INDEPENDENT LEGAL REPRESENTATION OR ADVICE IN HIS DISCRETION, PRIOR TO EXECUTING THIS AGREEMENT AND THEREBY BECOMING BOUND BY ITS TERMS AND SUBJECT TO ITS OBLIGATIONS.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties have executed this Agreement on the date first written above.

CANADIAN CULTIVATED PRODUCTS LTD.

Per: _____

Name: Volker Lautenbach
Title: President
Authorized Signatory

Per: _____

Name:
Title:
Authorized Signatory

SIGNED, SEALED AND DELIVERED)
in the presence of)
)
)
)
_____)
Witness)

_____
CATHERINE ARMSTRONG

SIGNED, SEALED AND DELIVERED)
in the presence of)
)
)
)
_____)
Witness)

_____
LARRY HUSZCZO

GOLDLEAF PHARM INC.

Per: _____

Name:

Title:

IN WITNESS WHEREOF the parties have executed this Agreement on the date first written above.

CANADIAN CULTIVATED PRODUCTS LTD.

Per: _____
Name:
Title:
Authorized Signatory

Per: _____
Name:
Title:
Authorized Signatory

SIGNED, SEALED AND DELIVERED)
in the presence of)
)
)
)
_____)
Witness)

_____
CATHERINE ARMSTRONG

SIGNED, SEALED AND DELIVERED)
in the presence of)
)
)
)
_____)
Witness)

_____
LARRY HUSZCZO

GOLDLEAF PHARM INC.

Per: _____
Name:
Title:

IN WITNESS WHEREOF the parties have executed this Agreement on the date first written above.

CANADIAN CULTIVATED PRODUCTS LTD.

By: _____
Name: Volker Lauterbach
Title: Director
Authorized Signatory

SIGNED, SEALED AND DELIVERED)
in the presence of)
)
)
)
)

_____ _____
Witness **CATHERINE ARMSTRONG**

SIGNED, SEALED AND DELIVERED)
in the presence of)
)
)
)
)

_____ _____
Witness **LARRY HUSZCZO**

GOLDLEAF PHARM INC.

Per: _____
Name: Larry Huszczo
Title: President

SCHEDULE "A"

CONSENT AGREEMENT

TO: Everyone who is a party to a shareholders' agreement made as of January 29, 2018 among all of the shareholders of **GOLDLEAF PHARM INC.** (the "**Corporation**"), the Corporation and certain others (the "**Shareholders' Agreement**").

RECITALS:

The undersigned desires to become a shareholder of the Corporation;

The Corporation, its present shareholders and the principals of the corporate shareholders of the Corporation, are parties to the Shareholder Agreement;

The Shareholder Agreement requires that every new shareholder of the Corporation must enter into an agreement in the form of this Agreement at the same time that it becomes a shareholder of the Corporation;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the undersigned being issued shares in the Corporation and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the undersigned), the undersigned hereby agrees as follows:

1) The undersigned shall comply with and be bound by all of the provisions of the Shareholder Agreement as if the undersigned was one of the original Shareholders (as defined in the Shareholder Agreement) to the Shareholder Agreement;

2) The undersigned shall be entitled to all of the rights and benefits of and shall be subject to all of the obligations of a Shareholder as set out in the Shareholder Agreement as if the undersigned was an original party to the Shareholder Agreement.

3) The address of the undersigned for the purpose of giving any notice required to be sent in accordance with the provisions of the Shareholder Agreement is:

Name: _____
Mailing Address _____
Contact Person: _____
Phone No.: _____
Facsimile No.: _____
Email: _____

This Agreement shall enure to the benefit of and be binding upon the undersigned's heirs, executors, administrators, successors and permitted assigns.

DATED this _____ day of _____, 20__.

_____ _____

Witness Name:

DATED this _____ day of _____, 20__.

_____

By: _____
Name:
Title:

SCHEDULE "B"

PRINCIPAL AGREEMENT

TO: Everyone who is a party to a shareholders' agreement made effective as of January 29, 2018 among all of the shareholders of **GOLDLEAF PHARM INC.** (the "**Corporation**"), the Corporation and certain others (the "**Shareholders' Agreement**").

RECITALS:

1. The undersigned is, directly or indirectly, the legal and beneficial owner of more than 51% of the shares of _____ ("**Holdco**") to which voting rights are attached;

2. The undersigned controls Holdco in fact;

3. Holdco wishes to become a shareholder of the Corporation;

4. The Corporation, its present shareholders and the principals of the corporate shareholders of the Corporation, are parties to the Shareholders' Agreement;

   (a) The Shareholders' Agreement requires that every new shareholder of the Corporation which is itself a corporation must cause its Principal (as defined in the Shareholders' Agreement) to enter into an agreement in the form of this Agreement at the same time that it becomes a shareholder of the Corporation;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of Holdco being issued shares in the Corporation and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the undersigned), the undersigned hereby agrees as follows:

1. The undersigned shall comply with and be bound by all of the provisions of the Shareholders' Agreement as if the undersigned were one of the original Principals to the Shareholders' Agreement.

2. The undersigned shall be entitled to all of the rights and benefits of and shall be subject to all of the obligations of a Principal as set out in the Shareholders' Agreement as if the undersigned were an original party to the Shareholders' Agreement.

3. The address of the undersigned for the purpose of giving any notice required to be sent in accordance with the provisions of the Shareholders' Agreement is:

Name: _____
Mailing Address _____
Contact Person: _____
Phone No.: _____
Fax No.: _____
Email: _____

4. This Agreement shall enure to the benefit of and be binding upon the undersigned's heirs, executors, administrators, successors and assigns.

DATED this ____ day of _____, 20__

PRINCIPAL

_____ _____

Witness: Name:

SCHEDULE "C"

NOTICE PROVISIONS

Name: _____
Mailing Address _____
Contact Person: _____
Phone No.: _____
Fax No.: _____
Email: _____

SCHEDULE "D"

SHAREHOLDER LOANS

See attached.

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 FIGR BRANDS, INC., FIGR NORFOLK INC. AND CANADA'S ISLAND GARDEN INC.

Court File No.:CV-21-00655373-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings Commenced in Toronto

APPLICATION RECORD
(Volume 1 of 3)

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