

CONVERTIBLE LOAN AGREEMENT

THIS CONVERTIBLE LOAN AGREEMENT is made of the 21st day of April, 2020,

AMONG:

SPEAKEASY CANNABIS CLUB LTD., a company continued into British Columbia under the laws of the Province of British Columbia, having an office at 1520 - 6 Meyers Creek Road, West Rock Creek, British Columbia, V0H 1Y0

(the "**Borrower**")

OF THE FIRST PART

AND:

10161233 CANADA LIMITED, a company organized under the laws of Canada, having an office at 1520 - 6 Meyers Creek Road, West Rock Creek, British Columbia, V0H 1Y0

(the "**1233**")

OF THE SECOND PART

AND:

1244726 B.C. LTD., a company organized under the laws of the Province of British Columbia, having an office at 1181 Main Street, Vancouver, British Columbia, V6A 4B6

(the "**Lender**")

OF THE THIRD PART

AND:

1193213 B.C. LTD., a company organized under the laws of the Province of British Columbia, having an office at 17 East 47th Avenue, Vancouver, British Columbia, V5W 2A4

(the "**Finder**")

OF THE FOURTH PART

AND:

BHAYANA VENTURES LTD., a company organized under the laws of the Province of British Columbia, having an office at 1181 Main Street, Vancouver, British Columbia, V6A 4B6

(the "**Administrative Agent**")

OF THE FIFTH PART

WHEREAS:

- A. The Borrower and 1233 have requested that the Loan be made available by the Lender to the Borrower;
- B. The Lender has agreed to make the Loan available to the Borrower upon the terms and conditions set forth herein; and
- C. The Lender wishes to pay the Finder the Finder's Fee, as compensation for its efforts in introducing the Lender to the Borrower, upon the terms and conditions set forth herein.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective agreements hereinafter set forth and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties acknowledge, declare, covenant and agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

When used in this Agreement (including the recitals) or in any amendment or schedule hereto, the following terms shall, unless otherwise expressly provided, have the following meanings, respectively:

"**1233**" means 10161233 Canada Limited.

"**1233 GSA**" means the general security agreement to be executed and delivered by 1233 in favour of the Administrative Agent (on behalf of the Finance Parties) in substantially the form set out in Exhibit "E".

"**1233 Guarantee**" means the guarantee to be executed and delivered by 1233 (on behalf of the Finance Parties) in substantially the form set out in Exhibit "C".

"**Administrative Agent**" means the Bhayana Ventures Ltd.

"**Advance**" has the meaning ascribed thereto in Section 6.1.

"**Affairs**" means the business, affairs, operations, undertaking, property, assets, liabilities, condition (financial or otherwise), performance and results of operations of a specified Person.

"**Agreement**" means this convertible loan agreement and all schedules and amendments hereto.

"**Affiliate**" means, in relation to any Person (the "first named person"), any other Person that controls, is controlled by or is under common control with the first named person.

"**Applicable Law**" means any international treaty, any domestic or foreign constitution or any supranational, regional, federal, provincial, territorial, state, municipal, tribal or local statute, law, ordinance, code, rule, regulation, order (including any consent decree or administrative order), applicable to, or any directive, guideline, policy or authorization of any Governmental Entity having jurisdiction with respect to any specified Person, property, transaction or event or any of such Person's Affairs, and any order, judgment, award or decree of any Governmental Entity, or arbitrator in any proceeding or action to which the Person in question is a party or by which such Person or any of its Affairs is bound.

"**Applicable Securities Legislation**" means, as the context requires from time to time, the securities

legislation of each of the provinces and territories of Canada, and the rules, regulations and policies published and promulgated thereunder, together with applicable published fee schedules, prescribed forms, policy statements, national or multilateral instruments, orders, blanket rulings and other regulatory instruments of the securities regulatory authorities therein.

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as in effect on the date of this Agreement.

"**Authorization**" means any authorization, approval, consent, exemption, licence, permit, franchise or no-action letter from any Governmental Entity having jurisdiction with respect to any specified Person, property, transaction or event, or any of such Person's Affairs or from any Person in connection with any easements or contractual rights.

"**Borrower**" means Speakeasy Cannabis Club Ltd.

"**Borrower GSA**" means the general security agreement to be executed and delivered by the Borrower in favour of the Administrative Agent (on behalf of the Finance Parties) in substantially the form set out in Exhibit "D" hereto.

"**Buildings and Fixtures**" means all plant, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situated on any of the Subject Properties.

"**Business**" means, in relation to any Credit Party, the business of such Credit Party as conducted as at the date hereof or as at the date such Person becomes a Credit Party.

"**Business Day**" means any day, other than a Saturday, Sunday or statutory holiday in the Province of British Columbia, and a day on which banks are generally closed in the Province of British Columbia.

"**Cannabis**" means: (i) any plant or seed, whether live or dead, from any species or subspecies of genus Cannabis, including Cannabis sativa, Cannabis indica and Cannabis ruderalis, Marijuana and Industrial Hemp and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome; (ii) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (i) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof; (iii) any organism engineered to biosynthetically produce the material contemplated by clause (ii) of this definition, including any micro-organism engineered for such purpose; (iv) any biologically or chemically synthesized version of the material contemplated by clause (ii) of this definition or any analog thereof, including any product made by any organism contemplated by clause (iii) of this definition; and (v) any other meaning ascribed to the term "cannabis" under Applicable Law, including the *Cannabis Act* (Canada), the *Controlled Drugs and Substances Act* (Canada) and the *Controlled Substances Act* (United States);

"**Change of Control**" means the occurrence of any of the following events: (i) any merger, amalgamation, take-over bid, tender offer, arrangement, share exchange, dissolution, liquidation, recapitalization or other business combination involving any purchase by a Person, or combination of Persons, of Common Shares that results in any Person beneficially owning 50% or more of the voting rights attached to the Common Shares; (ii) any sale by the Borrower or the Subsidiaries of any assets, where such assets represent 50% or more of the fair market value of the consolidated net assets of the Borrower; (iii) any sale or acquisition, directly or indirectly, through one or more transactions by a Person, or Persons acting jointly and in concert, of 50% or more of the Common Shares or securities convertible into Common Shares; or (iv) any similar business combination or transaction, of or involving the Borrower or any Subsidiary, that, if consummated, would result in any Person beneficially owning 50% or more of the voting rights attached to the Common Shares.

"**Closing Date**" means the earlier of (i) date on which all conditions listed in Article 6 have been waived by the Administrative Agent or satisfied; and (ii) April 30, 2020.

"**Common Shares**" means the common voting shares in the capital of the Borrower, as such shares were constituted on the date of this Agreement, as the same may be reorganized or reclassified pursuant to any of the events set out in Section 5.3.

"**Contaminant**" means any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of any of them that may (i) injure or damage property or plant or animal life; (ii) harm or cause a nuisance to any Person; (iii) adversely affect the health of any individual; (iv) impair the safety, of any individual; (v) render any property or plant or animal life unfit for use by humans; (vi) cause loss of enjoyment of normal use of property; or (vii) interfere with the ordinary course of business, and includes any "contaminant" within the meaning assigned to such term in any Environmental Law applicable to the Rock Creek Lands or any Credit Party.

"**control**" means, in respect of any Person, the power to direct or cause the direction of management or policies of such Person, directly or indirectly, through the ownership of voting securities, contract or otherwise; and "**controlled**" has a corresponding meaning.

"**Conversion Price**" means \$1.00, subject to adjustment from time to time pursuant to Section 5.3.

"**Credit Documents**" means this Agreement, the Security Documents and all other documents to be executed and delivered to any Finance Party or the Administrative Agent, or all, by the Credit Parties, as such documents may be amended, novated, supplemented, extended or restated.

"**Credit Parties**" means the Borrower and each Guarantor, and "**Credit Party**" means any one of them.

"**Default**" means an event which, with the giving of notice or passage of time, or the making of any determination or any combination of the foregoing, would constitute an Event of Default.

"**Document Fee**" means a document fee in the amount of \$500.

"**Environmental Laws**" means all common laws, statutes, regulations, guidelines and bylaws of, or issued by or under the direction or authority of, any Governmental Entity relating to or in respect of the environment (including air, surface water, ground water, land surface or otherwise), ecology, occupational health and safety or in respect of Hazardous Substances including the *Fisheries Act* (Canada), the *Canadian Environmental Protection Act* (Canada), the *Transportation of Dangerous Goods Act* (Canada) and the *Environmental Management Act* (British Columbia).

"**Event of Default**" means an event described in Section 9.1.

"**Exchange**" means the Canadian Securities Exchange or any other stock exchange on which the Borrower's securities may be listed from time to time.

"**Fees**" means the Finder's Fee, the Document Fee and the Prepayment Fee (if applicable) and all other fees (if any) payable by the Borrower under any Credit Document.

"**Financial Assistance**" means any advances, loans or other extensions of credit to any Person.

"**Finder**" means 1193213 B.C. Ltd.

"**Finder's Fee**" means a finder's fee in the amount of \$190,000.

"Finder Note" means the promissory note to be executed and delivered by the Borrower in favour of the Administrative Agent (on behalf of the Finder) in substantially the form set out in Exhibit "B".

"Finance Parties" means the Lender and the Finder, and **"Finance Party"** means any one of them.

"Governmental Entity" means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency, instrumentality, securities commission or stock exchange, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation, taxing, fiscal or monetary authority under or for the account of any of the above.

"Guarantees" means the 1233 Guarantee and any guarantee issued by any other Subsidiary in favour of the Administrative Agent (on behalf of the Finance Parties) in form and substance satisfactory to the Administrative Agent.

"Guarantors" means 1233 and each Person who becomes a guarantor after the date hereof, and **"Guarantor"** means any one of them.

"Hazardous Substances" means any substance or material which could cause an adverse effect on, or which is dangerous or detrimental to, any part of the environment, including any substance or material included in or containing components which, on the date of this Agreement is included in the definition of "hazardous product", "contaminant", "biomedical waste", "toxic substance", "deleterious substance", "special waste", "dangerous good", "pollutant" or "reportable substance", or any variation of any such term, in any Environmental Laws or which, on the date of this Agreement is prohibited, controlled or regulated under or pursuant to any Environmental Laws, in each case in amounts or concentrations which, on the date of this Agreement exceed the allowable amount or standard pursuant to any Environmental Laws.

"Health Canada Licence" means the standard cultivation, standard processing and sale for medical purposes licence no. LIC-8EQLIDC4PS-2019 issued by Health Canada under the *Cannabis Act* (Canada) and the *Cannabis Regulations* (Canada) issued to 1233 in respect to the Rock Creek Lands.

"IFRS" means International Financial Reporting Standards, as adopted by the International Accounting Standards Board, as amended from time to time.

"Indebtedness" means, with respect to any Person, all and any indebtedness of the Person, including any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

"Initial Advance" means the initial advance made by the Lender to the Borrower on the Principal Amount in the amount of \$250,000.

"insolvent person" has the meaning ascribed thereto in the *Bankruptcy and Insolvency Act* (Canada).

"Interest Rate" means 55% per annum.

"Lender" means 1244726 B.C. Ltd.

"Lender Notes" means the promissory notes to be executed and delivered by the Borrower in favour of the Administrative Agent (on behalf of the Lender) in substantially the forms set out in Exhibit "A".

"Lien" means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), title retention agreement or arrangement, restrictive covenant, royalty or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or

performance of an obligation.

"Loan" means the loan of the Principal Amount by the Lender to the Borrower in accordance with the terms and conditions of this Agreement.

"Material Adverse Effect" means a material adverse effect (or a series of related adverse effects, none of which is material in and of itself but which cumulatively result in a material adverse effect) on (i) the Health Canada Licence; (ii) the Rock Creek Lands; (iii) the business, operations, results of operations, assets, properties, liabilities, performance, prospects or the condition (financial or otherwise) of the Credit Parties (taken as a whole); (iv) any of the rights or remedies of any Finance Party or the Administrative Agent; or (v) the ability of any Credit Party to perform its obligations to any Finance Party or the Administrative Agent under any of the Credit Documents, except to the extent that the material adverse effect (or a series of related adverse effects) results from or is caused by (A) worldwide, national or local conditions or circumstances whether they are economic, political, regulatory or otherwise, including war, armed hostilities, acts of terrorism, emergencies, pandemics, crises and natural disasters, which does not have a materially disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, than its effect on other operators of a similar business, (B) changes in the Cannabis industry, generally, in Canada, which does not have a materially disproportionate effect on the Borrower and its Subsidiaries, taken as a whole, than its effect on other operators of a similar business, and (C) the announcement of this Agreement and the transactions contemplated by it.

"Maturity Date" means the second anniversary of the Closing Date, or such earlier date on which the Loan is repaid in full.

"Mortgage" means a mortgage (which includes an assignment of rents) provided by 1233 in favour of the Administrative Agent (on behalf of the Finance Parties) in form and content satisfactory to the Administrative Agent, creating a first charge (and subject to no other charge or financial encumbrance) over the Rock Creek Lands.

"Mortgage Subordination" has the meaning ascribed thereto in Section 4.4.

"Money Laundering Laws" has the meaning ascribed thereto in Section 7.1(jj).

"Non-Material Subsidiary" means any entity which becomes a subsidiary of the Borrower after the date of this Agreement and in respect of which, from time to time, the revenue, assets, properties, businesses or other interests of which entity (together with the revenue, assets, properties, businesses or other interests of all other Non-Material Subsidiaries), from time to time, account for less than 10% of the revenues, assets, properties, businesses or other interests of the Borrower, on a consolidated basis.

"Parties" means the Lender, the Borrower, 1233, the Finder and the Administrative Agent, and **"Party"** means any one of them.

"Permitted Indebtedness" means:

- (a) all existing Indebtedness incurred or assumed by the Credit Parties prior to the date hereof;
- (b) all Indebtedness of the Borrower to the Finance Parties;
- (c) all unsecured Indebtedness incurred or assumed by the Credit Parties, in the ordinary course of Business, subsequent to the date hereof; provided always that the failure to pay such Indebtedness would not involve a material risk of loss of any material part of any Credit Party's assets;

- (d) all secured Indebtedness incurred or assumed by the Credit Parties of the Credit Parties, in the ordinary course of Business or as otherwise expressly contemplated by this Agreement, subsequent to the date hereof; provided it is subordinated to any Indebtedness of the Credit Parties to the Finance Parties, and provided always that the failure to pay such Indebtedness would not involve a material risk of loss of any material part of any Credit Party's assets;
- (e) all Indebtedness assumed by the Credit Parties to pay the Loan in full pursuant to the terms hereof;
- (f) Indebtedness of the of the Credit Parties for purposes of project finance, provided that such Indebtedness and any related security is subject to an intercreditor agreement in form and substance satisfactory to the Administrative Agent, acting reasonably, which reflects that the security for such project finance is shared on a *pari passu* basis with the Administrative Agent; and
- (g) any other Indebtedness of the Credit Parties consented to by the Administrative Agent from time to time.

"Permitted Liens" means:

- (a) Liens granted to the Administrative Agent or any of the Finance Parties;
- (b) pledges, deposits and Liens under any worker's compensation laws, unemployment insurance laws or similar legislation; good faith deposits in connection with bids, tenders and contracts (other than for the payment of debt); deposits of cash or bonds or other direct obligations of Canada or any Canadian province to secure surety or appeal bonds or deposits as security for import duties or for the payment of rents;
- (c) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens or other liens arising out of Applicable Law or judgments or awards with respect to which an appeal or other proceeding for review is being prosecuted (and as to which any foreclosure or other enforcement proceeding shall have been effectively stayed);
- (d) Liens for taxes, assessments and government charges and levies not yet subject to penalties for non-payment or which are being contested in good faith and by appropriate proceedings (and as to which foreclosure or other enforcement proceedings shall have been effectively stayed);
- (e) undetermined or inchoate Liens, arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with Applicable Law or of which written notice has not been duly given in accordance with Applicable Law or which, although filed or registered, relate to obligations not due or delinquent;
- (f) rights of set off or bankers' liens upon deposits of funds in favour of banks or other depository institutions;
- (g) construction liens (i) for which the amount claimed does not exceed, in aggregate \$200,000; (ii) are subject of bona fide dispute and for which appropriate reserves in have been taken; or (iii) which are discharged within 30 Business Days of being filed;
- (h) any right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, licence, franchise, grant or permit held or acquired by such Person, or by any statutory provision, to terminate the lease, licence, franchise, grant

or permit or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition of the continuance thereof;

- (i) any Lien created or assumed by such Person in favour of a public utility or Governmental Entity when required by the public utility or Governmental Entity in connection with the operations of such Person;
- (j) any reservations, limitations, provisos and conditions expressed in original grants from any Governmental Entity;
- (k) any minor encumbrance, such as easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other Persons, rights-of-way for sewers, electric lines, telegraph and telephone lines, oil and natural gas pipelines and other similar purposes, or zoning or other restrictions applicable to the use of real property by such Person, or title defects, encroachments or irregularities, that do not in the aggregate materially detract from the value of the property or materially impair its use in the operation of the business of such Person; and
- (l) any Lien securing the Indebtedness referred to in paragraph (d) of the definition of "Permitted Indebtedness",

provided that, nothing in this definition shall in and of itself cause the Security to rank subordinate in priority to any such Permitted Lien or cause any security interest in favour of the Finance Parties or the Administrative Agent or other representative on behalf of the Finance Parties to rank subordinate to any such Permitted Liens.

"**Person**" means a natural person, partnership, corporation, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Prepayment Fee**" means a fee in an amount equal to the interest calculated at the Interest Rate that would have accrued and been payable on the outstanding Principal Amount during the two (2) year term of the Loan had the Borrower not elected to prepay the Principal Amount prior to the second anniversary of the Closing Date or had the Principal Amount not become due and payable as a result of an Event of Default prior to the second anniversary of the Closing Date.

"**Principal Amount**" means \$2,000,000.

"**Public Record**" means, collectively, the press releases, material change reports, unaudited and audited financial statements, management's discussion and analysis and other documents filed by the Borrower on SEDAR since January 1, 2018.

"**Rock Creek Facility**" means the Borrower's cannabis cultivation and processing facilities located on the Rock Creek Lands.

"**Rock Creek Lands**" means the lands and premises, including the Rock Creek Facility, located at 1520 Myers Creek West Road, Rock Creek, British Columbia, with PID 014-783-657 and legally described as District Lot 471 Simiklameen Division Yale District Except Plans B1406, 7163, 7432 and KAP83534, and all rights and benefits appurtenant thereto.

"**Secured Assets**" means all of the assets now owned or hereinafter acquired by the Borrower or any Subsidiary, including all plants, properties, the Health Canada Licence, land rights (including with respect to the Rock Creek Lands) and inventory, and the proceeds under or rights of insurance policies thereon.

"**Security**" means, at any time, the charges, mortgages, pledges, assignments, security interests, encumbrances and other Liens in favour of the Administrative Agent or any Finance Party in the assets and properties of any of the Credit Parties securing their obligations under this Agreement and any of the other Credit Documents.

"**Security Documents**" means the documents evidencing the Lender's security described in Section 4.1, as amended, novated, supplemented, extended or restated and "**Security Document**" means any one of them as the context prescribes or requires.

"**Share Pledge**" means a pledge to the Administrative Agent (on behalf of the Finance Parties) of 10,000,000 fully paid and non-assessable, unrestricted, free trading Common Shares.

"**Subject Properties**" means the Rock Creek Lands and any real properties owned or leased by the Credit Parties on the date of this Agreement and after the date of this Agreement.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**subsidiary**" means with respect to any Person (the "**parent**") at any date, (i) any corporation, association, joint venture or other business entity of which securities or other ownership interests representing more than 50% of the voting power of all equity interests entitled to vote in the election of the board of directors thereof are, as of such date, held by the parent or one or more subsidiaries of the parent; (ii) any partnership, (A) the sole general partner or the managing general partner of which is the parent or one or more subsidiaries of the parent or (B) the only general partners of which are the parent or one or more subsidiaries of the parent; and (iii) any other Person that is otherwise controlled by the parent or one or more subsidiaries of the parent; provided, however, that a "subsidiary" shall not include any contractual joint venture that the parent or one or more subsidiaries of the parent is a party and which accounts for less than 5% of the total revenue, assets, properties, businesses or other interests of the Borrower, on a consolidated basis.

"**Subsidiaries**" means each of the (direct or indirect) subsidiaries of the Borrower that is not a Non-Material Subsidiary and including, as at the date hereof, 1233 and "**Subsidiary**" means any one of them.

"**Taxes**" has the meaning ascribed thereto in Section 7.1(s).

1.2 Headings

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

1.3 Gender and Number

Words imparting the singular number include the plural and vice-versa and words imparting gender include the masculine, feminine and gender neutral as the context requires.

1.4 Severability

If one or more provisions contained in this Agreement or any Security Document shall be invalid, illegal or unenforceable in any jurisdiction, such provision shall be ineffective to the extent of such invalidity in such jurisdiction and the validity, legality and enforceability of the remaining provisions hereof or thereof shall not be affected or impaired thereby.

1.5 Currency

Unless otherwise specified herein all references to "dollars" or "\$" shall be references to Canadian dollars.

1.6 References to Legislation

References in this Agreement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

1.7 Section References

All references in this Agreement to a designated Article, Section, paragraph, clause or other subdivision, or to a Schedule or Exhibit, is to the designated Article, Section, paragraph, clause or other subdivision of or Schedule or Exhibit to this Agreement as amended, supplemented or otherwise modified, from time to time, unless otherwise specifically stated. All reference in this Agreement to the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof.

1.8 Certain Phrases, etc.

In any Credit Document: (i) (A) the word "or" is not exclusive and the words "including" and "includes" shall mean "including (or includes) without limitation", and (B) the phrase "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of"; (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding"; and (iii) any obligation of a Party to cause, ensure or procure any action or omission from or by any other Person shall be deemed to be an absolute obligation of such first-mentioned Person.

1.9 Accounting Terms

All accounting terms not specifically defined in this Agreement shall be interpreted in accordance with IFRS.

1.10 Date for any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day in the place where the action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day in such place.

1.11 Meaning of Certain Terms

Any reference in this Agreement to:

- (a) "**assets**" includes present and future properties, revenues and rights of every description;
- (b) a Default being "**continuing**" means that such Default has not been waived or remedied and an Event of Default being "**continuing**" means that such Event of Default has not been waived;
- (c) "**knowledge**" of any Person shall be deemed to mean such knowledge after reasonable diligent enquiry; and
- (d) "**repay**" (or any derivative form thereof) shall, subject to any contrary indication, be construed to include "prepay" (as, as the case may be, the corresponding derivative form thereof).

1.12 Schedules and Exhibits

- (a) All Schedules and Exhibits attached or referred to in this Agreement and the following Schedules and Exhibits attached hereto are integral to and form part of this Agreement:

Exhibit "A"	-	Lender Notes
Exhibit "B"	-	Finder Note
Exhibit "C"	-	1233 Guarantee
Exhibit "D"	-	Borrower GSA
Exhibit "E"	-	1233 GSA
Exhibit "F"	-	Solvency Certificate
Schedule 7.1(i)	-	Actions
Schedule 7.1(k)	-	Rock Creek Property Title and Rights
Schedule 7.1(o)	-	No Option, etc.
Schedule 7.1(p)	-	Compliance with Laws
Schedule 7.1(q)	-	Health Canada Licence
Schedule 7.1(s)	-	Taxes
Schedule 7.1(y)	-	Loans
Schedule 7.1(z)	-	No Litigation
Schedule 7.1(bb)	-	No Liabilities
Schedule 7.1(ff)	-	Related Party Transactions
Schedule 8.2(f)	-	Affiliated Transactions

- (b) The Schedules are arranged in sections corresponding to those contained in this Agreement merely for convenience, and the disclosure of an item in one section or subsection of the Schedules as disclosure relating to, or as an exception to, any particular representation or warranty or covenant will be deemed adequately disclosed as disclosure or as an exception with respect to all other representations or warranties or covenants. The information and statements contained in the Schedules are not intended to constitute, and shall not be construed as constituting, representations, warranties, covenants or agreements of the Credit Parties, except as, and to the extent, provided in the text of the applicable Credit Documents.

ARTICLE 2 THE LOAN

2.1 The Loan

The Lender hereby agrees to lend to the Borrower, relying on each of the representations and warranties set out herein and upon and subject to the provisions of this Agreement, the Principal Amount.

2.2 Use of Proceeds

The Borrower shall use 100% of the proceeds of the Loan for working capital purposes and capital expenditures.

2.3 Loan Advance

Subject to satisfaction of the conditions to advance and release set out in Article 6, the Lender shall advance the Principal Amount to the Borrower on the Closing Date by wire transfer originating from Vancouver City Savings Credit Union (Vancity) or a Canadian Schedule I bank to the Borrowers' solicitors, in trust; provided that upon the execution and delivery of this Agreement by the Parties and if the conditions precedent set out Sections 6.1(a), (b), (c), (d), (e), (f), (g), (i), (k) and (q) and shall have been waived by the

Administrative Agent or satisfied, the Lender shall make the Initial Advance to the Borrower by wire transfer or delivery of a bank draft made payable to the Borrower.

2.4 Interest

The Borrower shall pay simple interest on the unpaid Principal Amount from the Closing Date until the outstanding Principal Amount is repaid in full, at the Interest Rate. Interest shall accrue from day to day and shall be payable in arrears:

- (a) on the first anniversary of the Closing Date; and
- (b) on the second anniversary of the Closing Date; or
- (c) if repaid prior to the dates set out in paragraphs (a) and (b) above, when the Principal Amount is repaid.

2.5 Default Interest

The Borrower shall pay interest in connection with the Loan at the Interest Rate calculated annually, not in advance, both before and after the second anniversary of the Closing Date and both before and after the occurrence of an Event of Default.

2.6 Finder's Fee

The Borrower shall pay the Finder's Fee to the Administrative Agent (on behalf of the Finder) on the earlier of the first anniversary of the Closing Date and the Maturity Date; provided that the Finder shall be deemed to have earned the Finder's Fee, without any further action on the part of the Finder or the Administrative Agent, on the Closing Date.

2.7 Document Fee

The Borrower shall pay the Document Fee to the Administrative Agent (on behalf of the Lender) on the Maturity Date.

2.8 Criminal Code Compliance

In this Section 2.8, the terms "interest", "criminal rate" and "credit advanced" have the meanings ascribed to them in section 347 of the *Criminal Code* (Canada), as amended from time to time. The Borrower and the Lender agree that, notwithstanding any agreement to the contrary, no interest on the Loan shall be payable in excess of that permitted under the laws of Canada. If the effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

- (a) the elements of cost which fall within the term "interest" shall be reduced to the extent necessary to eliminate such excess;
- (b) any remaining excess that has been paid shall be credited towards prepayment of the Principal Amount; and
- (c) any overpayment that may remain after such crediting shall be returned forthwith to the Borrower upon demand,

and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lender shall perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same shall be conclusive and binding on the parties.

2.9 Computations of Interest and Fees

All computations of any interest or Fee hereunder shall be made by the Administrative Agent taking into account the actual number of days occurring in the period in relation to which such interest or Fee, as the case may be, accrues or is payable and on the basis of a year of 365 or 366, as the case may be, days.

2.10 Expenses

Except as otherwise provided herein or in any other Credit Document, whether or not the Loan is advanced, the Parties covenant and agree that each Party shall be responsible for their respective costs, fees and expenses (including legal expenses) incurred in connection with the preparation, negotiation, delivery and registration of the Credit Documents.

2.11 Break Fee

If, after the execution and delivery of this Agreement by the Borrower, the Borrower determines not to proceed with this Loan in the absence of a material violation or non-performance by the Lender of any covenant, condition or obligation in this Agreement, then in recognition of the time and expense incurred by the Lender, including legal fees and expenses, overhead costs, due diligence expenses and other similar expenses related to the negotiation and preparation of this Agreement and the other Credit Documents, the Borrower shall pay to the Lender, within five Business Days of such determination, a break fee payable in cash, in the amount of \$15,000 (in this Section 2.11, the "**Break Fee**"). The Lender and the Borrower acknowledge and agree that the payment of the Break Fee shall be without limitation or prejudice to any and all rights, remedies, claims and positions (including specific performance) that the Lender may have against the Borrower (or the other Credit Parties), all of which are hereby expressly reserved.

ARTICLE 3 REPAYMENT OF PRINCIPAL SUM AND INTEREST

3.1 Repayment of Principal Amount

The Borrower shall repay the Principal Amount, together with any accrued and unpaid interest, as follows:

- (a) on the first anniversary of the Closing Date, the amount of \$710,000, as partial repayment of the outstanding Principal Amount, together with the amount of \$1,100,000 representing the accrued interest to date on the outstanding Principal Amount; and
- (b) on the second anniversary of the Closing Date, the amount of \$1,290,000, as the remaining repayment of the outstanding Principal Amount, together with the amount of \$709,500 representing the additional accrued interest on the outstanding Principal Amount.

3.2 Borrower's Right to Prepay the Loan

The Borrower may prepay all (but not less than all) of the outstanding Principal Amount, from time to time, upon ten (10) Business Days' prior notice to the Administrative Agent; provided that, at the time of such payment the Borrower shall be required to pay the Prepayment Fee and any and all other Fees and amounts which may then be due and payable under any other provision hereof or under any Credit Document. Any such payment shall be applied to reduce the Principal Amount and interest owing in respect thereof as follows:

- (a) first, against all accrued and unpaid interest, if any, outstanding hereunder;
- (b) after the giving effect to paragraph (a) above, against the Principal Amount;
- (c) after the giving effect to paragraphs (a) and (b) above, against the Finder's Fee;
- (d) after the giving effect to paragraphs (a), (b) and (c) above, against the Document Fee; and
- (e) after the giving effect to paragraphs (a), (b), (c) and (d) above, against Prepayment Fee;
- (f) after the giving effect to paragraphs (a), (b), (c), (d) and (e) above, against any and all other Fees and amounts which may then be due and payable under any other provision hereof or under any Credit Document.

3.3 Method and Place of Payment

All payments to be made hereunder shall be made by the Borrower to the Administrative Agent on the day that such payment is due by means of electronic funds transfer into an account of the Administrative Agent specified by the Administrative Agent to the Borrower in writing no less than five (5) Business Days prior to the date such payment is due. The Administrative Agent shall distribute to the Finance Parties, promptly upon receipt by the Administrative Agent of any payment from the Borrower, an amount equal to the amount then due to such Finance Party. Any amount received by the Administrative Agent for the account of the Finance Parties shall be held in trust for their benefit until distributed.

ARTICLE 4 SECURITY

4.1 Security

Without prejudice to any other provision hereof, as general and continuing security for all indebtedness, obligations and liabilities, direct or indirect, absolute or contingent, matured or not, solely or jointly, incurred under or in connection with this Agreement and any other Credit Document, the Credit Parties shall execute and deliver the Security Documents, including, without limitation:

- (a) the Lender Notes (in respect of each Advance);
- (b) the Finder Note;
- (c) the Guarantees;
- (d) the Borrower GSA;
- (e) the 1233 GSA;
- (f) the Mortgage; and
- (g) such other Credit Documents and agreements, certificates, resolutions and opinions, as may be requested by the Administrative Agent, from time to time, including a subordination agreement with respect to the Mortgage Subordination and a share pledge agreement with respect to the Share Pledge.

4.2 Security to be Provided by Future Subsidiaries

The Borrower agrees to cause each entity which becomes a Subsidiary, other than a Non-Material Subsidiary, after the date of this Agreement to provide to the Administrative Agent a Guarantee as continuing security for all of present and future indebtedness and obligations of the Borrower to the Administrative Agent, together with such Credit Documents as the Administrative Agent may reasonably require, within five (5) Business Days of an entity becoming a Subsidiary.

4.3 Pledged Securities

The Borrower agrees to deliver certificates representing the Pledged Shares (as defined in the Borrower GSA) and duly executed and, as applicable, medallion guaranteed instruments of transfer in respect of same to the Administrative Agent, within ten (10) Business Days of acquiring such Pledged Shares.

4.4 Subordination of Mortgage

- (a) Upon the request of the Borrower, the Administrative Agent (on behalf of the Finance Parties) shall agree to subordinate the Mortgage on commercially reasonable terms (and assume a second position charge over the Rock Creek Lands) to a first position mortgage over the Rock Creek Lands granted to secure Indebtedness in the aggregate amount of up to \$7,500,000 (including all principal amounts, interest (both before and after default) and fees, penalties and enforcement expenses) incurred or assumed by the Credit Parties subsequent to the date hereof (the "**Mortgage Subordination**"), provided that prior to the Mortgage Subordination:
 - (i) the Administrative Agent and the Borrower shall have entered into a subordination agreement(s) in form and content satisfactory to the Administrative Agent; and
 - (ii) the Borrower shall have delivered to the Administrative Agent a duly executed share pledge agreement in respect of the Share Pledge in form and content satisfactory to the Administrative Agent, together with certificate(s) evidencing the pledged shares and duly executed and medallion guaranteed instruments of transfer in respect of same.
- (b) The Borrower shall pay all reasonable costs, fees and expenses (including legal fees and expenses) of the Finance Parties and the Administrative Agent in connection with the Mortgage Subordination, including up to a maximum aggregate amount of \$15,000 (plus applicable taxes and disbursements) in legal fees and expenses; provided that the Administrative Agent shall deliver to the Borrower copies of invoices for any such fee or expense in an amount over \$1,000.
- (c) The Credit Parties agrees that they will not permit the doctrine of consolidation to apply to the first position mortgage over the Rock Creek Lands, if granted.

4.5 Conflicts

If a conflict or inconsistency exists between a provision of this Agreement and the provisions of any of the other Credit Documents, the provisions of this Agreement shall prevail. Notwithstanding the foregoing, if there is any right or remedy of any Finance Party or the Administrative Agent set out in any Credit Document or any part thereof which is not set out or provided for in this Agreement, such additional right or remedy shall not constitute a conflict or inconsistency.

4.6 Return of Security

Upon payment of the Principal Amount, all accrued and unpaid interest, all Fees then due and payable and all other amounts which may then be due and payable under any other provision of any Credit Document from any Credit Party to the Administrative Agent (on behalf of the Finance Parties), the Administrative Agent (on behalf of the Finance Parties) shall:

- (a) surrender the Lender Notes and the Finder Note, and the Administrative Agent and the Finance Parties shall forthwith (and in any event within ten (10) Business Days) upon fulfillment of all terms, covenants and conditions of this Agreement;
- (b) surrender its interests in and deliver all remaining Security Documents to the applicable Credit Party; and
- (c) take such other steps or actions and execute and deliver such other instruments or documents as may be reasonably required to discharge the Security or otherwise evidence the fulfillment of all terms, covenants and conditions of the Credit Documents.

ARTICLE 5 RIGHT OF CONVERSION

5.1 Conversion Right

Subject to and upon compliance with Applicable Securities Legislation, the policies of the Exchange and the provisions of this Article 5, the Administrative Agent (on behalf of the Finance Parties) may, at its option (in this Article 5, the "**Conversion Right**") from the date hereof until the Maturity Date, convert all, or a portion of, the outstanding Principal Amount, any interest and any Fees, from time to time, into Common Shares (in this Article 5, the "**Conversion Shares**") at the Conversion Price. For the avoidance of doubt, it is the intention of the Parties that any resale restrictions imposed on the Conversion Shares under Applicable Securities Legislation be calculated from the Closing Date and not from the date of the issuance of the Conversion Shares.

5.2 Exercise of Conversion Right

- (a) **Notice.** The Conversion Right may be exercised by the delivery by the Administrative Agent of a written notice (in this Article 5, each a "**Conversion Notice**") to the Borrower setting out the Administrative Agent's desire to exercise the Conversion Right in respect of all or a portion of the then outstanding Principal Amount, any interest and any Fees (in this Article 5, each a "**Conversion Amount**").
- (b) **Date of Conversion.** From the date (in this Article 5, each a "**Conversion Date**") on which the Administrative Agent delivers a Conversion Notice to the Borrower, the Administrative Agent and its nominees and assignees, as applicable, shall be entitled to be entered in the books of the Borrower as the registered and beneficial of the Conversion Shares and, within five (5) Business Days of the Conversion Date, the Borrower shall deliver, or cause to be delivered, to the Administrative Agent and its nominees and assignees, as applicable, a certificate or certificates evidencing such Conversion Shares in respect of the particular Conversion Amount.
- (c) **Extinguishment of Repayment Rights.** On the Conversion Date, the right of the Administrative Agent (on behalf of the Finance Parties) to repayment of the Conversion Amount in respect of which the Conversion Right was exercised shall be extinguished.

- (d) **No Fractional Common Shares.** Notwithstanding anything herein contained, the Borrower shall in no case be required to issue fractional Common Shares upon the conversion of a Conversion Amount. If any fractional interest in a Common Share would, except for the provisions of this Section 5.2(d), be deliverable upon the conversion of the Conversion Amount, the number of Common Shares issuable to the Administrative Agent and its nominees and assignees, as applicable, shall be rounded down to the nearest whole number of Common Shares.

5.3 Conversion Adjustment

The Conversion Price in effect at any time is subject to adjustment from time to time in the events and in the manner provided as follows:

- (a) **Mortgage Subordination.** If after the date hereof and prior to the Maturity Date, the Mortgage Subordination occurs, then:
- (i) in respect of the outstanding Principal Amount, the Conversion Price shall be equal to \$0.42 (in this paragraph (a), the "**Adjusted Conversion Price**");
 - (ii) in respect of any accrued and unpaid interest and Fees, the Conversion Price shall be equal to 1.5 times the Adjusted Conversion Price; and
 - (iii) notwithstanding the conversion of all, or a portion of, the outstanding Principal Amount prior to the Maturity Date, the Conversion Amount in respect of which the Administrative Agent is entitled to convert into Conversion Shares shall be increased by an amount equal to the amount of interest (calculated at the Interest Rate) that would have accrued and been payable on the outstanding Principal Amount during the two (2) year term of the Loan had the Borrower not elected to convert the Loan prior to the second anniversary of the Closing Date, which additional Conversion Amount shall be convertible at the Adjusted Conversion Price.
- (b) **Common Share Reorganization.** If and whenever at any time after the date hereof and prior to the Maturity Date, the Borrower:
- (i) issues Common Shares or securities exchangeable for or convertible into Common Shares to the holders of the Common Shares as a stock dividend;
 - (ii) makes a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares;
 - (iii) subdivides or re-divides its outstanding Common Shares into a greater number of shares; or
 - (iv) consolidates its outstanding Common Shares into a smaller number of shares,
- (in this Article 5, any of such events, a "**Common Share Reorganization**"), then the Conversion Price shall be adjusted effective immediately after the effective date or record date for the happening of a Common Share Reorganization, as the case may be, at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which is the number of Common Shares outstanding on such effective date or record date before giving effect to

such Common Share Reorganization and the denominator of which is the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had all such securities been exchanged for or converted into Common Shares on such effective date or record date).

- (c) **Capital Reorganization.** If and whenever at any time after the date hereof and prior to the Maturity Date there is a reclassification of the Common Shares outstanding at any time or a change of the Common Shares into other shares or into other securities (other than a Common Share Reorganization), or a consolidation, amalgamation, arrangement or merger of the Borrower with or into any other corporation or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or other entity (in this Article 5, any of such events, a "**Capital Reorganization**"), the Administrative Agent, upon exercising the conversion privilege pursuant to Section 5.2 after the effective date of such Capital Reorganization, shall be entitled to receive in lieu of the number of Common Shares to which the Administrative Agent (on behalf of the Finance Parties) was theretofore entitled upon such conversion, the aggregate number of shares, other securities or other property which the Administrative Agent (on behalf of the Finance Parties) would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Administrative Agent or its nominees and assignees, as applicable, had been the registered holder of the number of Common Shares to which the Administrative Agent was theretofore entitled upon conversion of the outstanding Principal Amount, any interest and any Fees. If determined appropriate by action of the directors of the Borrower, appropriate adjustments shall be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 5.3 with respect to the rights and interests thereafter of the Administrative Agent to the end that the provisions set forth in this Section 5.3 shall thereafter correspondingly be made applicable as nearly as may reasonably be practicable in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the conversion privilege. Any such adjustment must be made by and set forth in an amendment to this Agreement approved by action of the directors of the Borrower and shall for all purposes be conclusively deemed to be an appropriate adjustment.

5.4 Rules Regarding Calculation of Adjustment of Conversion Price

- (a) **Cumulative.** The adjustments provided for in Section 5.3 are cumulative and shall, in the case of adjustments to the Conversion Price, be computed to the nearest one-tenth of one cent (\$0.001) and shall be made successively whenever an event referred to therein occurs, subject to the following provisions of this Section 5.4.
- (b) **Minimum 1% Change.** No adjustment in the Conversion Price is required to be made unless such adjustment would result in a change of at least one (1%) percent in the prevailing Conversion Price; provided however that any adjustments which, except for the provisions of this Section 5.4, would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustments.
- (c) **Discretion of the Board.** In case the Borrower after the date of this Agreement takes any action affecting the Common Shares, other than actions described in Section 5.3, which in the opinion of the board of directors of the Borrower would materially affect the rights of

any Finance Party or the Administrative Agent hereunder, the Conversion Price shall be adjusted in such manner, if any, and at such time, by action of the directors of the Borrower, but subject in all cases to any necessary regulatory approval. Failure to take any action by the directors of the Borrower so as to provide for an adjustment on or prior to the effective date of any action by the Borrower affecting the Common Shares shall be conclusive evidence that the board of directors of the Borrower has determined that it is equitable to make no adjustment in the circumstances.

- (d) **Disputes.** If at any time a dispute arises with respect to adjustments provided for in Section 5.3, such dispute shall be conclusively determined by the auditors of the Borrower, or if they are unable or unwilling to act, such other firm of independent chartered accountants as may be selected by the Administrative Agent and any such determination shall be binding upon the Borrower, the Finance Parties and the Administrative Agent. The Borrower shall provide their auditor or such firm of independent chartered accountants with access to all necessary records of the Borrower.
- (e) **Notice of Event Requiring Adjustment.** The Borrower shall from time to time, as soon as is reasonably practicable after the occurrence of any event which requires an adjustment or readjustment as provided in Section 5.3, give written notice to the Administrative Agent specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.
- (f) **Notice of Intention to Fix Record Date.** The Borrower covenants to and in favour of the Finance Parties and the Administrative Agent that so long as any Principal hereunder remains outstanding, it shall give written notice to the Administrative Agent of its intention to fix a record date for any event referred to in Section 5.3 which may give rise to an adjustment in the Conversion Price and, in each case, such notice must specify the particulars of such event, the record date and the effective date for such event; provided that the Borrower is only required to specify in such notice such particulars of such event as have been fixed and determined on the date on which such notice is given. Such notice must be given not less than five (5) Business Days, in each case, prior to such applicable record date or effective date.

5.5 Reservation of Sufficient Shares

The Borrower shall at all times when any part of the outstanding Principal Amount, any interest or any Fees remains outstanding reserve and keep available out of its authorized but unissued Common Shares, for the purpose of effecting the conversion thereof, such number of Common Shares as shall from time to time be sufficient to effect the conversion hereof. As a condition precedent to the taking of any action which would require an adjustment to the Conversion Price, the Borrower shall take any corporate action which may be necessary in order that the Borrower shall have unissued and reserved in its authorized capital, and may validly and legally issue, the Conversion Shares to which the Administrative Agent (on behalf of the Finance Parties) is entitled on the full exercise of its conversion rights in accordance with the provisions hereof.

ARTICLE 6 CONDITIONS OF ADVANCE

6.1 Conditions of Advance

The obligation of the Lender to advance the Principal Amount to the Borrower pursuant to Article 2 of this Agreement, including in respect of the Initial Advance (collectively, the "**Advance**") is subject to fulfilment

of the following conditions precedent (in each case in form and substance satisfactory to the Administrative Agent, acting reasonably):

- (a) no Default or Event of Default has occurred or is continuing or would arise immediately after giving effect to or as a result of the Advance;
- (b) the Advance shall not violate any Applicable Law;
- (c) no order, judgment or decree of any court, arbitrator or Governmental Entity shall purport to enjoin or restrain the Lender from making the Advance;
- (d) there is not pending or threatened, any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration by, against or affecting any Credit Party or any property of any Credit Party that has not been disclosed to the Administrative Agent by the Borrower in writing and, since January 1, 2018 there shall have been no development in any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration that, in the opinion of the Administrative Agent, could reasonably be expected to have a Material Adverse Effect;
- (e) delivery of a certificate from a senior officer of each Credit Party that the representations and warranties of the Credit Parties contained in Article 7 and of the Credit Parties contained in any other Credit Document are true and correct on Closing Date and on the date of the Advance as if such representations and warranties were made on each such date;
- (f) there has not occurred any change of circumstance or event since the date hereof, nor has the Administrative Agent become aware of any facts not previously disclosed or known, which the Administrative Agent determines could have a Material Adverse Effect;
- (g) delivery of a certificate from a senior officer of each Credit Party: (i) attaching true copies of (A) the constating documents and by-laws including all amendments thereto, if any, (B) all resolutions of the board of directors or shareholders, as the case may be, approving the borrowing and other matters contemplated by this Agreement and the other Credit Documents to which it is a party, and (C) a list of the officers and directors authorized to sign agreements together with their specimen signatures; and (ii) certifying that (A) all necessary permits and licenses, including the Health Canada Licence, relating to the operation of, and production at, the Rock Creek Facility have been obtained and none have been rescinded, cancelled or otherwise terminated in any respect, and (B) as to the location of the assets of the Credit Party, existence of any other charges on the assets, any negative covenants or restrictions on capacity, nature of the Business, the place where the Business of the Credit Party is carried out, and other factual matters as may be required by the Administrative Agent, acting reasonably;
- (h) in respect of each Advance, delivery of a certificate of status, compliance or like certificate with respect to each Credit Party issued by the appropriate Governmental Entity of the jurisdiction of its incorporation and of each jurisdiction in which it owns any material assets or carries on any material business;
- (i) in respect of each Advance, delivery of a solvency certificate from the Chief Financial Officer of the Borrower in the form attached as Exhibit "F";
- (j) each of the applicable Credit Documents specified in Section 4.1 shall have been duly executed and delivered by each Party thereto and is in full force and effect enforceable against such Parties thereto in accordance with its respective terms;

- (k) evidence of registration or other perfection of the Security under the Security Documents in such jurisdictions as the Administrative Agent may require to ensure that such Security creates legal, valid, binding, enforceable and first-priority security interests in the assets to which such Security relates, enforceable against third parties, trustees in bankruptcy and similar officials;
- (l) delivery of all discharges, subordination agreements, waivers and confirmations as may be required to ensure that all obligations under the Credit Documents are secured by first-priority Liens on the property and assets of each Credit Party with such exceptions as are permitted pursuant to this Agreement or any of the other Credit Documents;
- (m) delivery of favourable opinions of counsel to each Credit Party, in customary form and addressing customary matters, addressed to each Finance Party and the Administrative Agent;
- (n) delivery of title insurance in favour of the Administrative Agent with respect to the Rock Creek Lands;
- (o) evidence showing the Administrative Agent (on behalf of the Finance Parties) as loss payee and additional insured on each Credit Party's insurance policies;
- (p) the Lender shall have completed, to its satisfaction, a due diligence review of the Credit Parties, the Rock Creek Lands, the Business, any other asset or property of any Credit Party designated by the Administrative Agent, all plans, leases, licenses, permits, budgets and pro forma financial information; and
- (q) receipt of all Authorizations which the Administrative Agent may require, including, as applicable, all approvals from the Exchange in relation to the transactions contemplated by this Agreement or the other Credit Documents.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warrants of Borrower and 1233

Each of the Borrower and 1233 represents and warrants to each Finance Party and the Administrative Agent, acknowledging and confirming that each Finance Party and the Administrative Agent are relying on such representations and warranties without independent inquiry in entering into this Agreement and providing the Loan, that:

- (a) **Incorporation, Qualification and Corporate Power.** The Borrower and each Subsidiary has been duly incorporated and organized and is a valid and subsisting corporation in good standing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority and is duly qualified and holds all necessary material permits, licences and authorizations necessary or required to carry on its business as now conducted and to own, lease or operate its property and assets, no steps or proceedings have been taken by any Person, voluntary or otherwise, requiring or authorizing its dissolution or winding up.
- (b) **Extra-Provincial Registration.** The Borrower and each Subsidiary is licensed, registered or qualified as an extra-provincial or foreign corporation in all jurisdictions where the character of the property or assets thereof owned or leased or the nature of the activities conducted by it make licensing, registration or qualification necessary and is carrying on the business thereof in material compliance with all Applicable Laws.

- (c) **Conflict and Consents.** None of the execution and delivery of any Credit Document, the compliance by the Borrower or any Subsidiary with the provisions of any Credit Document to which it is a party or the consummation of the transactions contemplated herein and therein, for the consideration and upon the terms and conditions as set forth herein and therein, do or shall (i) require the consent, approval, authorization, order or agreement of, or registration or qualification with, any Governmental Entity or other Person, except such as have been obtained; (ii) conflict with or result in any breach or violation of any of the provisions of, or constitute a default under, any licence, indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Borrower or any Subsidiary is a party or by which any of them or any of their properties or assets thereof is bound; or (iii) conflict with or result in any breach or violation of any provisions of, or constitute a default under the constating documents of the Borrower or any Subsidiary or any resolution passed by the directors (or any committee thereof) or shareholders of the Borrower or any Subsidiary, or any judgment, decree or order, or the knowledge of the Borrower or 1233, any statute, rule, policy or regulation, of any Governmental Entity applicable to the Borrower or any Subsidiary or any of the properties or assets thereof which could have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is in violation of any term of its constating documents.
- (d) **Corporate Action, Governmental Approvals, etc.** The Borrower and each Subsidiary has full corporate power and authority to enter into each Credit Document to which it is a party and to do all acts and things and execute and deliver all documents as are required hereunder and thereunder to be done, observed, performed or executed and delivered by it in accordance with the terms hereof and thereunder and the Borrower and each Subsidiary has taken all necessary corporate action to authorize the creation, execution, delivery and performance of each Credit Document to which it is a party and to observe and perform their respective obligations in accordance with the provisions hereof and thereof.
- (e) **Execution and Binding Obligation.** Each Credit Document has been authorized, executed and delivered by the Borrower and each Subsidiary which is a party thereto and constitutes a valid and legally binding obligation enforceable against it in accordance with its terms.
- (f) **Authorizations and Registrations.** The Borrower and each Subsidiary is in compliance with the requirements of all Authorizations and registrations it holds, including the Health Canada Licence, and there are no investigations or proceedings existing, pending or, to the knowledge of the Borrower or 1233, threatened which could result in the revocation, cancellation, suspension or any adverse modification of any of such Authorizations and registrations.
- (g) **Books and Records.** The minute books and corporate records of the Borrower and each Subsidiary are true and correct in all material respects and contain all minutes of all meetings and all resolutions of its board of directors (and any committees of the board) and shareholders. All material transactions in respect of the Subject Properties have been properly and accurately recorded by the Borrower and its Subsidiaries, as applicable.
- (h) **No Defaults.** Neither the Borrower nor any Subsidiary is in default of any material term, covenant or condition under or in respect of any judgment, order, agreement, indenture or instrument to which it is a party or to which it or any of the property or assets thereof are or may be subject, and no event has occurred and is continuing, and no circumstance exists which has not been waived, which constitutes a default in respect of any commitment, agreement, document or other instrument to which the Borrower or any Subsidiary is a

party or by which it is otherwise bound entitling any other party thereto to accelerate the maturity of any amount owing thereunder or which could have a Material Adverse Effect.

- (i) **Actions.** Other than as set out in Schedule 7.1(i), since January 1, 2018 there is no action, suit, proceeding or investigation commenced, pending or, to the knowledge of the Borrower, threatened which, either in any case or in the aggregate, might result in any Material Adverse Effect or in any material liability on the part of the Borrower or any Subsidiary or which places, or could place, in question the validity or enforceability of any Credit Document, or any document or instrument delivered, or to be delivered, by the Borrower or a Subsidiary pursuant hereto or thereto.
- (j) **Assets.** The Borrower and the Subsidiaries are the beneficial owners of the real properties, businesses and assets or the interests in the real properties, businesses or assets referred to in their books and records, all agreements by which the Borrower or any Subsidiary holds an interest in real property, business or assets are in good standing according to their terms and the real properties in which the Borrower or any Subsidiary holds an interest are in good standing under Applicable Law, of the jurisdictions in which they are situated. None of the Borrower or any Subsidiary has approved, is contemplating, has entered into any agreement in respect of, or has any knowledge of: (i) the purchase of any real property material to the Borrower or any Subsidiary or material assets or any interest therein or the sale, transfer or other disposition of any real property material to the Borrower or any Subsidiary or material assets or any interest therein currently owned, directly or indirectly, by the Borrower or any Subsidiary whether by asset sale, transfer of shares or otherwise, other than the sale of Cannabis and other assets in the ordinary course of business; or (ii) the Change of Control of the Borrower or any Subsidiary.
- (k) **Rock Creek Property Title and Rights.** Other than as set out in Schedule 7.1(k), the Borrower and 1233 are the full legal, registered and beneficial owners of the Rock Creek Lands and all structures, erections, improvements, appurtenances and fixtures thereto and all the chattels, personal property, crops, goods, equipment, inventory and supplies used by the Borrower and 1233 exclusively in connection with the operation, use, enjoyment, maintenance or management of the Rock Creek Lands (in this Section 7.1(k), collectively, the "**Rock Creek Property**"), and has good and marketable title to the Rock Creek Property, free and clear of all Liens, other than Permitted Liens, defects in title, equities or claims of every nature and kind, and legal notations. 1233 has good and sufficient title to the real property interests in the Rock Creek Property including, without limitation, fee simple estate of and in real property, leases, easements, rights of way, permits or licences from landowners or authorities permitting the use of the Rock Creek Property by 1233 necessary to permit the operation of its Business as presently owned and conducted.
 - (i) There are no farm-in or earn-in rights, back-in rights, rights of first refusal, rights of first offer, option rights or similar rights or provisions with respect to the Rock Creek Property.
 - (ii) No Person other than the Borrower and 1233 has any interest in the production or profits to be obtained in the future from the Rock Creek Property or any royalty in respect thereof or any right to acquire any such interest except pursuant to Applicable Laws.
- (l) **Work Orders.** There are no outstanding work orders relating to any of the Subject Properties from or required by any Governmental Entity, nor does the Borrower or any Subsidiary have notice of any possible impending or future work order, that in either case, could reasonably be expected to have a Material Adverse Effect.

- (m) **Expropriation.** No part of any of the Subject Properties or the Buildings and Fixtures located on the Subject Properties has been taken or expropriated by any Governmental Entity, no written notice or proceeding in respect of an expropriation has been given or commenced nor is the Borrower aware of any intent or proposal to give any such notice or commence any proceedings, that in any case, could reasonably be expected to have a Material Adverse Effect.
- (n) **Encroachments.** The Buildings and Fixtures located at each of the Subject Properties are located entirely within such Subject Property and are in material conformity with set-back and coverage requirements of all applicable Governmental Entities. There are no encroachments upon any of the Subject Properties that could reasonably be expected to have a Material Adverse Effect.
- (o) **No Option, etc.** Other than as set out in Schedule 7.1(o) and except in connection with the sale of Cannabis by the Borrower or any Subsidiary in the ordinary course of Business, no Person has any oral or written agreement, option, warrant, privilege or right, or any right capable of becoming any of the foregoing (whether legal, equitable, contractual or otherwise) for the purchase from the Borrower or any Subsidiary of any of their material assets (including the Rock Creek Lands) or any portion thereof.
- (p) **Compliance with Laws.** Other than as set out in Schedule 7.1(p), since January 1, 2018, the Borrower and each Subsidiary has conducted and is conducting its business in compliance in all material respects with all Applicable Laws of each jurisdiction in which it carries on business and possesses all material Authorizations issued by the appropriate Governmental Entity necessary to carry on the business currently carried on by it, is in compliance in all material respects with the terms and conditions of all such Authorizations and with all Applicable Laws material to the operations, and neither the Borrower nor any Subsidiary has received any notice of the modification, revocation or cancellation of, any intention to modify, revoke or cancel or any proceeding relating to the modification, revocation or cancellation of any such Authorization, which, singly or in the aggregate, if the subject of an unfavourable decision, order, ruling or finding, could materially and adversely affect the conduct of the business or operations of, or the assets, liabilities (contingent or otherwise), condition (financial or otherwise) or prospects of, the Borrower or any Subsidiary.
- (q) **Health Canada Licence.** Other than as set out in Schedule 7.1(o):
 - (i) the Borrower has provided the Administrative Agent with copies of all material information relating to the Health Canada Licence;
 - (ii) the Borrower and 1233, as applicable, shall hold all other permits, licenses, consents and authorities issued by any Governmental Entity associated with the Health Canada Licence and which are necessary in connection with the ownership of the Health Canada Licence and the Rock Creek Facility;
 - (iii) there are no outstanding agreements or options to acquire the Health Canada Licence, the Rock Creek Facility or any portion or interest thereof, and, other than the Borrower and 1233, no Person has any proprietary or possessory interest in the Health Canada Licence or the Rock Creek Facility;
 - (iv) the Borrower and 1233 have owned the Rock Creek Facility in compliance with *Cannabis Act* (Canada) and the *Cannabis Regulations* (Canada) and neither the Borrower nor 1233 has received any notice of any violation thereof, nor is the

Borrower or 1233 aware of any valid basis therefore;

- (v) there is no adverse claim or challenge against or to the ownership of or title to any part of the Health Canada Licence and the Rock Creek Facility and, to the knowledge of the Borrower and 1233, there is no basis for such adverse claim or challenge which may affect the Health Canada Licence and the Rock Creek Facility; and
- (vi) to the knowledge of the Borrower and 1233, the Health Canada Licence is the only license, permit and approval required under the *Cannabis Act* (Canada) and the *Cannabis Regulations* (Canada) in connection with the Businesses of the Borrower and 1233 and the ownership and use of their respective assets.

(r) **Employment Matters.**

- (i) The Borrower and each Subsidiary is in compliance with all Applicable Laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where non-compliance with such laws could not reasonably be expected to have a Material Adverse Effect, and has not and is not engaged in any unfair labour practice. The execution of this Agreement and the consummation of the transactions contemplated in this Agreement shall not trigger the rights of any employee of the Borrower or any Subsidiary under the terms of any employment agreement, option agreement or option plan or any other compensation arrangement with the Borrower or any Subsidiary, including but not limited to the right to terminate employment or exercise a "change of control" provision.
- (ii) All material accruals for unpaid vacation pay, premiums for unemployment insurance, health premiums, pension plan premiums, accrued wages, salaries and commissions, if any, have been accurately reflected in the books and records of the Borrower and the Subsidiaries.

- (s) **Taxes.** All taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable by the Borrower and the Subsidiaries have been paid, except where the failure to pay such taxes would not have a Material Adverse Effect. Except as disclosed in Schedule 7.1(s), all tax returns, declarations, remittances and filings required to be filed by the Borrower and the Subsidiaries have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading, except where such failure would not have a Material Adverse Effect. To the knowledge of the Borrower, no examination of any tax return of the Borrower or any Subsidiary is currently in progress and there are no issues or disputes outstanding with any Governmental Entity respecting any Taxes that have been paid, or may be payable, by the Borrower or any Subsidiary, in any case, except where such examinations, issues or disputes would not constitute an adverse material fact in respect of the Borrower or have a Material Adverse Effect.

- (t) **Environmental Compliance.** (i) Neither the Borrower nor any Subsidiary is in violation of any Environmental Laws, including with respect to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous

Substances; (ii) the Borrower and each Subsidiary have all Authorizations required under any applicable Environmental Laws and the Borrower and each Subsidiary is in material compliance with such permits, authorizations and approvals; (iii) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against the Borrower or any Subsidiary; and (iv) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Borrower or any Subsidiary relating to any Environmental Laws.

- (u) **Land Claims.** To the knowledge of the Borrower, there is no native title claim or interest which in anyway affect any part of the Rock Creek Lands.
- (v) **Corporate Structure.**
 - (i) As at the date of this Agreement, the only Subsidiary of the Borrower is 1233, and the Borrower holds all outstanding shares in the capital of 1233.
 - (ii) The Borrower is authorized to issue an unlimited number of Common Shares, of which 103,279,138 Common Shares are issued and outstanding as fully paid and non-assessable shares, as at the date of this Agreement.
 - (iii) 1233 is authorized to issue an unlimited number of common shares, of which 300 common shares are issued and outstanding as fully paid and non-assessable shares, as at the date of this Agreement.
 - (iv) No Person, firm or company has any agreement, option, warrant, right or privilege (whether pre-emptive, contractual or otherwise) capable of becoming an agreement, for the purchase, acquisition, subscription for or issue of any of the unissued common shares or other securities of 1233.
- (w) **Financial Statements.** The Borrower's (i) audited consolidated financial for the years ended July 31, 2019 and 2018; and (ii) unaudited condensed interim consolidated financial statements for the period ended October 31, 2019, have been prepared in accordance with IFRS and present fully, fairly and correctly in all material respects, the financial condition of the Borrower as at the dates thereof and the results of the operations and the changes in the financial position of the Borrower for the periods then ended, and reflect accurately and adequately the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of the Borrower as of the date thereof, and no adverse material changes in the financial position of the Borrower have taken place since the date thereof.
- (x) **Indebtedness.** Neither the Borrower nor any Subsidiary has any Indebtedness except for Permitted Indebtedness. There exists no default (howsoever described) under any provision of any instrument evidencing any Indebtedness or of any agreement relating thereto.
- (y) **Loans.** Other than as set out in Schedule 7.1(y), and except for the transactions contemplated hereby, neither the Borrower nor any Subsidiary has made any loans to or guaranteed the obligations of any Person.
- (z) **No Litigation.** Other than as set out in Schedule 7.1(z), there are no actions, suits, proceedings, inquiries or investigations existing, pending or, to the knowledge of the

Borrower or 1233, threatened against or adversely affecting the Borrower or any Subsidiary or to which any of the property or assets thereof is subject, at law or equity, or before or by any court, federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which may in any way have a Material Adverse Effect and neither the Borrower nor any Subsidiary is subject to any judgment, order, writ, injunction, decree, award, rule, policy or regulation of any governmental authority, which, either separately or in the aggregate, may result in a Material Adverse Effect.

- (aa) **Insolvency.** Neither the Borrower nor any Subsidiary has committed an act of bankruptcy or, immediately after the receipt of the Principal Amount, will be an insolvent person, proposed a compromise or arrangement to their respective creditors generally, had a petition or a receiving order in bankruptcy filed against any of them, made a voluntary assignment in bankruptcy, taken any proceedings with respect to a compromise or arrangement, taken any proceedings to have any of them declared bankrupt or wound-up, taken any proceedings to have a receiver appointed for any of their respective property or had any execution or distress become enforceable or become levied upon any of their respective property.
- (bb) **No Liabilities.** Other than as set out in Schedule 7.1(bb) or as reflected or reserved against in the Borrower's balance sheet included in its interim financial statements for the period ended October 31, 2019, neither the Borrower nor any Subsidiary has any liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) in an aggregate amount in excess of \$25,000, except for current liabilities incurred in the ordinary course since October 31, 2019.
- (cc) **Public Record.** The Public Record is, in all material respects, accurate and omit no facts, the omission of which makes the Public Record or any particular document therein materially misleading or incorrect.
- (dd) **Disclosure.** During the term of this Agreement and the 30 day period prior to the date of this Agreement, all written information relating to the Rock Creek Lands or the businesses, operations, assets, liabilities, properties, capitalization or financial condition of the Borrower or any Subsidiary or any of their respective directors, officers or employees provided by the Borrower or any Subsidiary or any of their respective directors, officers or representatives to any Finance Party or the Administrative Agent was true and accurate in all material respects and contained no misrepresentations as at the time such information was provided to the Finance Party or the Administrative Agent.
- (ee) **Auditors.** The Borrower's auditors are independent public accountants and, to the knowledge of the Borrower, have participant status with the Canadian Public Accountability Board as required under Applicable Securities Legislation and there has been no "reportable event" (within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators) between the Borrower and the Borrower's auditors.
- (ff) **Related Party Transactions.** Other than as set out in Schedule 7.1(ff), since January 1, 2018, to the knowledge of the Borrower or 1233, none of the directors or officers of the Borrower or any Subsidiary, or any Associate or Affiliate of any of the foregoing had or has any material interest, direct or indirect, in any transaction or any proposed transaction with the Borrower or any Subsidiary which, as the case may be, materially affects, is material to or shall materially affect the Borrower.

- (gg) **Insurance.** The assets of the Borrower and the Subsidiaries and their respective businesses and operations are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and such coverage is in full force and effect, and neither the Borrower nor any Subsidiary has materially breached the terms of any policies in respect thereof nor failed to promptly give any notice to the Administrative Agent of any material claim thereunder.
- (hh) **Property Agreements.** Any and all of the agreements and other documents and instruments pursuant to which the Borrower or any Subsidiary holds real property and assets are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in accordance with its terms and neither the Borrower nor any Subsidiary is in default of any of the material provisions of any such agreements, documents or instruments nor, to the knowledge of the Borrower, has any such default been alleged.
- (ii) **Intellectual Property.** The Borrower and each Subsidiary owns or has the right to use under license, sub-license or otherwise all material intellectual property used by the Borrower and the Subsidiaries in its business, including patents, service marks, trade names, copyrights, industrial designs, trademarks, trade secrets, know-how, proprietary rights, licenses or other intellectual property, free and clear of any and all Liens. The business of the Borrower and each Subsidiary as now conducted does not, and as currently proposed to be conducted will not, infringe or conflict with, in any material respect, service marks, trade names, copyrights, industrial designs, trademarks, trade secrets, know-how, proprietary rights, licenses or other intellectual property or franchise right of any Person. No action, suit or proceeding has been made or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary alleging the infringement by the Borrower or any Subsidiary of any such intellectual property right or franchise right of any Person.
- (jj) **Money Laundering Laws.** The operations of the Borrower and the Subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Borrower or any Subsidiary with respect to the Money Laundering Laws is pending, or to the Borrower's knowledge, threatened.

7.2 Representations and Warrants of the Finance Parties

Each of the Finance Parties represents and warrants to each of the Borrower and 1233, acknowledging and confirming that each of the Borrower and 1233 are relying on such representations and warranties without independent inquiry in entering into this Agreement and accepting the Loan, that:

- (a) **Incorporation, Qualification and Corporate Power.** The Finance Party has been duly incorporated and organized and is a valid and subsisting corporation in good standing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority and is duly qualified and holds all necessary material permits, licences and authorizations necessary or required to carry on its business as now conducted and to own, lease or operate its property and assets, no steps or proceedings have been taken by any Person, voluntary or otherwise, requiring or authorizing its dissolution or winding up.

- (b) **Execution and Binding Obligation.** Each Credit Document has been authorized, executed and delivered by the Finance Party which is a party thereto and constitutes a valid and legally binding obligation enforceable against it in accordance with its terms.
- (c) **Investment Status.** Upon exercise of the Conversion Right, the Finance Party shall be acquiring the Conversion Shares for investment purposes only and not with a view to the resale or distribution of any of the Conversion Shares.
- (d) **Residency.** The Finance Party is resident in the Province of British Columbia.
- (e) **Resale Restrictions.** The Finance Party (i) has been advised to consult its own legal advisor with respect to trading in the Conversion Shares and with respect to resale restrictions imposed by applicable securities laws in the jurisdiction in which it resides; (ii) acknowledges that no representation has been made respecting the applicable hold periods or other resale restrictions applicable to such securities; (iii) is solely responsible for compliance with applicable resale restrictions; and (iv) is aware that it may not be able to resell such securities except in accordance with limited exemptions under applicable securities laws.
- (f) **Information.** The Finance Party shall provide the Borrower with such information and execute such documents, including certificates and statutory declarations, as the Borrower may reasonably require from time to time to comply with Applicable Law, including Applicable Securities Legislation.
- (g) **Accredited Investor Status.** Each Finance Party (i) is entering into the Credit Documents and, if and when issued, will be acquiring the Conversion Shares, as principal for its own account, and not on behalf of or for the benefit of any other Person; and (ii) is, and on any acquisition of Conversion Shares will be, an accredited investor as defined in National Instrument 45-106 – *Prospectus Exemptions* of the Canadian Securities Administrators and will, if requested by the Borrower, deliver to the Borrower an accredited investor certificate, in a form acceptable to the Borrower, acting reasonably, confirming its status.
- (h) **Risk Of Loss.** The Finance Party (i) is knowledgeable, sophisticated and experienced in business and financial matters; (ii) has had access to management of the Borrower and its records for the purpose of conducting its due diligence; (iii) is capable of evaluating the merits and risks of the Loan and the Conversion Shares; and (iv) is able to bear the economic risk of in making the Loan and, if the Conversion Right is exercised, an investment in the Conversion Shares.
- (i) **No Representation.** No Person has made any written or oral representation to the Finance Party that the Person shall resell or repurchase the Conversion Shares.
- (j) **Money Laundering Laws.** The operations of the Finance Parties are and have been conducted at all times in compliance Money Laundering Laws and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Administrative Agent and the Finance Parties with respect to the Money Laundering Laws is pending, or to the knowledge of the Administrative Agent and the Finance Parties, threatened.

7.3 Representations and Warrants of the Administrative Agent

The Administrative Agent represents and warrants to each of the Borrower and 1233, acknowledging and confirming that each of the Borrower and 1233 are relying on such representations and warranties without independent inquiry in entering into this Agreement and accepting the Loan, that:

- (a) **Incorporation, Qualification and Corporate Power.** The Administrative Agent has been duly incorporated and organized and is a valid and subsisting corporation in good standing under the laws of its jurisdiction of incorporation, has all requisite corporate power and authority and is duly qualified and holds all necessary material permits, licences and authorizations necessary or required to carry on its business as now conducted and to own, lease or operate its property and assets, no steps or proceedings have been taken by any Person, voluntary or otherwise, requiring or authorizing its dissolution or winding up.
- (b) **Execution and Binding Obligation.** Each Credit Document has been authorized, executed and delivered by the Administrative Agent which is a party thereto and constitutes a valid and legally binding obligation enforceable against it in accordance with its terms.

7.4 Survival of Representations and Warranties

The representations and warranties in the Credit Documents and in any certificates or documents delivered by any Credit Party to any Finance Party or the Administrative Agent in connection herewith or therewith shall not merge or be prejudiced by, shall survive any advance of the Principal Amount and shall continue in full force and effect, so long as any amounts are owing by any Credit Party to any Finance Party or the Administrative Agent under any Credit Document.

ARTICLE 8 COVENANTS OF THE BORROWER

8.1 Affirmative Covenants

So long as any amount owing under any Credit Document remains unpaid, the Borrower covenants and agrees with each Finance Party and the Administrative Agent that it shall and, as applicable, shall cause each Subsidiary to do the following:

- (a) **Comply with Continuous Disclosure Obligations.** It shall timely file all documents that must be publicly filed or sent to its shareholders pursuant to Applicable Securities Legislation in the provinces and territories of Canada in which the Borrower is a "reporting issuer" (as such term is defined in such Applicable Securities Legislation) within the time prescribed by such Applicable Securities Legislation and make such documents available on the SEDAR within such prescribed time period. In the event the Borrower ceases to be a "reporting issuer" (as such term is defined in such Applicable Securities Legislation), the Borrower shall continue to provide to the Administrative Agent (with sufficient copies for each Finance Party), (i) within 120 days after the end of each fiscal year, copies of its audited annual financial statements; and (ii) within 60 days after the end of each of the first three (3) fiscal quarters of each fiscal year, copies of its interim financial statements which shall, at a minimum, contain such information required to be provided in interim financial statements by a "reporting issuer" (as such term is defined in such Applicable Securities Legislation) in the Province of British Columbia. Each of such financial statements shall be prepared in accordance with disclosure requirements of Applicable Securities Legislation in the Province of British Columbia and IFRS.

- (b) **Notice of Litigation and Default.** Notify the Administrative Agent in writing upon becoming aware of (i) any Default or Event of Default; (ii) any material suit, proceeding or governmental investigation pending or, to the Borrower's knowledge, threatened or any notification of any challenge to the validity of any Authorization, relating to the Borrower, any Subsidiary, the Rock Creek Lands or any of the Secured Assets; and (iii) any *force majeure* event under any document relating to the Rock Creek Lands or any of the Secured Assets.
- (c) **Corporate Existence.** Except as herein otherwise expressly provided, maintain, and cause each Subsidiary to at all times maintain, its corporate existence, obtain and maintain all Authorizations required or necessary in connection with their respective businesses, the Rock Creek Lands and any of the Secured Assets and to carry on and conduct its businesses in a reasonably proper and efficient manner.
- (d) **Compliance with Laws.** Comply, and cause each Subsidiary to comply, in all respects, with all Applicable Laws, including Environmental Laws, it being acknowledged and agreed that, for the purposes of this paragraph (d), the required standard of compliance will be "material compliance", except where the failure of the Borrower and any Subsidiary to comply with any Applicable Law could reasonably be expected to have a Material Adverse Effect.
- (e) **Maintenance of Properties.** Maintain, and cause each Subsidiary to maintain, the Secured Assets in good condition in accordance with prudent industry standards.
- (f) **Maintenance of Authorizations.** Maintain, and cause each Subsidiary to maintain, compliance with all Authorizations necessary to conduct their respective businesses as they are now being or are proposed to be conducted, including the Health Canada Licence.
- (g) **Payment of Taxes and Claims.** It shall, and shall cause each Subsidiary to, (i) file all income tax returns and filings in all required jurisdictions on a timely basis; and (ii) pay and discharge or cause to be paid and discharged, promptly when due, all Taxes imposed upon it or any Subsidiary in respect of any of the Secured Assets or upon the income or profits therefrom as well as all claims of any kind (including claims for labour, materials, supplies and rent) which, if unpaid, might become a Lien thereupon; provided however that it shall not be required to pay or cause to be paid any such Taxes if (i) the amount, applicability or validity thereof shall concurrently be contested in good faith by appropriate proceedings diligently conducted; and (ii) adequate reserves for the ultimate payment of any such Tax payment are maintained.
- (h) **Keeping of Books.** It shall, and shall cause each Subsidiary to, keep or cause to be kept proper books of account and make or cause to be made therein true and complete entries of all dealings and transactions in relation to their respective businesses in accordance with IFRS, and at all reasonable times furnish or cause to be furnished to the Administrative Agent such information relating to their respective operations as the Administrative Agent may reasonably request and such books of account shall be open for inspection by the Administrative Agent upon reasonable request.
- (i) **Financial Reporting.** It shall deliver monthly financial reports and shall provide financial summaries of the Borrower and each Subsidiary and their respective businesses to the Administrative Agent. The Reports shall include a balance sheet and income statement, a statement of aged trade payables, a run rate calculation and any other report that the Administrative Agent may reasonably require.

- (j) **Rights of Inspection.** At any time after an Event of Default, permit any employee, officer, agent or other representative of the Administrative Agent and any Finance Party, at the expense of the Borrower, to examine and make copies of any abstracts from the records and books of account of the Borrower or any Subsidiary and to discuss any of the Affairs of the Borrower or any Subsidiary with any of its directors, officers, employees, agents, representatives or auditors. At any time and from time to time, to a maximum of one inspection per 12-month period (provided that such limit shall not apply after an Event of Default), upon reasonable request of the Administrative Agent, permit an independent technical engineer selected by the Administrative Agent (it being understood that, unless an Event of Default has occurred, the cost of hiring such independent technical engineers shall be at the expense of the Administrative Agent), any employee, officer, agent or other representative of the Administrative Agent, at the expense of the Borrower, to inspect the Subject Properties and the Business and discuss any of the Affairs of the Borrower or any Subsidiary with any of the personnel of the Borrower or any Subsidiary and third party contractors.
- (k) **Maintenance of Insurance.** It shall, and shall cause each Subsidiary, to: (i) maintain policies of insurance with responsible carriers and in such amounts and covering such risks as are usually carried by reasonably prudent Persons of established reputation engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary (as the case may be) operate, in each case in such amounts, with such deductibles, covering such risks and otherwise on such terms and conditions as shall be customary for such Persons; (ii) add the Administrative Agent as loss payee and a named insured under the policies of the Borrower or any Subsidiary in connection with the Secured Assets; and (iii) on an annual basis or at any other time, promptly at the request of the Administrative Agent, deliver to the Administrative Agent all certificates and reports prepared in connection with such insurance.
- (l) **Authorizations.** It shall, and shall cause each Subsidiary to, obtain and maintain all required Authorizations for development and operation of, and production at, the Rock Creek Facility and on the Rock Creek Lands, generally.
- (m) **Perfection and Protection of Security.** It shall, and shall ensure that each Subsidiary shall, cause all necessary and proper steps to be taken diligently to protect and defend the Secured Assets and the proceeds thereof against any material adverse claim or demand, including without limitation, the employment or use of counsel for the prosecution or defence of litigation and the contest, settlement, release or discharge of any such claim or demand.
- (n) **Security.** It shall, and shall cause each Subsidiary to, ensure that each of the Security Documents shall at all times constitute valid and, upon registration in the appropriate registry, perfected first ranking security interest on all the Secured Assets (subject to Permitted Liens), and shall at all times take all actions necessary or reasonably requested to create, perfect and maintain the security interests granted pursuant to the Security as perfected first ranking security over the Secured Assets.
- (o) **Further Assurances.** It shall, and shall cause each Subsidiary to, duly and punctually perform and carry out all of the covenants and acts or things to be done by it as provided in each Credit Document to which it is a party. Additionally, the Borrower shall, and shall ensure that each Subsidiary shall, from time to time, as may be reasonably required by the Administrative Agent, execute and deliver such further and other documents and do all matters and things which are necessary to carry out the intention and provisions of the Credit Documents, including, if applicable, the execution and delivery of additional general

security agreements by each of the Borrower and 1233, in form and substance satisfactory to the Administrative Agent, on the date that is one (1) year after the Closing Date.

- (p) **Payment.** It shall duly and punctually pay or cause to be paid all amounts payable hereunder to each Finance Party and the Administrative Agent, on or prior to the dates, at the places, in the currency and in the manner provided for in the Credit Documents.
- (q) **Share Ownership.** It shall at all times own, beneficially and of record, directly or indirectly, 100% of the shares in 1233. In relation to 1233, there shall at all times only be one class of shares outstanding with all the rights and entitlements attaching to such shares being the same.
- (r) **Rock Creek Facility.** Subject to compliance with Applicable Law and the terms of all Authorizations, it shall, and shall cause each of the Subsidiaries to, diligently and continuously proceed with the development, operation and production of the Rock Creek Facility.
- (s) **Common Shares.** It shall take all reasonable steps and actions as may be required to maintain the listing and posting for trading of the Common Shares on the Exchange and to maintain its status as a "reporting issuer", or the equivalent thereof not in default of the requirements of the Applicable Securities Legislation of each of the Provinces of British Columbia, Alberta and Ontario.

8.2 Negative Covenants

So long as any amount owing under any Credit Document remains unpaid, the Borrower covenants and agrees with each Finance Party and the Administrative Agent that it shall not, and shall ensure that no Subsidiary shall, do the following without the prior written consent of the Administrative Agent:

- (a) **Debt.** Directly or indirectly issue, incur, assume or otherwise become liable for or in respect of any Indebtedness, except for Permitted Indebtedness.
- (b) **Liens.** Directly or indirectly create, incur, assume, permit, suffer or cause to exist any Lien against any assets, including, without limitation, any of the Secured Assets, other than Permitted Liens.
- (c) **Dissolution, etc.** Enter into or become party or subject to any dissolution, winding-up, reorganization, or similar transaction or proceeding.
- (d) **Disposal of Assets Generally.** Dispose of any of the Secured Assets, except that: (i) it may dispose of any used or surplus equipment, vehicles and other assets which are Secured Assets in the ordinary course of business and on commercially reasonable terms; provided that the fair market value of such equipment, vehicles or other assets, when aggregated with the fair market value of all other assets disposed of since the date of this Agreement and all outstanding Financial Assistance permitted pursuant to Section 8.2(h), does not exceed \$200,000 in the aggregate; and (ii) it may dispose of Cannabis in the ordinary course of business.
- (e) **Payments.** Except as expressly permitted hereunder, make any prepayment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness.

- (f) **Affiliate Transactions.** Other than as set out in Schedule 8.2(f), make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Borrower or any Subsidiary (in this paragraph (f), each an "**Affiliate Transaction**") other than:
- (v) an Affiliate Transaction that, based on a certificate of an officer of the Borrower addressed to the Administrative Agent (in in form and content satisfactory to the Administrative Agent) to that effect, is on terms that are no less favourable than those that would have been obtained in a comparable arm's length transaction with a Person who is not a "related person", as such term is defined in the *Bankruptcy and Insolvency Act* (Canada);
 - (vi) any payments made by a Subsidiary to the Borrower; and
 - (vii) the advance by the Borrower of the proceeds of the Loan to 1233 and any payment by a Subsidiary to the Borrower for the sole purpose of the Borrower making payments required under this Agreement.
- (g) **Distributions.** Declare or pay any dividends or make any distributions on any of its (equity) securities, except where no Default or Event of Default has occurred and is continuing or would occur as a result of such distribution and such distribution is not otherwise prohibited hereunder.
- (h) **Financial Assistance.** Provide any Financial Assistance to any Person, except that it may provide Financial Assistance that:
- (i) when aggregated with all other Financial Assistance provided hereunder, does not exceed \$200,000;
 - (ii) when aggregated with the aggregate consideration for acquisitions or incorporations permitted pursuant to Section 8.2(j), does not exceed \$200,000;
 - (iii) when aggregated with the aggregate of all Permitted Indebtedness incurred or owed by the Borrower or any Subsidiary, does not exceed \$200,000; and
 - (iv) when aggregated with the aggregate fair market value of the Secured Assets disposed of pursuant to Section 8.2(d), does not exceed \$200,000.
- (i) **Redemption.** Purchase, redeem, retire or otherwise acquire for cash any securities (equity or other) of the Borrower or any Subsidiary.
- (j) **Subsidiaries and Acquisitions.** Directly or indirectly acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them) or incorporate a company if the consideration for such acquisition or incorporation in any financial year of the Borrower, when aggregated with the consideration for all other acquisitions and/or incorporations during such financial year of the Borrower and all outstanding Financial Assistance permitted pursuant to Section 8.2(h), would reasonably be expected to have a Material Adverse Effect on the Secured Assets.

- (k) **Constating Documents.** Amend any of its constating documents, if such amendment is or could reasonably be expected to be prejudicial to any Finance Party or the Administrative Agent.
- (l) **Change in Business.** Engage in the conduct of any business other than the Business or in businesses reasonably related thereto on a basis consistent with the conduct of the Business.
- (m) **Use of Principal Amount.** Use the proceeds of the Loan for any purposes other than those expressly contemplated in this Agreement (and without limiting the generality of the foregoing, the proceeds of the Loan are not to be used to directly or indirectly fund a takeover bid or other similar transaction under any Applicable Laws for the shares or other ownership interests of a public company, which takeover bid or other similar transaction is not endorsed by the board of directors of such public company.
- (n) **Sale-Leaseback.** Enter into any sale leaseback, synthetic lease or similar transaction involving any assets of the Borrower or any Subsidiary.

8.3 Outstanding Payroll Taxes

The Borrower hereby agrees, covenants and undertakes to (i) remit to the applicable Governmental Entity the aggregate amount of all outstanding back payroll Taxes (together with the accrued interest and penalties payable thereon) owing by the Borrower and the Guarantor, including the payroll taxes set out in Schedule 7.1(s); and (ii) to provide evidence of such remittance to the Administrative Agent, in form and substance satisfactory to the Administrative Agent, acting reasonably, within five (5) days of receipt of the advance of the aggregate Principal Amount.

ARTICLE 9 EVENTS OF DEFAULT

9.1 Events of Default

The occurrence of any one or more of the following events, after the expiry of any applicable cure period set out below, shall constitute an event of default under this Agreement (each an "**Event of Default**"):

- (a) **Non-Payment.** The Borrower fails to pay any amount of the outstanding Principal Amount, any interest or any Fees when such amount, interest or Fees become due and payable;
- (b) **Breach of Guarantee.** Any Subsidiary defaults in any payment obligations in accordance with the terms of any Guarantees;
- (c) **Misrepresentation.** Any representation or warranty or certification made or deemed to be made by the Borrower or any Subsidiary in any Credit Document shall prove to have been incorrect or misleading in any material respect as at the date on which it was made and, if the circumstances giving rise to the materially incorrect or misleading misrepresentation, warranty or certification are capable of modification or rectification (such that, thereafter the representation, warranty or certification would not be incorrect or misleading in any material respect), the representation, warranty or certification remains incorrect or misleading in any material respect at the end of a period of 30 days from the date the Borrower or such Subsidiary becomes aware of such incorrect or misleading representation, warranty or certification;

- (d) **Breach of Negative Covenants.** The Borrower or any Subsidiary fails to perform, observe or comply with any of the covenants or conditions contained in Section 8.2 and, with respect to such covenants or conditions which are capable of rectification, if such failure continues for a period of 15 days after notice in writing has been given to the Borrower specifying such failure and requiring the Borrower or the Subsidiary to rectify the same;
- (e) **Breach of Other Covenants.** The Borrower or any Subsidiary fails to perform, observe or comply with any covenants or conditions contained in any Credit Document (other than the covenants and conditions contained in Section 8.2) and, with respect to such covenants or conditions which are capable of rectification, if such failure continues for a period of 30 days after notice in writing has been given to the Borrower specifying such failure and requiring the Borrower or the Subsidiary to rectify the same;
- (f) **Cross-Default.** The Borrower or any Subsidiary fails to pay the principal of, premium, if any, interest on, or any other amount owing by it in respect of any of its Indebtedness or obligation to any other Person, which is outstanding in an aggregate principal amount exceeding \$200,000 (or the equivalent amount in any other currency) when such amount becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness or obligation; or any other event occurs or condition exists and continues after the applicable grace period, if any, specified in any agreement or instrument relating to any such Indebtedness or obligation, if its effect is to accelerate or permit the acceleration of, such Indebtedness or obligation; or any such Indebtedness or obligation shall be, or may be, declared to be due and payable prior to its stated maturity date;
- (g) **Judgments.** A final judgment or decree for the payment of money in excess of \$200,000, individually or \$300,000 on a cumulative basis, is rendered against the Borrower and/or any Subsidiary by a court having jurisdiction and within a period of 30 days thereafter such judgment or decree shall not have been and remain satisfied, vacated or discharged or stayed pending appeal within the applicable appeal period;
- (h) **Insolvency.** The Borrower or any Subsidiary: (i) becomes an insolvent person; (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institutes or has instituted against it any proceeding seeking (A) to adjudicate it a bankrupt or an insolvent person, (B) liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Applicable Law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or (C) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or (iv) takes any corporate action to authorize any of the above actions;
- (i) **Guarantee/Security Imperilled.** Any one or more of the Security Documents ceases to be in full force and effect or to constitute a valid and perfected first-priority Lien upon all the Secured Assets it purports to charge or encumber, in favour of any Finance Party or the Administrative Agent;

- (j) **Material Adverse Effect.** The occurrence of any Material Adverse Effect;
- (k) **Change of Control.** If a Change of Control occurs without the prior written consent of the Administrative Agent; or
- (l) **Credit Documents.** If this Agreement or any other Credit Document shall for any reason, or is claimed by the Borrower or any Subsidiary to, cease in whole or in any part to be a legal, valid, binding and enforceable obligation of the Borrower or the applicable Subsidiary,

then the Administrative Agent may, and shall at the request of the Lender, declare the outstanding Principal Amount, all accrued interest and Fees (including the Prepayment Fee), and all other amounts payable under the Credit Agreements to be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower.

9.2 Remedies Upon Default

- (a) Upon a declaration that the outstanding Principal Amount is immediately due and payable pursuant to Section 9.1, the Administrative Agent shall at the request of, or may with the consent of, the Lender, commence such legal action or proceedings as the Lender, in its sole discretion, deem expedient, including, the commencement of enforcement proceedings under the Credit Documents all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets, or any other action or notice, all of which are expressly waived by the Borrower.
- (b) The rights and remedies of each Finance Party and the Administrative Agent under the Credit Documents are cumulative and are in addition to, and not in substitution for, any other rights or remedies. Nothing contained in the Credit Documents with respect to the Indebtedness or liability of the Borrower to any Finance Party or the Administrative Agent, nor any act or omission of any Finance Party or the Administrative Agent with respect to the Credit Documents or the Security shall in any way prejudice or affect the rights, remedies and powers of any Finance Party or the Administrative Agent under the Credit Documents and the Security.

ARTICLE 10 THE ADMINISTRATIVE AGENT AND THE FINANCE PARTIES

10.1 Affirmative Covenants

- (a) Each Finance Party irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Documents as are delegated to it by the terms of the Credit Documents, together with all powers reasonably incidental thereto. As to any matters not expressly provided for by this Agreement, the Administrative Agent shall act or refrain from acting (and shall be fully protected in so doing) upon the instructions of the Lender, which instructions shall be binding upon the Finder. The Administrative Agent shall not be required to take any action which (i) would expose directors, officers, shareholders, agents or employees to personal liability; (ii) is contrary to this Agreement or any Applicable Law; (iii) would require it to become registered to do business in any jurisdiction; or (iv) would subject it to taxation.
- (b) The Administrative Agent shall have no duties or obligations other than as set out in the Credit Documents and there shall not be construed against the Administrative Agent any implied duties (including fiduciary duties), obligations or covenants. The Administrative

Agent may execute or perform, and may delegate the execution and performance of, any of its powers, rights, discretions and duties under the Credit Documents through or to any Persons designated by it. References in any Credit Document to the Administrative Agent shall include references to any such Persons.

- (c) The Administrative Agent is not obliged to (i) take or refrain from taking any action or exercise or refrain from exercising any right or discretion under the Credit Documents; or (ii) incur or subject itself to any cost in connection with the Credit Documents, unless it is first specifically indemnified or furnished with security with respect to such costs by the Finance Parties, in form and substance satisfactory to the Administrative Agent (which may include further agreements of indemnity or the deposit of funds).
- (d) The Administrative Agent shall promptly deliver to each Finance Party any notices, reports or other communications contemplated in the Credit Documents which are intended for the benefit of any Finance Party.

10.2 No Liability

Neither the Administrative Agent nor its directors, officers, agents or employees shall be liable to any Finance Party for any action taken or omitted to be taken by it or them in connection with the Credit Documents, except for its or their own gross negligence or wilful misconduct. Without limiting the generality of the foregoing, the Administrative Agent (i) may treat the Lender as the payee of amounts attributable to the Loan; (ii) may treat the Finder as the payee for an amount equal to the Finder's Fee; (iii) may consult with legal counsel (including legal counsel for the Borrower), independent accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in accordance with their advice; (iv) makes no warranty or representation to any Finance Party and shall not be responsible to the Finance Parties for the form, substance, accuracy or completeness of any Credit Document or any other documents or information made available to the Finance Parties; (v) has no duty to inspect the property or assets (including books and records) of any Credit Party or any other Person; (vi) has no duty to ascertain or inquire as to the existence of a Default or the observance of any of the terms or conditions of the Credit Documents; (vii) is not responsible to any Finance Party for the execution, enforceability, genuineness, sufficiency or value of any of the Credit Documents; and (viii) shall incur no liability by acting upon any notice, certificate or other instrument believed by it to be genuine and signed or sent by the proper Person.

10.3 Accommodations by Administrative Agent

The terms "**Lender**" or "**Finder**" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates and nominees may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Credit Party, any of the subsidiaries of the Credit Parties or any Person who may do business with or own securities of such Persons, all as if it were not the Administrative Agent and without any duty to account to any Finance Party.

10.4 Holding of Security; Sharing of Payments, etc.

- (a) The Security shall be held by the Administrative Agent or any Person designated by the Administrative Agent for the rateable benefit of the Finance Parties and the Administrative Agent in accordance with its terms and, except as otherwise expressly provided herein, any proceeds from any realization of the Security shall be applied to the outstanding Principal Amount, any interest and any Fees due and payable to the Finance Parties rateably (whether such Security is held in the name of the Administrative Agent, any other Person or in the

name of any one or more of the Finance Parties and without regard to any priority to which the Finance Parties may otherwise be entitled under Applicable Law).

- (b) Each Finance Party agrees with the other Finance Party that it shall not, without the prior consent of the other Finance Party, take or obtain any Lien on any properties or assets of any Credit Party to secure the obligations of the Borrower under this Agreement, except for the benefit of each Finance Party or as may otherwise be required by Applicable Law.
- (c) If any Finance Party obtains any payment (whether voluntary, involuntary or through the exercise of any right of set off or realization of Security) on account of any amount owing to it under the Credit Documents (other than amounts paid pursuant to Section 10.6) in excess of its rateable share of payments obtained by all Finance Parties, then such Finance Party, shall account to and pay over to the other Finance Party its rateable share.

10.5 Lender Credit Decisions

Each Finance Party acknowledges that it has, independently and without reliance upon the Administrative Agent, made its own credit analysis and decision to enter into this Agreement. Each Finance Party also acknowledges that it shall, independently and without reliance upon the Administrative Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents.

10.6 Indemnification

Each Finance Party shall indemnify and save the Administrative Agent harmless (to the extent not otherwise reimbursed by the Borrower) rateably from any claim or loss suffered by, imposed upon or asserted against the Administrative Agent as a result of, or arising out of, the Credit Documents or any action taken or omitted by the Administrative Agent under the Credit Documents provided that neither Finance Party shall be liable for any part of such loss resulting from the gross negligence or wilful misconduct of the Administrative Agent in its capacity as agent. Without limiting the foregoing, each Finance Party shall reimburse the Administrative Agent upon demand for its rateable share of any out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, execution, administration or enforcement of, or legal advice in respect of rights or responsibilities under, the Credit Documents (to the extent not otherwise reimbursed by the Borrower).

10.7 Liability of the Finance Parties *inter se*

Each Finance Party agrees with the other that, except as otherwise expressly provided in this Agreement, neither the Lender nor the Finder has or shall have any duty or obligation, or shall in any way be liable, to the other in respect of the Credit Documents or any action taken or omitted to be taken in connection with them.

10.8 Successor Agents

The Administrative Agent may resign at any time by giving written notice to each Finance Party and the Borrower, such resignation to be effective upon the appointment of a successor Administrative Agent. Upon notice of any resignation, the Lender has the right to appoint a successor Administrative Agent. If no successor Administrative Agent is appointed or has accepted the appointment within 30 days after the retiring Administrative Agent's notice of resignation, then the retiring Administrative Agent may, on behalf of the Finance Parties, appoint a successor Administrative Agent. Upon the acceptance of the appointment by a successor Administrative Agent, the successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative

Agent's resignation, the provisions of this Article 10 shall enure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

ARTICLE 11 TAXES AND OTHER TAXES

11.1 Taxes

All payments to any Finance Party or the Administrative Agent by any Credit Party under any of the Credit Documents shall be made free and clear of and without deduction or withholding for any and all Taxes imposed by Canada or any other relevant jurisdiction (which for greater certainty does not include a jurisdiction in which Taxes are imposed because of an action of a Finance Party) or any political subdivision or taxing authority of it, unless such Taxes are required by Applicable Law to be deducted or withheld. If any Credit Party shall be required by Applicable Law to deduct or withhold any such Taxes from or in respect of any amount payable under any of the Credit Documents (i) the amount payable shall be increased (and for greater certainty, in the case of interest, the amount of interest shall be increased) as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to any additional amounts paid under this Section 11.1, the Finance Party or the Administrative Agent receives an amount equal to the amount it would have received if no such deduction or withholding had been made; (ii) such Credit Party shall make such deductions or withholdings; and (iii) such Credit Party shall immediately pay the full amount deducted or withheld to the relevant Governmental Entity in accordance with Applicable Law.

11.2 Other Taxes

The Borrower agrees to immediately pay any present or future stamp or documentary taxes or any other excise or property taxes, charges, financial institutions duties, debits taxes or similar levies (in this Article 11, all such taxes, charges, duties and levies being referred to as "**Other Taxes**") which arise from any payment made by any Credit Party under any Credit Document or from the execution, delivery or registration of, or otherwise with respect to, any Credit Document.

11.3 Indemnification

The Borrower shall indemnify each Finance Party and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable by the Borrower under this Article 11) imposed by Canada or any other relevant jurisdiction (which for greater certainty does not include a jurisdiction in which Taxes or Other Taxes are imposed because of an action of a Finance Party) that is paid or incurred by any Finance Party or the Administrative Agent and any liability (including penalties, interest and expenses) arising from or with respect to such Taxes or Other Taxes, whether or not they were correctly or legally asserted; provided that each Finance Party and the Administrative Agent agrees to promptly repay to the Borrower any amount paid by the Borrower to any such party for Taxes or Other Taxes that are ultimately determined (without any right to appeal) to be incorrectly or not legally assessed. The Borrower shall not be required to indemnify any Finance Party or the Administrative Agent for:

- (a) any Taxes or Other Taxes imposed by reason of such Finance Party or the Administrative Agent being connected with Canada or any other relevant jurisdiction otherwise than merely by lending money to the Borrower pursuant to this Agreement; or
- (b) any Taxes or Other Taxes to the extent such Taxes or Other Taxes are imposed on or calculated by reference to the net income (excluding any amounts deemed to be included in the income of such Finance Party or the Administrative Agent by virtue of a payment

under this Agreement that is not actually received by the Finance Party or the Administrative Agent) of such Finance Party or the Administrative Agent.

Payment under this indemnification shall be made within ten (10) Business Days from the date the Administrative Agent makes written demand for it. A certificate as to the amount of such Taxes or Other Taxes submitted to the Borrower by the Administrative Agent, the Lender or the Finder shall be conclusive evidence, absent manifest error, of the amount due from the Borrower to the Administrative Agent, the Lender or the Finder, as the case may be.

11.4 Evidence of Payment

The Borrower shall furnish to the Finance Parties the original or a certified copy of each receipt evidencing payment of Taxes or Other Taxes made by the Borrower within ten (10) days after the date of any payment of such Taxes or Other Taxes.

11.5 Refunds

If any Finance Party, in its sole opinion, is entitled to claim a refund or able to apply for or otherwise take advantage of any tax credit, tax deduction or similar benefit by reason of any withholding or deduction made by the Borrower in respect of a payment made by it under this Agreement, which payment shall have been increased pursuant to Section 11.1, then the Lender or the Finder shall use reasonable effort to obtain the refund, credit, deduction or benefit and upon credit or receipt of it shall pay to the Borrower, the amount (if any) not exceeding the increased amount paid by the Borrower, as equals the net after-tax value to the Lender or the Finder of that part of the refund, credit, deduction or benefit as it considers is allocable to such withholding or deduction having regard to all of its dealings giving rise to similar credits, deductions or benefits in relation to the same tax period and to the cost of obtaining the same. Nothing contained in this Section 11.5 shall interfere with the right of any Finance Party to arrange its tax affairs in whatever manner it deems fit (in its sole and absolute discretion) and in particular, no Finance Party shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of any deduction or withholding in priority to any other relief, claims, credits or deductions available to it and no Finance Party shall be obligated to disclose to the Borrower any information regarding its tax affairs, tax computations or otherwise.

11.6 Survival

The provisions of this Article 11 shall survive the termination of the Agreement and the repayment of the Principal Amount and any interest and Fees.

ARTICLE 12 INDEMNITY

12.1 Costs and Expenses

The Borrower shall, whether or not the transactions contemplated in this Agreement are completed, indemnify and hold each Finance Party and the Administrative Agent and each of their respective officers, directors, shareholders, employees, agents and representatives (in this Section 12.1, each an "**Indemnified Person**") harmless from, and shall pay to such Indemnified Person forthwith any amounts required to compensate the Indemnified Person for, any cost, expense, claim or loss suffered by, imposed on, or asserted against (and including in respect of any investigation, litigation or proceeding or the preparation of any defense with respect thereto arising out of or in connection with), the Indemnified Person as a result of, connected with or arising out of (i) any of the Credit Documents or any action taken or omitted by any Indemnified Person under or in relation to any of the Credit Documents, except to the extent caused by the gross negligence or wilful misconduct of the Indemnified Party; (ii) the breach by a Credit Party of its

obligations under any Credit Document; (iii) the preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of any Credit Document (except for any refinancing, renegotiation or restructuring initiated at the request of the Administrative Agent or a Finance Party) and any related amendment, waiver or consent; (iv) the exercise of the rights, powers and duties of any Finance Party or the Administrative Agent, with respect to the administration of the Loan, the Credit Documents or any transaction contemplated under the Credit Documents; (v) a Default by the Borrower or any Subsidiary; (vi) any proceedings brought by or against the Indemnified Person, or in which the Indemnified Person otherwise participates, due to its entering into or being a party of any Credit Document, or by reason of its exercising or performing, or causing the exercise or performance of, any right, power or duty under any Credit Document or otherwise in connection with its interest in any Security, whether or not such proceedings are directly related to the enforcement of any Credit Document, except to the extent caused by the gross negligence or wilful misconduct of the Indemnified Person; and (vii) the presence of any Contaminants at, on or under, or the discharge or likely discharge of any Contaminants from, the Rock Creek Lands or any of the properties now or previously used by any Credit Party, or the breach by or non-compliance with any Environmental Law by any mortgagor, owner or lessee of the Rock Creek Lands.

12.2 Survival

The provisions of this Article 12 shall survive the termination of this Agreement and the repayment of the Principal Amount and any interest and Fees. The Borrower acknowledges that neither its obligation to indemnify nor any actual indemnification by it of any Indemnified Person in respect of such Person's losses for the legal fees and expenses shall in any way affect the confidentiality or privilege relating to any information communicated by such Person to its counsel.

ARTICLE 13 GENERAL

13.1 Amendments, etc.

- (a) Subject to Section 13.1(b), no amendment or waiver of any provision of any of the Credit Documents, nor consent to any departure by any Credit Party or any other Person from any such provision, is effective unless in writing and approved by the Lender. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.
- (b) Only written amendments, waivers or consents signed by each affected Finance Party shall (i) reduce the amount of any outstanding Principal Amount, any interest or any Fees payable to such Finance Party; or (ii) postpone any date fixed for any payment to such Finance Party of reduce the amount of any outstanding Principal Amount, any interest or any Fees. The consent of each Finance Party shall be required to (i) permit any termination of any of the Security Documents; or (ii) amend this Section 13.1(b).
- (c) Only written amendments, waivers or consents signed by the Administrative Agent in addition to the Lender, shall affect the rights or duties of the Administrative Agent under the Credit Documents.
- (d) Only written amendments, waivers or consents signed by the Credit Parties shall affect the rights or duties of the Credit Parties under the Credit Documents.

13.2 Waiver

- (a) No failure on the part of any Finance Party or the Administrative Agent to exercise, and no delay in exercising, any right under any of the Credit Documents shall operate as a waiver

of such right; nor shall any single or partial exercise of any right under any of the Credit Documents preclude any other or further exercise of such right or the exercise of any other right.

- (b) Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties shall not merge on any, and shall survive each advance of the Principal Amount and, notwithstanding any such advance or any investigation made by or on behalf of any Party, shall continue in full force and effect. The closing of this transaction shall not prejudice any right of one Party against any other Party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

13.3 Evidence of Indebtedness

The indebtedness of the Borrower resulting from the Loan shall be evidenced by the books and records of each Finance Party (or the Administrative Agent acting on behalf of the Finance Parties) which shall constitute *prima facie* evidence of such indebtedness absent manifest error; provided however that each Finance Party or the Administrative Agent, as applicable, covenants to keep accurate books and records of such indebtedness.

13.4 Notices, etc.

Any notice, direction or other communication to be given under this Agreement shall, except as otherwise permitted, be in writing and given by delivering it or sending it by facsimile or other similar form of recorded communication addressed:

- (a) to the Borrower at:

1520 - 6 Myers Creek Road West
Rock Creek
British Columbia, V0H 1Y0

Attention: Chief Executive Officer
Email: bin@speakeasygrowers.com

with a copy, which copy shall not constitute notice, to:

Pushor Mitchell LLP
301 – 1665 Ellis Street
Kelowna
British Columbia, V1Y 2B3

Attention: Keith Inman
Email: inman@pushormitchell.com

- (b) to the Administrative Agent or the Lender at:

Bhayana Ventures Ltd.
1181 Main Street
Vancouver
British Columbia, V6A 4B6

Attention: President
Email: [REDACTED] [Personal information redacted.]

(c) to the Finder at:

1193213 B.C. Ltd.
17 East 47th Avenue
Vancouver
British Columbia, V5W 2A

Attention: President

Email: [REDACTED] [Personal information redacted.]

Any such notice, direction or other communication shall be deemed to have been validly and effectively given if (i) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Vancouver time), otherwise on the next Business Day; and (ii) transmitted by facsimile, electronic mail or similar means of recorded communication, on the Business Day following the date of transmission. Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

13.5 Right of Set-Off

Upon the occurrence and during the continuance of any Event of Default, the Lender is authorized at any time and from time to time, to the fullest extent permitted by law (including general principles of common-law), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by it to or for the credit or the account of any Credit Party against any and all of the obligations of any Credit Party under any Credit Document, irrespective of whether or not the Lender has made demand under any of the Credit Documents. The Lender shall promptly notify the Borrower after any set off and application is made by it; provided that the failure to give notice shall not affect the validity of the set off and application. The rights of the Lender under this Section 13.5 are in addition to any other rights and remedies (including all other rights of set-off) which the Lender may have.

13.6 Successors and Assigns

- (a) This Agreement shall become effective when executed by the all the Parties, and after that time shall be binding upon and enure to the benefit of each Party and their respective successors and permitted assigns.
- (b) No Credit Party shall have the right to assign or transfer any of its rights or obligations under any of the Credit Documents without the prior consent of the Administrative Agent, which consent may be unreasonably withheld.
- (c) Without the prior written consent of the Borrower, Lender may grant participations in all or any part of its interest in the Loan to one or more Persons (in this Section 13.6, each a "**Participant**"). At any time, the Lender may assign or transfer all or any part of its rights or obligations under any Credit Document to one or more Persons (in this Section 13.6, each an "**Assignee/Transferee**") without the consent of the Borrower. The Lender shall, unless otherwise expressly provided in this Agreement, act on behalf of all of its Participants in all dealings with the Credit Parties in respect of the Loan and no Participant shall have any voting or consent rights with respect to any matter requiring the Lender's consent. In the case of an assignment or transfer, the Assignee/Transferee shall have the same rights and benefits and be subject to the same limitations under the Credit Documents as it would have if it was the Lender.

- (d) The Borrower shall provide such certificates, acknowledgments and further assurances in respect of any Credit Document as the Lender may reasonably require in connection with any participation, assignment or transfer pursuant to this Section 13.6.
- (e) In the case of an assignment or transfer, the Lender and the Credit Parties shall be released from their respective obligations under the Credit Documents (to the extent of such assignment or transfer) and shall have no liability or obligations to each other to such extent, except in respect of matters arising prior to the assignment or transfer.
- (f) Any assignment, transfer or grant of participation pursuant to this Section 13.6 shall not constitute a repayment by the Borrower to the Lender of any outstanding Principal Amount, and the Parties acknowledge that the Borrower's obligations with respect to any outstanding Principal Amount shall continue and shall not constitute a new obligation.
- (g) Unless the Administrative Agent otherwise agrees and excluding an assignment or transfer to an Affiliate of the Lender, an Assignee/Transferee shall, on the date upon which the relevant assignment or transfer takes effect, pay to the Administrative Agent (for its own account) a fee of \$5,000.

13.7 Arbitration

- (a) Any matter in dispute hereunder shall be determined by a single arbitrator to be appointed by the Parties.
- (b) Any Party may refer any such matter to arbitration by notice to the other Party and, within ten (10) Business Days after receipt of such notice, the Parties shall agree on the appointment of an arbitrator. No Person shall be appointed as an arbitrator hereunder unless such Person agrees in writing to act.
- (c) If the Parties cannot agree on a single arbitrator as provided in this Section 13.7 or if the Person appointed is unwilling or unable to act, either Party may submit the matter to arbitration before a single arbitrator in accordance with rules for conciliation and arbitration of the *Arbitration Act* (British Columbia) (in this Section 13.7, the "**Rules**").
- (d) Except as otherwise specifically provided in this Section 13.7, an arbitration hereunder shall be conducted in English in accordance with the Rules. The arbitrator shall fix a time and place in Vancouver for the purpose of hearing the evidence and representations of the Parties and he shall preside over the arbitration and determine all questions of procedure not provided for under the Rules or this Section 13.7. After hearing any evidence and representations that the Parties may submit, the arbitrator shall make an award and reduce the same to writing and deliver one copy thereof to each of the Parties. The decision of the arbitrator shall be made within 45 days after his appointment, subject to any reasonable delay due to unforeseen circumstances. The expense of the arbitration shall be paid as specified in the award. The arbitrator's award shall be final and binding upon each of the Parties.

13.8 Governing Law and Waiver of Jury Trial

- (a) This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
- (b) The Parties irrevocably attorn and submit to the non-exclusive jurisdiction of any court of competent jurisdiction of the Province of British Columbia sitting in Vancouver, British

Columbia in any action or proceeding arising out of or relating to this Agreement and the other Credit Documents to which it is a party. The Parties irrevocably waive objection to the venue of any action or proceeding in such court or that such court provides an inconvenient forum.

- (c) Each of the Parties hereby irrevocably waives all right to a trial by jury in any action, proceeding or counterclaim arising out of or relating to any Credit Document or the transactions contemplated hereby or thereby. The scope of this waiver is intended to be all-encompassing with respect to any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each of the Parties acknowledges that this waiver is a material inducement for the parties to the Credit Documents to enter into a business relationship, that the parties to the Credit Documents have already relied on this waiver in entering into same and the transactions that are the subject thereof, and that they shall continue to rely on this waiver in their related future dealings.

13.9 Independent Legal Advice

Each of the Parties acknowledges and agrees that (i) Lotz & Company has acted as legal counsel only to the Lender and the Administrative Agent; and (ii) Pushor Mitchell LLP has acted as legal counsel only to the Borrower and 1233, in connection with the structuring of the Loan and the drafting, execution and delivery of this Agreement by the Parties. The Finder acknowledges that it has read, understands and agrees with all of the provisions of this Agreement and acknowledges that it has had the opportunity to obtain independent legal advice with respect thereto.

13.10 Counterparts

This Agreement may be executed in several counterparts and delivered by facsimile or electronically, each of which when so executed or delivered shall be, and be deemed to be, an original instrument and such counterparts together shall constitute one and the same instrument (and notwithstanding their date of execution shall be deemed to bear the date as of the date of this Agreement).

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF the Parties have executed this Agreement.

SPEAKEASY CANNABIS CLUB LTD.

Per: [Redacted] [Personal information redacted.]
Authorized Signatory
Name: Bin Huang
Title: Chief Executive Officer

Per: [Redacted] [Personal information redacted.]
Authorized Signatory
Name: Patrick Geen
Title: Chief Financial Officer

10161233 CANADA LIMITED

Per: [Redacted] [Personal information redacted.]
Authorized Signatory
Name: Bin Huang
Title: Director

Per: [Redacted] [Personal information redacted.]
Authorized Signatory
Name: Patrick Geen
Title: Director

1244726 B.C. LTD.

Per: ✓
Authorized Signatory
Name:
Title:

Per: _____
Authorized Signatory
Name:
Title:

IN WITNESS WHEREOF the Parties have executed this Agreement.

SPEAKEASY CANNABIS CLUB LTD.

Per: _____
Authorized Signatory
Name:
Title:

Per: _____
Authorized Signatory
Name:
Title:

10161233 CANADA LIMITED

Per: _____
Authorized Signatory
Name:
Title:

Per: _____
Authorized Signatory
Name:
Title:

1244726 B.C. LTD.

Per:  [Personal information redacted.]
Authorized Signatory
Name: Preetinder Bhayana
Title: Director

Per: _____
Authorized Signatory
Name:
Title:

1193213 B.C. LTD.

Per:  [Personal information redacted.]
Authorized Signatory
Name: Allan Lee
Title: Director

Per: _____
Authorized Signatory
Name:
Title:

BHAYANA VENTURES LTD.

Per:  [Personal information redacted.]
Authorized Signatory
Name: Preetinder Bhayana
Title: Director

Per: _____
Authorized Signatory
Name:
Title:

EXHIBIT "A"

Lender Notes

See attached.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[INSERT DATE THAT IS FOUR MONTHS AND A DAY AFTER CLOSING]*.

PROMISSORY NOTE – INITIAL ADVANCE

Dated: April [●], 2020

\$250,000

Maturity Date: April [●], 2022

SPEAKEASY CANNABIS CLUB LTD., a corporation continued under the laws of the Province of British Columbia (the "**Borrower**"), for value received, hereby unconditionally promises to pay to the order of BHAYANA VENTURES LTD. or its nominees, as Administrative Agent for and on behalf of the Lender ("**BVL**"), the principal sum of TWO HUNDRED AND FIFTY THOUSAND (\$250,000) DOLLARS in the lawful money of Canada, together with all accrued and unpaid interest thereon. Capitalized terms used herein but not otherwise defined herein have the respective meanings ascribed to those terms in the convertible loan agreement made as of April 21, 2020 among the Borrower, 10161233 Canada Limited, 1244726 B.C. Ltd., 1193213 B.C. Ltd. and BVL (as such agreement may be further amended, modified, renewed or extended from time to time, the "**Loan Agreement**").

The principal of and interest on this Note from time to time outstanding shall be due and payable as provided in the Loan Agreement. This Note is issued pursuant to and evidences obligations of the Borrower owing to BVL (for an on behalf of the Lender) under the Loan Agreement and this Note is subject to all the provisions of the Loan Agreement. The Loan Agreement contains provisions for the prepayment of the Principal Amount, any interest and any Fees by the Borrower and the conversion, acceleration and demand of same by BVL upon the happening of certain events.

BVL is hereby authorized by the Borrower to record on a schedule annexed to this Note (or on a supplemental schedule) the amounts owing to BVL (for an on behalf of the Lender) under the Loan Agreement and the payment thereof. Failure to make any notation, however, shall not affect the rights of BVL or the Lender or any obligations of the Borrower hereunder or under any other Credit Document.

Time is of the essence of this Note.

The Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party, and any notice of or defense on account of any extensions, renewals, partial payments, or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

To the extent any terms contained herein conflict with the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail and govern.

This Note shall be governed by the laws of the province of British Columbia and the federal laws of Canada applicable therein, without giving effect to any conflict of law principles.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Note is executed as of the date set forth above.

SPEAKEASY CANNABIS CLUB LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

SCHEDULE TO PROMISSORY NOTE

Repayment of Principal

Date	Amount of Repayment / Conversion	Unpaid Balance	Recorded by

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[INSERT DATE THAT IS FOUR MONTHS AND A DAY AFTER CLOSING]*.

PROMISSORY NOTE – LENDER

Dated: April [●], 2020

\$1,750,000

Maturity Date: April [●], 2022

SPEAKEASY CANNABIS CLUB LTD., a corporation continued under the laws of the Province of British Columbia (the "**Borrower**"), for value received, hereby unconditionally promises to pay to the order of BHAYANA VENTURES LTD. or its nominees, as Administrative Agent for and on behalf of the Lender ("**BVL**"), the principal sum of ONE MILLION SEVEN HUNDRED AND FIFTY THOUSAND (\$1,750,000) DOLLARS in the lawful money of Canada, together with all accrued and unpaid interest thereon. Capitalized terms used herein but not otherwise defined herein have the respective meanings ascribed to those terms in the convertible loan agreement made as of April 21, 2020 among the Borrower, 10161233 Canada Limited, 1244726 B.C. Ltd., 1193213 B.C. Ltd. and BVL (as such agreement may be further amended, modified, renewed or extended from time to time, the "**Loan Agreement**").

The principal of and interest on this Note from time to time outstanding shall be due and payable as provided in the Loan Agreement. This Note is issued pursuant to and evidences obligations of the Borrower owing to BVL (for an on behalf of the Lender) under the Loan Agreement and this Note is subject to all the provisions of the Loan Agreement. The Loan Agreement contains provisions for the prepayment of the Principal Amount, any interest and any Fees by the Borrower and the conversion, acceleration and demand of same by BVL upon the happening of certain events.

BVL is hereby authorized by the Borrower to record on a schedule annexed to this Note (or on a supplemental schedule) the amounts owing to BVL (for an on behalf of the Lender) under the Loan Agreement and the payment thereof. Failure to make any notation, however, shall not affect the rights of BVL or the Lender or any obligations of the Borrower hereunder or under any other Credit Document.

Time is of the essence of this Note.

The Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party, and any notice of or defense on account of any extensions, renewals, partial payments, or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

To the extent any terms contained herein conflict with the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail and govern.

This Note shall be governed by the laws of the province of British Columbia and the federal laws of Canada applicable therein, without giving effect to any conflict of law principles.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Note is executed as of the date set forth above.

SPEAKEASY CANNABIS CLUB LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

SCHEDULE TO PROMISSORY NOTE

Repayment of Principal

Date	Amount of Repayment / Conversion	Unpaid Balance	Recorded by

EXHIBIT "B"

Finder Note

See attached.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE *[INSERT DATE THAT IS FOUR MONTHS AND A DAY AFTER CLOSING]*.

PROMISSORY NOTE – FINDER'S FEE

Dated: April [●], 2020

\$190,000

Maturity Date: April [●], 2021

SPEAKEASY CANNABIS CLUB LTD., a corporation continued under the laws of the Province of British Columbia (the "**Borrower**"), for value received, hereby unconditionally promises to pay to the order of BHAYANA VENTURES LTD. (the "**BVL**"), as Administrative Agent for and on behalf of 1193213 B.C. Ltd. (the "**Finder**"), the principal sum of ONE HUNDRED AND NINETY THOUSAND (\$190,000) DOLLARS in the lawful money of Canada. Capitalized terms used herein but not otherwise defined herein have the respective meanings ascribed to those terms in the convertible loan agreement made as of April 21, 2020 among the Borrower, 10161233 Canada Limited, 1244726 B.C. Ltd., the Finder and BVL (as such agreement may be further amended, modified, renewed or extended from time to time, the "**Loan Agreement**").

The principal of this Note from time to time outstanding shall be due and payable as provided in the Loan Agreement. This Note is issued pursuant to and evidences obligations of the Borrower owing to BVL (for and on behalf of the Finder) in respect of the Finder's Fees under the Loan Agreement and this Note is subject to all the provisions of the Loan Agreement. The Loan Agreement contains provisions for the prepayment of the Finder's Fee, and the conversion, acceleration and demand of same by BVL upon the happening of certain events.

Time is of the essence of this Note.

The Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party, and any notice of or defense on account of any extensions, renewals, partial payments, or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

To the extent any terms contained herein conflict with the terms of the Loan Agreement, the terms of the Loan Agreement shall prevail and govern.

This Note shall be governed by the laws of the province of British Columbia and the federal laws of Canada applicable therein, without giving effect to any conflict of law principles.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Note is executed as of the date set forth above.

SPEAKEASY CANNABIS CLUB LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

EXHIBIT "C"

Form of Guarantee

See attached.

GUARANTEE

This Agreement is made as of [●], 2020, is given by 10161233 Canada Limited (the "**Guarantor**") to Bhayana Ventures Ltd. as administrative agent (in such capacity, together with its successors and permitted assigns, the "**Administrative Agent**") on behalf of the Finance Parties (as defined in the Loan Agreement, defined below).

RECITALS:

A. 1244726 B.C. Ltd (the "**Lender**"), the Administrative Agent, SpeakEasy Cannabis Club Ltd. (the "**Borrower**"), the Guarantor and 1193213 B.C. Ltd. (together with the Lender, the "**Finance Parties**"), are parties to a convertible loan agreement dated April 21, 2020 (as amended, supplemented, restated or replaced from time to time, the "**Loan Agreement**");

B. The Guarantor is a wholly-owned (as to 100%) subsidiary of the Borrower; and

C. It is in the interests of the Guarantor that the Finance Parties extend credit (or continue to extend credit) to the Borrower, and the Guarantor has, therefore, agreed to guarantee unconditionally all of the Borrower Liabilities (as defined below).

NOW THEREFORE IN CONSIDERATION of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Guarantor, the Guarantor hereby agrees with the Administrative Agent, as follows:

1. **Definitions.** In this Agreement capitalized terms used but not otherwise defined in this Agreement shall have the meanings given to them in the Loan Agreement, and the following terms have the following meanings:

"**Agreement**" means this agreement, including the recitals to this agreement, as it or they may be amended, supplemented, restated or replaced from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular section or other portion of this Agreement.

"**Borrower**" has the meaning set out in the recitals hereto.

"**Borrower GSA**" means a general security agreement dated [●] between the Borrower and the Administrative Agent to secure the payment and performance of the Borrower Liabilities.

"**Borrower Liabilities**" means all present and future indebtedness, liabilities and obligations of any and every kind, nature and description (whether direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated) of the Borrower to the Administrative Agent or any Finance Party wherever and however incurred, including the indebtedness of the Borrower to any Finance Party under any Credit Document.

"**Control**" means, in respect of a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise.

"**Governmental Authority**" means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency, instrumentality, securities commission or stock exchange, domestic or foreign; (ii) any

subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation, taxing, fiscal or monetary authority under or for the account of any of the above.

"**Guarantor**" has the meaning set out in the recitals hereto.

"**Guarantor Liabilities**" means all present and future indebtedness, liabilities and obligations of the Guarantor to the Administrative Agent under this Agreement or any Credit Document, which include for greater certainty the guarantee of the Borrower Liabilities under Section 2.

"**Insolvency Proceeding**" means any proceeding seeking to adjudicate a Person an insolvent, seeking a receiving order against such Person under the *Bankruptcy and Insolvency Act* (Canada), or seeking liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief or composition of such Person or its debts or a stay of proceedings of such Person's creditors generally (or any class of creditors) or any other relief, under any federal, provincial, territorial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada) and any similar legislation in any jurisdiction) or at common law or in equity.

"**Intercompany Debt**" means all present and future indebtedness, liabilities and obligations of any and every kind, nature and description (whether direct or indirect, joint or several, absolute or contingent, matured or unmatured) of the Borrower to the Guarantor and all guarantees and security therefor.

"**Laws**" means all federal, provincial, municipal, foreign and international statutes, acts, codes, ordinances, decrees, treaties, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, and all policies, practices and guidelines of any Governmental Authority binding on or affecting the Person referred to in the context in which such word is used (including, in the case of tax matters, any accepted practice or application or official interpretation of any relevant taxation authority); and "**Law**" means any one or more of the foregoing.

"**Lender**" has the meaning set out in the recitals hereto.

"**Original Currency**" has the meaning set out in Section 20.

"**Other Currency**" has the meaning set out in Section 20.

"**Organizational Documents**" means, with respect to any Person, such Person's articles or other charter documents, by-laws, unanimous shareholder agreement, partnership agreement or trust agreement, as applicable, and any and all other similar agreements, documents and instruments relative to such Person.

"**Security**" means any present or future Lien, or any present or future guarantee or other financial assistance, granted by any Person with respect to any or all of the Borrower Liabilities or Guarantor Liabilities.

"**Surety**" means any present or future guarantor or surety of any or all of the Borrower Liabilities, other than the Guarantor.

2. **Guarantee.** The Guarantor hereby unconditionally and irrevocably guarantees the prompt payment and performance to the Administrative Agent, of all Borrower Liabilities when due in accordance with their terms.

3. **Terms of Payment.** All amounts payable by the Guarantor under this Agreement shall be paid to the Administrative Agent by means of electronic funds transfer into an account of the Administrative Agent specified in writing by the Administrative Agent, from time to time, or in such other manner as the Guarantor and the Administrative Agent may agree. The Guarantor shall make payment to, or perform in favor of, the Administrative Agent all Guarantor Liabilities forthwith upon demand therefor by the Administrative Agent.

4. **Interest.** The Guarantor shall pay interest to the Administrative Agent on all Guarantor Liabilities at the rate provided for the corresponding Borrower Liabilities in the Loan Agreement.

5. **Guarantor Liabilities.** The Guarantor Liabilities are continuing, absolute, unconditional and irrevocable. The Guarantor Liabilities shall remain effective despite, and shall not be released, exonerated, discharged, diminished, subjected to defence, limited or in any way affected by, anything done, omitted to be done, suffered or permitted by the Administrative Agent or any Finance Party, the Borrower or any other Person, or by any other matter, act, omission, circumstance, development or other thing of any nature, kind or description, other than the due payment and performance in full of all of the Borrower Liabilities and all of the Guarantor Liabilities.

6. **Guarantee Absolute.** Without limiting the generality of Section 5, the Guarantor Liabilities shall remain fully effective and enforceable against the Guarantor and shall not be released, exonerated, discharged, diminished, subjected to defence, limited or in any way affected by, and the rights and remedies of the Administrative Agent under this Agreement shall not in any way be diminished or prejudiced by, and the Guarantor hereby consents or waives, as applicable, to the fullest extent permitted by applicable Law:

- (a) any lack of genuineness, legality, validity or enforceability of any of the Borrower Liabilities or of any agreement or arrangement between the Borrower, or any other Person, and the Administrative Agent, or any failure by the Borrower, or any other Person, to carry out any of its obligations under any such agreement or arrangement;
- (b) any change in the existence, name, objects, business, powers, organization, share capital, Organizational Documents, ownership, Control, directors or management of the Borrower, the Guarantor or any Surety, the reorganization of the Borrower, the Guarantor or any Surety, any amalgamation or merger by the Borrower, the Guarantor or any Surety with any other Person or Persons, or any continuation of the Borrower, the Guarantor, or any Surety under the laws of any jurisdiction;
- (c) any lack or limitation of power, incapacity or disability of the Borrower, the Guarantor or any Surety or of the directors, officers, managers, employees or agents of the Borrower, the Guarantor or any Surety, as applicable, or any other irregularity, defect or informality, or any fraud, by the Borrower, the Guarantor or any Surety or any of their respective directors, officers, managers, employees or agents, with respect to any or all of the Borrower Liabilities, any or all of the Guarantor Liabilities or any or all of the liabilities and obligations of any Surety;

- (d) any non-compliance with or contravention by the Guarantor of any provision of any corporate statute applicable to the Guarantor relative to guarantees or other financial assistance given by the Guarantor;
- (e) any impossibility, impracticability, frustration of purpose, force majeure or act of Governmental Authority with respect to the performance of any of the Borrower Liabilities or Guarantor Liabilities;
- (f) any Insolvency Proceeding affecting, or the financial condition of, the Borrower, the Guarantor, any Surety, the Administrative Agent, any of the Finance Parties or any other Person at any time;
- (g) any law, regulation, limitation or prescription period or other circumstance that might otherwise be a defence available to, or a discharge of, the Borrower, the Guarantor or any Surety in respect of any or all of the Borrower Liabilities, any or all of the Guarantor Liabilities or any or all of the liabilities and obligations of any Surety;
- (h) any loss of, or in respect of, any Security by or on behalf of the Administrative Agent from the Borrower, the Guarantor, any Surety or any other Person, whether occasioned through the fault of the Administrative Agent or otherwise;
- (i) any loss or impairment of any right of the Guarantor for subrogation, reimbursement or contribution, whether or not as a result of any action taken or omitted to be taken by the Administrative Agent; or
- (j) any other matter, act, omission, circumstance, development or thing of any and every nature, kind and description whatsoever, whether similar or dissimilar to the foregoing (other than the due payment and performance in full of the Borrower Liabilities and the Guarantor Liabilities) that might in any manner (but for the operation of this Section) operate (whether by statute, at law, in equity or otherwise) to release, discharge, diminish, limit, restrict or in any way affect the liability of, or otherwise provide a defence to, a guarantor, a surety, or a principal debtor, even if known by the Administrative Agent.

7. **Dealing with Borrower Liabilities.** Without limiting the generality of Section 5, the Guarantor Liabilities shall remain fully effective and enforceable against the Guarantor and shall not be released, exonerated, discharged, diminished, subjected to defence, limited or in any way affected by, and the rights and remedies of the Administrative Agent under this Agreement shall not in any way be diminished or prejudiced by, and the Guarantor hereby consents to or waives, as applicable, to the fullest extent permitted by applicable Law:

- (a) any amendment, alteration, novation or variation in any manner and to any extent (and irrespective of the effect of the same on the Guarantor) of any of the Borrower Liabilities, any of the liabilities and obligations of any Surety, any Security or the Administrative Agent or any Finance Party's arrangements or agreements with the Borrower, any Surety or any other Person;
- (b) any limitation, compromise, subordination, postponement or abandonment of any of the Borrower Liabilities, any of the Guarantor Liabilities, any of the liabilities and obligations of any Surety, any Security or the Administrative Agent's or any Finance Party's arrangements or agreements with the Borrower, any Surety or any other Person;

- (c) any grant of time, renewal, extension, indulgence, release, discharge or other course of conduct by the Administrative Agent or any Finance Party to the Borrower, any Surety or any other Person;
- (d) the creation of any new or additional Borrower Liabilities, the increase or reduction of the rate of interest on any or all of the Borrower Liabilities or any other rates or fees payable under or in respect of any or all of the Borrower Liabilities;
- (e) any alteration, settlement, compromise, acceleration, extension or change in the time or manner for payment or performance by the Borrower made or permitted by the Administrative Agent or any Finance Party of, or by any other Person or Persons liable to the Finance Parties with respect to, any or all of the Borrower Liabilities;
- (f) the Administrative Agent's or any Finance Party taking or abstaining from taking Security from the Borrower, any Surety or any other Person or abstaining from completing, perfecting or maintaining the perfection of any Security;
- (g) the Administrative Agent's or any Finance Party releasing, substituting or adding one or more Sureties or endorsers, accepting additional or substituted Security, or releasing, subordinating or postponing any Security;
- (h) the Administrative Agent's or any Finance Party accepting compromises from the Borrower, any Surety or any other Person;
- (i) the creation or addition of any new documents in connection with the Loan Agreement, the Borrower GSA or this Agreement;
- (j) the Administrative Agent's or any Finance Party doing, or omitting to do, anything to enforce the payment or performance of any or all of the Borrower Liabilities, any or all of the liabilities and obligations of any Surety or any Security;
- (k) the Administrative Agent or any Finance Party giving or refusing to give or continuing to give any credit or any financial accommodation to the Borrower or to any other Person;
- (l) the Administrative Agent or any Finance Party proving any claim in any Insolvency Proceeding affecting the Borrower, any Surety or any other Person as it sees fit or refraining from proving any claim or permitting or suffering the impairment of any of the Borrower Liabilities in any such Insolvency Proceeding; making any election in any such Insolvency Proceeding; permitting or suffering the creation of secured or unsecured credit or debt in any such Insolvency Proceeding; or permitting or suffering the disallowance, avoidance, or subordination of any of the Borrower Liabilities or the obligations of any other debtor with respect to the Borrower Liabilities in any such Insolvency Proceeding;
- (m) the Administrative Agent or any Finance Party applying any money received by the Administrative Agent from the Borrower, any Surety, any other Person or any Security upon such part of the Borrower Liabilities as the Administrative Agent or any Finance Party may see fit, or changing any such application in whole or in part from time to time as the Administrative Agent or any Finance Party may see fit; or

- (n) the Administrative Agent or any Finance Party otherwise dealing with the Borrower, any Surety, any other Person, the Borrower Liabilities, the liabilities and obligations of any Sureties, and all Security as the Administrative Agent or any Finance Party may see fit.

8. Settlement of Accounts. Any account settled or stated between any Finance Party and the Borrower shall be accepted by the Guarantor as *prima facie* evidence that the amount thereby appearing due by the Borrower to the Finance Party is so due.

9. Indemnity. If any or all of the Borrower Liabilities are not duly paid or performed by the Borrower and are not paid or performed by the Guarantor under Section 2 for any reason whatsoever, the Guarantor shall, as a separate and distinct obligation, indemnify and save the Administrative Agent and each Finance Party harmless from and against all losses, costs, damages, expenses, claims and liabilities that the Administrative Agent or any Finance Party may suffer or incur in connection with or in respect of any failure by the Borrower for any reason to pay or perform any of the Borrower Liabilities, and shall pay all such amounts to the Administrative Agent after demand as herein provided.

10. Guarantor Liable as Principal Borrower. If, and to the extent that, any amount in respect of the Borrower Liabilities is not recoverable from the Guarantor under this Agreement on the basis of a guarantee, or the Administrative Agent or any Finance Party is not indemnified under Section 9, in each case, for any reason whatsoever, then, notwithstanding any other provision of this Agreement, the Guarantor shall, as a separate and distinct obligation, be liable under this Agreement as principal obligor in respect of the due payment of such amount and shall pay such amount to the Administrative Agent after demand as herein provided.

11. Continuing Guarantee. This Agreement is a continuing guarantee and is binding as a continuing obligation of the Guarantor and the Borrower Liabilities shall be conclusively presumed to have been created in reliance on this Agreement. The Guarantor may not in any manner terminate this Agreement or the Guarantor Liabilities other than by the due and punctual payment in full of the Guarantor Liabilities.

12. Stay of Acceleration. If acceleration of the time for payment, or the liability of the Borrower to make payment, of any amount specified to be payable by the Borrower in respect of the Borrower Liabilities is stayed, prohibited or otherwise affected upon any Insolvency Proceeding or other event affecting the Borrower or payment of any of the Borrower Liabilities by the Borrower, all such amounts otherwise subject to acceleration or payment shall nonetheless be deemed for all purposes of this Agreement to be and to have become due and payable by the Borrower and shall be payable by the Guarantor under this Agreement immediately forthwith on demand by the Administrative Agent.

13. Borrower Information. The Guarantor acknowledges and agrees that the Guarantor has not executed this Agreement as a result of, by reason of, or in reliance upon, any promise, representation, statement or information of any kind or nature whatsoever given, or offered to the Guarantor, by or on behalf of the Administrative Agent, any Finance Party or any other Person whether in answer to any enquiry by or on behalf of the Guarantor or not and the Administrative Agent and the Finance Parties were not prior to the execution by the Guarantor of this Agreement, and is not thereafter, under any duty to disclose to the Guarantor or any other Person any information, matter or thing (material or otherwise) relating to the Borrower, its affairs or its transactions with the Administrative Agent or any Finance Party, including any information, matter or thing which puts or may put the Borrower in a position which the Guarantor would not naturally expect or any unexpected facts or unusual features which, whether known or unknown to the Guarantor, are present in any transaction between the Borrower and the Administrative Agent or any Finance Party, and the Administrative Agent or any Finance Party was not and is not under any duty to do or execute any matter, thing or document relating to the Borrower, its affairs or its

transactions with the Administrative Agent or any Finance Party. The Guarantor acknowledges and confirms that it has established its own adequate means of obtaining from the Borrower on a continuing basis all information desired by the Guarantor concerning the financial condition of the Borrower and that the Guarantor will look to the Borrower, and not to the Administrative Agent or any Finance Party, in order for the Guarantor to keep adequately informed of changes in the Borrower's financial condition.

14. Reinstatement. If, at any time, all or any part of any payment previously applied by the Administrative Agent or any Finance Party to any of the Borrower Liabilities is or must be rescinded or returned for any reason whatsoever (including any Insolvency Proceeding affecting the Borrower or any other Person), such Borrower Liabilities shall, for the purpose of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Administrative Agent or any such Finance Party, and this Agreement shall continue to be effective or be reinstated, as the case may be, as to such Borrower Liabilities, all as though such application by the Administrative Agent or any such Finance Party had not been made.

15. Subrogation. Notwithstanding any payment made by the Guarantor under this Agreement or any setoff or application of funds of the Guarantor by the Administrative Agent or any Finance Party, the Guarantor shall have no right of subrogation to, and waives, any right to enforce any remedy which the Administrative Agent or any Finance Party now has or may hereafter have against the Borrower, until all of the Borrower Liabilities have been indefeasibly paid in full; and until that time, the Guarantor waives any benefit of, and any right to participate in, any Security now or hereafter held by the Administrative Agent or any Finance Party for the Borrower Liabilities.

16. Assignment and Postponement. The Guarantor hereby (i) grants to the Administrative Agent a security interest in all Intercompany Debt as general and continuing collateral security for the Guarantor Liabilities, and (ii) postpones all Intercompany Debt to the payment in full of the Borrower Liabilities. All moneys received by the Guarantor in respect of Intercompany Debt shall be received in trust for the Administrative Agent (on behalf of the Finance Parties) and, immediately following such receipt, shall be paid over to the Administrative Agent. This assignment and postponement is independent of the guarantee hereunder and will remain in full force and effect until, in the case of the assignment, the liability of the Guarantor under this Agreement has been discharged or terminated and, in the case of the postponement, until all Guarantor Liabilities are performed and paid in full.

17. Insolvency Proceedings. In any Insolvency Proceeding affecting the Borrower, the Administrative Agent shall have the right, in priority to the Guarantor, to receive its full claim in respect of such Insolvency Proceeding for all of the Borrower Liabilities. The Administrative Agent shall have the right to include in its claim in any Insolvency Proceeding affecting the Borrower all or any part of the payments made by the Guarantor under this Agreement and, to prove and rank for, and receive dividends in respect of, all such claims, all of which rights and privileges as they relate and apply to the Guarantor are hereby assigned by the Guarantor to the Administrative Agent. The provisions of this Section shall be sufficient authority for any Person making payment of any such dividends to pay the same directly to the Administrative Agent for the benefit of the Finance Parties. The Administrative Agent shall be entitled to receive for its benefit all dividends or other payments in respect of all of the above referenced claims until all of the Borrower Liabilities are paid and satisfied in full and the Guarantor shall continue to be liable under this Agreement for any unpaid balance of the Borrower Liabilities. If any amount is paid to the Guarantor under any Insolvency Proceeding affecting the Borrower when any of the Borrower Liabilities remain outstanding, such amount shall be received and held in trust by the Guarantor for the benefit of the Administrative Agent and shall be immediately paid to the Administrative Agent to be credited and applied against the Guarantor Liabilities. In any Insolvency Proceeding affecting the Borrower the Administrative Agent may in its discretion value as it sees fit, or may refrain from valuing, any Security held by it.

18. Marshalling. The Guarantor waives to the fullest extent permitted by applicable Law, any right or claim of right to cause a marshalling of the Borrower's, a Surety's or any other Person's assets, or to cause the Administrative Agent to proceed against the Borrower, a Surety or any other Person, or any Security, in any particular order. Neither the Administrative Agent nor any Finance Party shall have any obligation to marshal any assets in favour of the Borrower, a Surety or any other Person or against or in payment of any of the Borrower Liabilities or any of the obligations of the Guarantor, the Borrower, a Surety or any other Person owed to the Administrative Agent or any Finance Party.

19. Enforcing Rights Against Guarantor. This is a guarantee of payment and performance and not of collection. The Administrative Agent shall not be required to take any action or to exhaust its recourse against the Borrower, any Surety or any other Person, or to enforce or value any Security, before being entitled to payment from, and to enforce its rights and remedies against, the Guarantor under this Agreement. The Guarantor hereby renounces to the benefits of division and discussion.

20. Foreign Currency Guarantor Liabilities. The Guarantor shall make payment relative to any Borrower Liabilities in the currency (the "**Original Currency**") in which the Borrower is required to pay such Borrower Liabilities. If the Guarantor makes payment relative to any Borrower Liabilities in a currency (the "**Other Currency**") other than the Original Currency (whether voluntarily or pursuant to an order or judgment of a court or tribunal of any jurisdiction), such payment shall constitute a discharge of the Guarantor Liabilities only to the extent of the amount of the Original Currency which the Administrative Agent is able to purchase at Vancouver, British Columbia with the amount it receives on the date of receipt. If the amount of the Original Currency which the Administrative Agent is able to purchase is less than the amount of such currency originally due to it in respect to the relevant Borrower Liabilities, the Guarantor shall indemnify and save the Administrative Agent harmless from and against any loss or damage arising as a result of such deficiency. This indemnity constitutes an obligation separate and independent from the other obligations contained in this Agreement, gives rise to a separate and independent cause of action, applies irrespective of any indulgence granted by the Administrative Agent and continues in full force and effect notwithstanding any judgment or order in respect of any amount due hereunder or under any judgment or order.

21. Taxes and Set-Off. All payments to be made by the Guarantor hereunder shall be made without set-off, compensation, deduction or counterclaim and without deduction for any taxes, levies, duties, fees, deductions, withholdings, restrictions or conditions of any nature whatsoever. If at any time any applicable Law requires the Guarantor to make any such deduction or withholding from any such payment, the sum due from the Guarantor with respect to such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Administrative Agent receives a net sum equal to the sum which it would have received had no deduction or withholding been required.

22. Representations and Warranties. The Guarantor represents and warrants to the Administrative Agent and each Finance Party, and agrees that the Administrative Agent and each Finance Party is relying thereon, that each of the representations and warranties relative to the Guarantor in each Credit Document or any other agreement in connection with any Credit Agreement or this Agreement, is true and correct when made or deemed made.

23. Covenants. The Guarantor shall comply, and, if applicable, shall cause each of its subsidiaries to comply, with all of the provisions, covenants and agreements contained in any Credit Document or this Agreement, or each other agreement in connection therewith, to the extent that such provisions, covenants and agreements apply to the Guarantor or, if applicable, its subsidiaries and shall, and shall, if applicable, cause each of its subsidiaries to, take, or refrain from taking, as the case may be, all actions that are necessary to be taken or not taken so that no violation of any provision, covenant or agreement contained

in any Credit Document or this Agreement, or any other agreement in connection therewith,, and so that no Default or Event of Default under any Credit Document or this Agreement, or any other agreement in connection therewith,, is caused by the actions or inactions of the Guarantor or any of its subsidiaries.

24. Communication. Any notice or other communication required or permitted to be given under this Agreement will be made in accordance with the terms of the Loan Agreement.

25. Expenses; Indemnity; Waiver.

- (a) The Guarantor shall pay to the Administrative Agent all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Finance Party (including the fees, charges and disbursements of any counsel and all applicable taxes) in connection with (i) any amendments, modifications or waivers of the provisions hereof, and (ii) the assessment, enforcement or protection of the rights of the Administrative Agent or any Finance Party in connection with this Agreement and under this Section, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Guarantor Liabilities.
- (b) The Guarantor shall indemnify the Administrative Agent and each Finance Party against, and hold the Administrative Agent and each Finance Party harmless from, any and all losses, claims, cost recovery actions, damages, expenses and liabilities of whatsoever nature or kind and all reasonable out-of-pocket expenses and all applicable taxes to which the Administrative Agent and each Finance Party may become subject arising out of or in connection with (i) the breach of this Agreement by the Guarantor; (ii) any actual or prospective claim, litigation, investigation or proceeding relating to this Agreement or the Guarantor Liabilities, whether based on contract, tort, delict or any other theory and regardless of whether the Administrative Agent or any Finance Party is a party thereto, or (iii) the enforcement of the Administrative Agent's rights hereunder and any related investigation, defence, preparation of defence, litigation and enquiries; provided that such indemnity shall not, as to the Administrative Agent and any Finance Party, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence (it being acknowledged that ordinary negligence does not necessarily constitute gross negligence) or wilful misconduct of or material breach of this Agreement by the Administrative Agent.
- (c) The Guarantor shall not assert, and hereby waives, any claim against the Administrative Agent or any Finance Party (or any director, officer or employee thereof), on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement.
- (d) All amounts due under this Section shall be payable by the Guarantor to the Administrative Agent or its nominee not later than ten (10) Business Days after written demand therefor.
- (e) The indemnifications set out in this Agreement shall terminate upon the payout of the Borrower Liabilities and the Guarantor Liabilities.

26. Additional Security. This Agreement is in addition to, and not in substitution of, any and all other Security previously or concurrently delivered by the Guarantor or any other Person to the

Administrative Agent or any Finance Party, all of which other Security shall remain in full force and effect.

27. Alteration. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Administrative Agent.

28. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

29. Set-off. If an Event of Default shall have occurred and be continuing, the Administrative Agent is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set-off, compensate against or combine and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by the Administrative Agent or any Finance Party to or for the credit or the account of the Guarantor against or with any or all of the Guarantor Liabilities, irrespective of whether or not the Administrative Agent shall have made any demand under any Credit Document or this Agreement, or any other agreement in connection therewith, and although such obligations may be unmatured. The rights under this Section are in addition to other rights and remedies (including other rights of set-off or combination) which the Administrative Agent or any Finance Party may have.

30. Governing Law; Attornment. This Agreement shall be governed by and construed in accordance with the Laws of the Province of British Columbia. Without prejudice to the ability of the Administrative Agent to enforce this Agreement in any other proper jurisdiction, the Guarantor irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of such Province. To the extent permitted by applicable Law, the Guarantor irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of such Province. The Guarantor hereby irrevocably consents to the service of any and all process in any such action or proceeding by the delivery of copies of such process to the Guarantor at the address as provided for in the Loan Agreement. Nothing in this Section affects the right of the Administrative Agent to serve process in any manner permitted by applicable Law.

31. Time. Time is of the essence with respect to this Agreement and the time for performance of the obligations of the Guarantor under this Agreement may be strictly enforced by the Administrative Agent. The limitation period applicable to any proceeding relating to a claim under, in connection with, or with respect to this Agreement shall be solely as prescribed in sections 21-26 of the *Limitation Act, 2012* (British Columbia), and any other limitation period in respect of such claim (including that provided for in section 6 of the *Limitation Act, 2012* (British Columbia)) is extended accordingly.

32. Interpretation. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" is disjunctive; the word "and" is conjunctive. The word "shall" is mandatory; the word "may" is permissive. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements, restatements or modifications set out herein), (b) any reference herein to any

statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, replaced or re-enacted from time to time, (c) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (e) all references herein to Sections shall be construed to refer to Sections of this Agreement. Section headings are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement. The doctrine of consolidation will apply to this Agreement and the Administrative Agent's rights of consolidation shall not be diminished in any way by Section 31 of the *Property Law Act* (British Columbia) and any amendments thereto.

33. Successors and Assigns. This Agreement shall enure to the benefit of, and be binding on, the Guarantor and its successors and assigns, and shall enure to the benefit of, and be binding on, the Administrative Agent and its successors and assigns. The Guarantor may not assign this Agreement, or any of its rights or obligations under this Agreement. The Administrative Agent may assign this Agreement and any of their rights and obligations hereunder to any Person that replaces it in its capacity as such.

34. Interest Act (Canada). The Guarantor acknowledges and agrees that it is its express intention and desire that in no event shall that the total payment in respect of the Guarantor Liabilities to the Administrative Agent and/or the other Finance Parties exceed the maximum payment permitted under Applicable Law limiting the rate of interest or other monies chargeable under or in connection with the any Credit Document. Notwithstanding any other terms or conditions of this Agreement, the amounts payable shall not exceed the highest amount permitted by law.

35. Acknowledgment of Receipt. The Guarantor acknowledges receipt of an executed copy of this Agreement.

36. Paramourncy. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Loan Agreement then, notwithstanding anything contained in this Agreement, the provisions contained in the Loan Agreement shall prevail to the extent of such conflict or inconsistency and the provisions of this Agreement shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, it being understood that the purpose of this Agreement is to add to, and not detract from, the rights granted to the Administrative Agent or any Finance Party under the Loan Agreement.

37. Electronic Signature. Delivery of an executed signature page to this Agreement by the Guarantor by facsimile or other electronic form of transmission shall be as effective as delivery by the Guarantor of a manually executed copy of this Agreement by the Guarantor.

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF the undersigned has caused this Agreement to be duly executed as of the date first written above.

10161233 CANADA LIMITED

By: _____
Name:
Title:

EXHIBIT "D"

Borrower GSA

See attached.

GENERAL SECURITY AGREEMENT

This General Security Agreement is made as of [●], 2020.

BETWEEN:

SPEAKEASY CANNABIS CLUB LTD., a corporation existing under the laws of British Columbia

(together with its successors and permitted assigns, the "**Borrower**")

AND:

BHAYANA VENTURES LTD., a corporation existing under the laws of British Columbia, in its capacity as agent for and on behalf of the Finance Parties (as defined below)

(together with its successors and permitted assigns, the "**Administrative Agent**")

RECITALS:

A. 1244726 B.C. Ltd (the "**Lender**"), the Administrative Agent, the Borrower, 10161233 Canada Limited ("**1233**") and 1193213 B.C. Ltd. (the "**Finder**"; together with the Lender, the "**Finance Parties**"), are parties to a convertible loan agreement dated April 21, 2020 (as amended, supplemented, restated or replaced from time to time, the "**Loan Agreement**"); and

B. To secure the payment and performance of the Secured Liabilities (as defined below), the Borrower has agreed to grant to the Administrative Agent the Security Interests (as defined below) with respect to the Collateral (as defined below) in accordance with the terms of this Agreement.

NOW THEREFORE IN CONSIDERATION of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Borrower, the Borrower hereby agrees with the Administrative Agent, as follows:

1. **Definitions.** In this Agreement capitalized terms used but not otherwise defined in this Agreement shall have the meanings given to them in the Loan Agreement, and the following terms have the following meanings:

"**Accessions**", "**Account**", "**Chattel Paper**", "**Certificated Security**", "**Consumer Goods**", "**Crops**", "**Document of Title**", "**Equipment**", "**Fixtures**", "**Futures Account**", "**Futures Contract**", "**Futures Intermediary**", "**Goods**", "**Instrument**", "**Intangible**", "**Inventory**", "**Investment Property**", "**Money**", "**Proceeds**", "**Purchase Money Security Interest**", "**Securities Account**", "**Securities Intermediary**", "**Security**", "**Security Certificate**", "**Security Entitlement**", and "**Uncertificated Security**" have the meanings given to them in the PPSA.

"**Administrative Agent**" has the meaning set out in the recitals hereto.

"**Agreement**" means this agreement, including the Schedules and recitals to this agreement, as it or they may be amended, supplemented, restated or replaced from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular section or other portion of this Agreement.

"Books and Records" means all books, records, files, papers, disks, documents and other repositories of data recording in any form or medium, evidencing or relating to the Personal Property of the Borrower which are at any time owned by the Borrower or to which the Borrower (or any Person on the Borrower's behalf) has access.

"Borrower" has the meaning set out in the recitals hereto.

"Collateral" means all of the present and after-acquired:

- (a) undertaking;
- (b) Personal Property (including any Personal Property that may be described in any Schedule to this Agreement or any schedules, documents or listings that the Borrower may from time to time provide to the Administrative Agent in connection with this Agreement); and
- (c) real property (including any real property that may be described in any Schedule to this Agreement or any schedules, documents or listings that the Borrower may from time to time provide to the Administrative Agent in connection with this Agreement and including all fixtures, improvements, buildings and other structures placed, installed or erected from time to time on any such real property),

of the Borrower, including Books and Records, Contracts, Intellectual Property Rights and Permits, and including all such property in which the Borrower now or in the future has any right, title or interest whatsoever, whether owned, leased, licensed, possessed or otherwise held by the Borrower, and all Proceeds of any of the foregoing, wherever located.

"Contracts" means all contracts and agreements to which the Borrower is at any time a party or pursuant to which the Borrower has at any time acquired rights, and includes (i) all rights of the Borrower to receive money due and to become due to it in connection with a contract or agreement, (ii) all rights of the Borrower to damages arising out of, or for breach or default with respect to, a contract or agreement, and (iii) all rights of the Borrower to perform and exercise all remedies in connection with a contract or agreement.

"Control" means, with respect to a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. **"Controlled"** has the corresponding meaning.

"Control Person" means a "control person", as such term is defined under applicable Canadian securities laws.

"Finance Parties" has the meaning set out in the recitals hereto.

"Finder" has the meaning set out in the recitals hereto.

"Governmental Authority" means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency, instrumentality, securities commission or stock exchange, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation, taxing, fiscal or monetary authority under or for the account of any of the above.

"Intellectual Property Rights" means all industrial and intellectual property rights of the Borrower or in which the Borrower has any right, title or interest, including copyrights, patents, inventions (whether or

not patented), trade-marks, get-up and trade dress, industrial designs, integrated circuit topographies, plant breeders' rights, know-how and trade secrets, registrations and applications for registration for any such industrial and intellectual property rights, and all Contracts related to any such industrial and intellectual property rights.

"Issuer" has the meaning given to that term in the STA.

"Laws" means all federal, provincial, municipal, foreign and international statutes, acts, codes, ordinances, decrees, treaties, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, and all policies, practices and guidelines of any Governmental Authority binding on or affecting the Person referred to in the context in which such word is used (including, in the case of tax matters, any accepted practice or application or official interpretation of any relevant taxation authority); and **"Law"** means any one or more of the foregoing.

"Lender" has the meaning set out in the recitals hereto.

"Loan Agreement" has the meaning set out in the recitals hereto.

"Organizational Documents" means, with respect to any Person, such Person's articles or other charter documents, by-laws, unanimous shareholder agreement, partnership agreement or trust agreement, as applicable, and any and all other similar agreements, documents and instruments relative to such Person.

"Permits" means all permits, licences, waivers, exemptions, consents, certificates, authorizations, approvals, franchises, rights-of-way, easements and entitlements that the Borrower has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business.

"Personal Property" means personal property and includes Accounts, Chattel Paper, Documents of Title, Equipment, Goods (including Crops and Fixtures), Instruments, Intangibles, Inventory, Investment Property and Money, inclusive of all components, renewals, substitutions and replacements of any such personal property and all attachments, accessories and increases, additions and Accessions to any such personal property.

"Pledged Certificated Securities" means any and all Collateral that is a Certificated Security; provided that "Pledged Certificated Securities" shall not include any Certificated Security representing common shares in the capital of 1233.

"Pledged Futures Contracts" means any and all Collateral that is a Futures Contract.

"Pledged Futures Accounts" means any and all Collateral that is a Futures Account.

"Pledged Futures Intermediary" means, at any time, any Person which is at such time a Futures Intermediary at which a Pledged Futures Account is maintained.

"Pledged Futures Intermediary's Jurisdiction" means, with respect to any Pledged Futures Intermediary, its jurisdiction as determined under section 7.1(4) of the PPSA.

"Pledged Issuer" means, at any time, any Person which is an Issuer of, or with respect to, any Pledged Shares at such time.

"Pledged Issuer's Jurisdiction" means, with respect to any Pledged Issuer, its jurisdiction as determined under section 44 of the STA.

"Pledged Securities" means any and all Collateral that is a Security; provided that "Pledged Securities" shall not include any common shares in the capital of 1233.

"Pledged Securities Accounts" means any and all Collateral that is a Securities Account.

"Pledged Securities Intermediary" means, at any time, any Person which is at such time a Securities Intermediary at which a Pledged Securities Account is maintained.

"Pledged Securities Intermediary's Jurisdiction" means, with respect to any Pledged Securities Intermediary, its jurisdiction as determined under section 45(2) of the STA.

"Pledged Security Certificates" means any and all Security Certificates representing the Pledged Certificated Securities.

"Pledged Security Entitlements" means any and all Collateral that is a Security Entitlement; provided that "Pledged Securities Entitlements" shall not include any Securities Entitlement with respect to common shares in the capital of 1233.

"Pledged Shares" means all Pledged Securities and Pledged Security Entitlements.

"Pledged Uncertificated Securities" means any and all Collateral that is an Uncertificated Security; provided that "Pledged Uncertificated Securities" shall not include any Uncertificated Security representing common shares in the capital of 1233.

"PPSA" means the *Personal Property Security Act* of the Province referred to in the "Governing Law" section of this Agreement, as such legislation may be amended, renamed or replaced from time to time, and includes all regulations from time to time made under such legislation.

"Receiver" means an interim receiver, a receiver, a manager or a receiver and manager.

"Release Date" means the date on which all the Secured Liabilities have been indefeasibly paid and discharged in full and the Borrower has no further obligations to the Administrative Agent or any Finance Party under the Loan Agreement pursuant to which further Secured Liabilities might arise.

"Reporting Pledged Issuer" means a Pledged Issuer that is a "reporting issuer", as such term is defined under applicable Canadian securities laws.

"Secured Liabilities" means all present and future indebtedness, liabilities and obligations of any and every kind, nature and description (whether direct or indirect, joint or several, absolute or contingent, matured or unmatured) of the Borrower to the Administrative Agent or any Finance Party whenever and however incurred, and any unpaid balance thereof.

"Security Interests" means the Liens created by the Borrower in favour of the Administrative Agent (for the benefit of the Finance Parties) under this Agreement.

"STA" means the *Securities Transfer Act* of the Province referred to in the "Governing Law" section of this Agreement, as such legislation may be amended, renamed or replaced from time to time, and includes all regulations from time to time made under such legislation.

"Subsidiary" means with respect to any Person (the "**parent**") at any date, (i) any corporation, association, joint venture or other business entity of which securities or other ownership interests representing more than 50% of the voting power of all equity interests entitled to vote in the election of the board of directors thereof are, as of such date, held by the parent or one or more subsidiaries of the parent; (ii) any partnership, (A) the sole general partner or the managing general partner of which is the

parent or one or more subsidiaries of the parent or (B) the only general partners of which are the parent or one or more subsidiaries of the parent; and (iii) any other Person that is otherwise controlled by the parent or one or more subsidiaries of the parent; provided, however, that a "subsidiary" shall not include any contractual joint venture that the parent or one or more subsidiaries of the parent is a party and which accounts for less than 10% of the total revenue, assets, properties, businesses or other interests of the Borrower, on a consolidated basis.

"ULC" means an Issuer that is an unlimited company, unlimited liability corporation or unlimited liability company.

"ULC Laws" means the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia), and any other present or future Laws governing ULCs.

"ULC Shares" means shares or other equity interests in the capital stock of a ULC.

"**Voting or Equity Securities**" means (a) any "security" (as defined under applicable Canadian securities laws), other than a bond, debenture, note or similar instrument representing indebtedness (whether secured or unsecured), of an issuer carrying a voting right either under all circumstances or under some circumstances that have occurred and are continuing or (b) a security of an issuer that carries a residual right to participate in the earnings of the issuer and, on liquidation or winding up of the issuer, in its assets.

2. **Grant of Security Interests.** As general and continuing collateral security for the due payment and performance of the Secured Liabilities, the Borrower pledges, mortgages, charges and assigns (by way of security) to the Administrative Agent (for the benefit of the Finance Parties), and grants to the Administrative Agent (for the benefit of the Finance Parties) a general and continuing security interest in and to the Collateral.

3. **Limitations on Grant of Security Interests.** If the grant of the Security Interests with respect to any Contract, Intellectual Property Right or Permit under Section 2 would result in the termination or breach of such Contract, Intellectual Property Right or Permit or is otherwise prohibited or ineffective (whether by the terms thereof or under applicable Law), then such Contract, Intellectual Property Right or Permit shall not be subject to the Security Interests but shall be held in trust by the Borrower for the benefit of the Administrative Agent and, on the exercise by the Administrative Agent of any of its rights or remedies under this Agreement following an Event of Default shall be assigned by the Borrower as directed by the Administrative Agent; provided that: (i) the Security Interests shall attach to such Contract, Intellectual Property Right or Permit, or applicable portion thereof, immediately at such time as the condition causing such termination or breach is remedied, and (ii) if a term in a Contract that prohibits or restricts the grant of the Security Interests in the whole of an Account or Chattel Paper forming part of the Collateral is unenforceable against the Administrative Agent under applicable Law, then the exclusion from the Security Interests set out above shall not apply to such Account or Chattel Paper. In addition, the Security Interests do not attach to Consumer Goods or extend to the last day of the term of any lease or agreement for lease of real property. Such last day shall be held by the Borrower in trust for the Administrative Agent and, on the exercise by the Administrative Agent of any of its rights or remedies under this Agreement following an Event of Default, shall be assigned by the Borrower as directed by the Administrative Agent. For greater certainty, no Intellectual Property Right in any trade-mark, get-up or trade dress is presently assigned to the Administrative Agent by sole virtue of the grant of the Security Interests contained in Section 2.

4. **Attachment; No Obligation to Advance.** The Borrower acknowledges and agrees that: (i) value has been given to the Borrower, (ii) the Borrower has rights in the Collateral existing at the date of this Agreement, (iii) the Borrower and the Administrative Agent have not agreed to postpone the time for attachment of the Security Interests to any of the Collateral, (iv) the Security Interest shall attach to

the Collateral in which the Borrower has rights at the date of this Agreement when the Borrower executes this Agreement and shall attach to all after-acquired Collateral when the Borrower has rights in such Collateral, and (v) the Security Interests shall have effect and be deemed to be effective whether or not the Secured Liabilities or any part thereof are owing or in existence before or after or upon the date of this Agreement. Neither the execution and delivery of this Agreement nor the provision of any financial accommodation by the Administrative Agent shall oblige the Administrative Agent to make any financial accommodation or further financial accommodation available to the Borrower or any other Person.

5. **Purchase Money Security Interest.** The Borrower acknowledges and agrees that the Security Interests constitute and are intended to create Purchase Money Security Interests in Collateral to the extent that monies advanced by the Lender are used or are to be used, in whole or in part, to purchase or otherwise to acquire rights in Collateral.

6. **Representations and Warranties.** The Borrower represents and warrants to the Administrative Agent and each Finance Party that, as of the date of this Agreement:

- (a) **Borrower Information.** All of the information set out in Schedule A is accurate and complete.
- (b) **Title; No Other Security Interests.** Except for Permitted Liens or as otherwise contemplated in the Loan Agreement, the Borrower owns (or, with respect to any leased or licensed property forming part of the Collateral, holds a valid leasehold or licensed interest in) the Collateral free and clear of any Liens. The Borrower is the registered and beneficial owner of the Pledged Shares. No security agreement, financing statement or other notice with respect to any or all of the Collateral is on file or on record in any public office, except for filings with respect to Permitted Liens.
- (c) **Amount of Accounts.** The amount represented by the Borrower to the Administrative Agent from time to time as owing by each account debtor or by all account debtors with respect to its Accounts will at such time be the correct amount so owing by such account debtor or debtors and, unless disclosed in writing by the Borrower to the Administrative Agent at that time, will be owed free of any dispute, set-off or counterclaim. Except as disclosed in writing by the Borrower to the Administrative Agent, neither the Borrower nor (to the best of the Borrower's knowledge) any other party to any Account of the Borrower or Contract is in default or is likely to become in default in the performance or observance of any of the terms of such Account or Contract where such default is or could reasonably be expected to be materially adverse to the Borrower or the Administrative Agent.
- (d) **Authority.** The Borrower has full power and authority to grant to the Administrative Agent the Security Interests and to execute, deliver and perform its obligations under this Agreement, and such execution, delivery and performance does not contravene any of the Borrower's Organizational Documents or any agreement, instrument or restriction to which the Borrower is a party or by which the Borrower or any of the Collateral is bound.
- (e) **Consents and Transfer Restrictions.**
 - (i) Except for any consent that has been obtained and is in full force and effect, no consent of any Person (including any counterparty with respect to any Contract, any account debtor with respect to any Account, or any Governmental Authority with respect to any Permit) is required, or is purported to be required, for the execution, delivery, performance and enforcement of this Agreement (this

representation being given without reference to the exclusions contained in Section 3). For the purposes of complying with any transfer restrictions contained in the Organizational Documents of any Pledged Issuer, the Borrower hereby irrevocably consents to any transfer of the Pledged Securities of such Pledged Issuer.

- (ii) (A) No order ceasing or suspending trading in, or prohibiting the transfer of the Pledged Shares has been issued and no proceedings for this purpose have been instituted, nor does the Borrower have any reason to believe that any such proceedings are pending, contemplated or threatened and (B) the Pledged Shares are not subject to any escrow or other agreement, arrangement, commitment or understanding, prohibiting the transfer of the Pledged Shares, including pursuant to applicable Canadian securities laws or the rules, regulations or policies of any marketplace on which the Pledged Shares are listed, posted or traded.
- (f) Execution and Delivery. This Agreement has been duly authorized, executed and delivered by the Borrower and is a valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject only to bankruptcy, insolvency, liquidation, reorganization, moratorium and other similar Laws generally affecting the enforcement of creditors' rights, and to the fact that equitable remedies (such as specific performance and injunction) are discretionary remedies.
- (g) No Consumer Goods. The Borrower does not own any Consumer Goods which are material in value or which are material to the business, operations, property, condition or prospects (financial or otherwise) of the Borrower.
- (h) Intellectual Property Rights. All registrations and applications for registration pertaining to any Intellectual Property Rights, all other material Intellectual Property Rights, and the nature of the Borrower's right, title or interest therein, are described in Schedule A to this Agreement. Each Intellectual Property Right is valid, subsisting, unexpired, enforceable, and has not been abandoned. Except as set out in Schedule A to this Agreement, none of the Intellectual Property Rights have been licensed or franchised by the Borrower to any Person or, to the Borrower's knowledge, infringed or otherwise misused by any Person. Except as set out in Schedule A to this Agreement, the exercise of any Intellectual Property Right, or any licensee or franchisee thereof, has not infringed or otherwise misused any intellectual property right of any other Person, and the Borrower has not received and is not aware of any claim of such infringement or other misuse.
- (i) Partnerships, Limited Liability Companies. Where applicable, the terms of any interest in a partnership or limited liability company that is Collateral, expressly provide that such interest is a "security" for the purposes of the STA.
- (j) Due Authorization. The Pledged Securities are fully paid and non-assessable and, to the Borrower's knowledge, have been duly authorized and validly issued.
- (k) Warrants, Options, etc. Except as described in Schedule A, there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Shares.
- (l) No Required Disposition. There is no existing agreement, option, right or privilege capable of becoming an agreement or option pursuant to which the Borrower would be required to sell, redeem or otherwise dispose of any Pledged Shares or under which any

Pledged Issuer has any obligation to issue any Securities of such Pledged Issuer to any Person.

- (m) Securities Laws. Such Borrower is not a Control Person with respect to any Reporting Pledged Issuer and the Pledged Shares issued by a Reporting Pledged Issuer do not comprise Voting or Equity Securities of any class (or securities convertible into Voting or Equity Securities of any class) constituting ten per cent or more of the outstanding securities of that class.

7. Survival of Representations and Warranties. All representations and warranties made by the Borrower in this Agreement (a) are material, (b) shall be considered to have been relied on by the Administrative Agent and each Finance Party, and (c) shall survive the execution and delivery of this Agreement or any investigation made at any time by or on behalf of the Administrative Agent and any disposition or payment of the Secured Liabilities until the Release Date.

8. Covenants. The Borrower covenants and agrees with the Administrative Agent and each Finance Party that:

- (a) Further Documentation. The Borrower shall from time to time, at the expense of the Borrower, promptly and duly authorize, execute and deliver such further instruments and documents, and take such further action, as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of, and the rights and powers granted by, this Agreement (including the filing of any financing statements or financing change statements under any applicable legislation with respect to the Security Interests). The Borrower acknowledges that this Agreement has been prepared based on the existing Laws in the Province referred to in the "Governing Law" section of this Agreement and that a change in such Laws, or the Laws of other jurisdictions, may require the execution and delivery of different forms of security documentation. Accordingly, the Borrower agrees that the Administrative Agent shall have the right, upon advice of legal counsel, to require that this Agreement be amended, supplemented, restated or replaced, and that the Borrower shall on the reasonable request by the Administrative Agent authorize, execute and deliver any such amendment, supplement, restatement or replacement (i) to reflect any changes in such Laws, whether arising as a result of statutory amendments, court decisions or otherwise, (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions, or (iii) if the Borrower merges or amalgamates with any other Person or enters into any corporate reorganization, in each case in order to confer on the Administrative Agent Liens similar to, and having the same effect as, the Security Interests.
- (b) Maintenance of Records. The Borrower shall keep and maintain accurate and complete records of the Collateral, including a record of all payments received and all credits granted with respect to the Accounts and Contracts. At the written request of the Administrative Agent, the Borrower shall mark any Collateral specified by the Administrative Agent to evidence the existence of the Security Interests.
- (c) Right of Inspection. The Administrative Agent may, at all times upon reasonable notice during normal business hours, without charge, examine and make copies of all Books and Records, and may discuss the affairs, finances and accounts of the Borrower with its officers and accountants. The Administrative Agent may also, without charge and upon reasonable notice to the Borrower and its own risk, enter the premises of the Borrower where any of the Collateral is located for the purpose of inspecting the Collateral, observing its use or otherwise protecting its interests in the Collateral. The Borrower, at its own expense, shall provide the Administrative Agent with such clerical and other

assistance as may be reasonably requested by the Administrative Agent to exercise any of its rights under this paragraph. Notwithstanding the foregoing, the Administrative Agent agrees to repair and restore in a good and workmanlike manner any damage to property resulting from the Administrative Agent's negligence during any such access to, investigation of or inspection of the premises at the Administrative Agent's sole cost and expense promptly on becoming aware of such damage.

- (d) Limitations on Other Liens. The Borrower shall not create, incur or permit to exist, and shall defend the Collateral against, and shall take such other action as is necessary to remove, any and all Liens in and other claims affecting the Collateral, other than the Permitted Liens, and the Borrower shall defend the right, title and interest of the Administrative Agent in and to the Collateral against the claims and demands of all Persons.
- (e) Limitations on Dispositions of Collateral. The Borrower shall not, without the Administrative Agent's prior written consent, sell, lease or otherwise dispose of any of the Collateral, except that Inventory may be sold, leased or otherwise disposed of and, subject to the terms of this Agreement, Accounts may be collected, in either case in the ordinary course of the Borrower's business. Following an Event of Default, all Proceeds of the Collateral (including all amounts received with respect to Accounts) received by or on behalf of the Borrower, whether or not arising in the ordinary course of the Borrower's business, shall be received by the Borrower as trustee for the Administrative Agent and shall be immediately paid to the Administrative Agent.
- (f) Limitations on Modifications, Waivers, Extensions. Other than as not prohibited by paragraph (g) below, the Borrower shall not (i) amend, modify, terminate, permit to expire or waive any provision of any Permit, Contract or any document giving rise to an Account in any manner which is or could reasonably be expected to be materially adverse to the Borrower, the Administrative Agent or any Finance Party, or (ii) fail to exercise promptly and diligently its rights under each Contract and each document giving rise to an Account if such failure is or could reasonably be expected to be materially adverse to the Borrower, the Administrative Agent or any Finance Party.
- (g) Limitations on Discounts, Compromises, Extensions of Accounts. Other than in the ordinary course of business of the Borrower consistent with previous practices, the Borrower shall not (i) grant any extension of the time for payment of any Account, (ii) compromise, compound or settle any Account for less than its full amount, (iii) release, wholly or partially, any Person liable for the payment of any Account, or (iv) allow any credit or discount of any Account, except to such extent as the Borrower determines that any such compromise, compound or settlement could reasonably be expected to benefit the Administrative Agent and the Finance Parties in the circumstances.
- (h) Maintenance of Collateral. The Borrower shall maintain all tangible Collateral in good operating condition, ordinary wear and tear excepted, and the Borrower shall provide all maintenance, service and repairs necessary for such purpose. The Borrower shall maintain in good standing all registrations and applications with respect to the Intellectual Property Rights except to the extent that any failure to do so could not reasonably be expected to be materially adverse to the Borrower, the Administrative Agent or the Finance Parties.
- (i) Insurance. The Borrower shall keep the Collateral insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses. The applicable insurance policies shall be in form

and substance customary for such policies and shall (i) contain by way of endorsement a mortgagee clause in form and substance satisfactory to the Administrative Agent, and (ii) name the Administrative Agent as loss payee as its interest may appear. The Borrower shall, from time to time at the Administrative Agent's request, deliver the applicable insurance policies (or satisfactory evidence of such policies) to the Administrative Agent. Neither the Administrative Agent, the Finance Parties nor their correspondents or agents shall be responsible for the character, adequacy, validity or genuineness of any insurance, the solvency of any insurer, or any other risk connected with insurance.

- (j) Further Identification of Collateral. The Borrower shall promptly furnish to the Administrative Agent such statements and schedules further identifying and describing the Collateral, and such other reports in connection with the Collateral, as the Administrative Agent may from time to time reasonably request, including an updated list of any motor vehicles or other "serial number" goods owned by the Borrower and classified as Equipment, including vehicle identification numbers.
- (k) Amalgamation, Merger or Consolidation. The Borrower shall not permit, to the extent in the Borrower's capacity to control as shareholder, any Pledged Issuer to amalgamate, merge or consolidate unless all of the outstanding capital stock of the surviving or resulting corporation is, upon such amalgamation, merger or consolidation, pledged under this Agreement and no cash, securities or other property is distributed with respect to the outstanding shares of any other constituent corporation.
- (l) Agreements re Intellectual Property Rights. Promptly upon request from time to time by the Administrative Agent, the Borrower shall, upon advice of counsel, authorize, execute and deliver any and all agreements, instruments, documents and papers that the Administrative Agent may reasonably request to evidence the Security Interests in any Intellectual Property Rights and, where applicable, the goodwill of the business of the Borrower connected with the use of, and symbolized by, any such Intellectual Property Rights.
- (m) Instruments; Documents of Title; Chattel Paper. Promptly upon request from time to time by the Administrative Agent, the Borrower shall deliver to the Administrative Agent, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Administrative Agent may reasonably request, any and all Instruments, Documents of Title and Chattel Paper included in or relating to the Collateral as the Administrative Agent may specify in its request.
- (n) Pledged Certificated Securities. The Borrower shall deliver to the Administrative Agent any and all Pledged Security Certificates and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Certificated Securities in the manner provided under section 23 of the STA, if applicable, or other applicable laws. At the request of the Administrative Agent, the Borrower shall cause all Pledged Security Certificates to be registered in the name of the Administrative Agent or its nominee.
- (o) Pledged Uncertificated Securities. The Borrower shall deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Uncertificated Securities in the manner provided under section 24 of the STA if applicable, or other applicable laws. If applicable, for the purposes of section 27(1) of

the STA, this Agreement shall constitute the Borrower's irrevocable consent to entry by a Pledged Issuer into an agreement of the kind referred to in clause 24(1)(b) of the STA.

- (p) Pledged Security Entitlements. The Borrower shall deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Security Entitlements in the manner provided under section 25 or 26 of the STA, if applicable, or other applicable laws.
- (q) Pledged Futures Contracts. The Borrower shall deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Futures Contracts in the manner provided under subsection 1(1.1) of the PPSA.
- (r) Partnerships, Limited Liability Companies. The Borrower shall ensure that the terms of any interest in a partnership or limited liability company that is Collateral shall expressly provide that such interest is a "security" for the purposes of the STA.
- (s) Transfer Restrictions. If the constating documents of any Pledged Issuer (other than a ULC) restrict the transfer of the Securities of such Pledged Issuer, then the Borrower shall deliver to the Administrative Agent a certified copy of a resolution of the directors, shareholders, unitholders or partners of such Pledged Issuer, as applicable, consenting to the transfer(s) contemplated by this Agreement, including any prospective transfer of the Collateral by the Administrative Agent upon a realization on the Security Interests.
- (t) Notices. The Borrower shall advise the Administrative Agent promptly, in reasonable detail, of:
 - (i) any change to a Pledged Securities Intermediary's Jurisdiction, Pledged Issuer's Jurisdiction, or Pledged Future Intermediary's Jurisdiction;
 - (ii) any change in the location of the jurisdiction of incorporation or amalgamation, chief executive office or domicile of the Borrower;
 - (iii) any change in the name of the Borrower;
 - (iv) any merger, consolidation or amalgamation of the Borrower with any other Person;
 - (v) any additional jurisdiction in which the Borrower carries on business or has tangible Personal Property;
 - (vi) any additional jurisdiction in which material account debtors of the Borrower are located;
 - (vii) any acquisition of any right, title or interest in real property by the Borrower;
 - (viii) any acquisition of any Intellectual Property Rights which are the subject of a registration or application with any governmental intellectual property or other governing body or registry, or which are material to the Borrower's business;
 - (ix) any acquisition of any Instrument, Document of Title or Chattel Paper;
 - (x) any creation or acquisition of any Subsidiary of the Borrower;

- (xi) any Lien (other than Permitted Liens) or similar interest granted or made on, or claim asserted against, any of the Collateral;
- (xii) the Borrower becoming (or if the Borrower could reasonably be determined to have become) a Control Person with respect to any Reporting Pledged Issuer;
- (xiii) the issuance of any order ceasing or suspending trading in, or prohibiting the transfer of any Pledged Shares or the institution of proceedings for such purpose, or if such Borrower has any reason to believe that any such proceedings are pending, contemplated or threatened; or
- (xiv) any occurrence of any event, claim or occurrence that could reasonably be expected to have a material adverse effect on the value of the Collateral or on the Security Interests.

The Borrower shall not effect or permit any of the changes referred to in clauses (ii) through (viii) above unless all filings have been made and all other actions taken that are required in order for the Administrative Agent to continue at all times following such change to have a valid and perfected first priority Security Interest with respect to all of the Collateral.

9. **Voting Rights.** Unless an Event of Default has occurred and is continuing, the Borrower shall be entitled to exercise all voting power from time to time exercisable with respect to the Pledged Shares and give consents, waivers and ratifications with respect thereto; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would be, or would have a reasonable likelihood of being, prejudicial to the interests of the Administrative Agent or which would have the effect of reducing the value of the Collateral as security for the Secured Liabilities or imposing any restriction on the transferability of any of the Collateral. Unless an Event of Default has occurred and is continuing, the Administrative Agent shall, from time to time at the request and expense of the Borrower, execute or cause to be executed, with respect to all Pledged Securities that are registered in the name of the Administrative Agent or its nominee, valid proxies appointing the Borrower as its (or its nominee's) proxy to attend, vote and act for and on behalf of the Administrative Agent or such nominee, as the case may be, at any and all meetings of the applicable Pledged Issuer's shareholders or debt holders, all Pledged Securities that are registered in the name of the Administrative Agent or such nominee, as the case may be, and to execute and deliver, consent to or approve or disapprove of or withhold consent to any resolutions in writing of shareholders or debt holders of the applicable Pledged Issuer for and on behalf of the Administrative Agent or such nominee, as the case may be. Immediately upon the occurrence and during the continuance of any Event of Default, all such rights of the Borrower to vote and give consents, waivers and ratifications shall cease and the Administrative Agent or its nominee shall be entitled to exercise all such voting rights and to give all such consents, waivers and ratifications.

10. **Dividends; Interest.** Unless an Event of Default has occurred and is continuing, the Borrower shall be entitled to receive any and all cash dividends, interest, principal payments and other forms of cash distribution on the Pledged Shares which it is otherwise entitled to receive, but any and all stock and/or liquidating dividends, distributions of property, returns of capital or other distributions made on or with respect to the Pledged Shares, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of any Pledged Issuer or received in exchange for the Pledged Shares or any part thereof or as a result of any amalgamation, merger, consolidation, acquisition or other exchange of property to which any Pledged Issuer may be a party or otherwise, and any and all cash and other property received in exchange for any Pledged Shares shall be and become part of the Collateral subject to the Security Interests and, if received by the Borrower, shall forthwith be delivered to the Administrative Agent or its nominee (accompanied, if appropriate, by proper instruments of

assignment and/or stock powers of attorney executed by the Borrower in accordance with the Administrative Agent's instructions) to be held subject to the terms of this Agreement; and if any of the Pledged Security Certificates have been registered in the name of the Administrative Agent or its nominee, the Administrative Agent shall execute and deliver (or cause to be executed and delivered) to the Borrower all such dividend orders and other instruments as the Borrower may request for the purpose of enabling the Borrower to receive the dividends, distributions or other payments which the Borrower is authorized to receive and retain pursuant to this Section. If an Event of Default has occurred and is continuing, all rights of the Borrower pursuant to this Section shall cease and the Administrative Agent shall have the sole and exclusive right and authority to receive and retain the cash dividends, interest, principal payments and other forms of cash distribution which the Borrower would otherwise be authorized to retain pursuant to this Section. Any money and other property paid over to or received by the Administrative Agent pursuant to the provisions of this Section shall be retained by the Administrative Agent as additional Collateral hereunder and be applied in accordance with the provisions of this Agreement.

11. **Rights on Event of Default.** If an Event of Default has occurred and is continuing, then and in every such case all of the Secured Liabilities shall, at the option of the Administrative Agent, become immediately due and payable and the Security Interests shall become enforceable and the Administrative Agent, in addition to any rights now or hereafter existing under applicable Law may, personally or by agent, at such time or times as the Administrative Agent in its discretion may determine, do any one or more of the following:

- (a) **Rights under PPSA, etc.** Exercise all of the rights and remedies granted to secured parties under the PPSA and any other applicable statute, or otherwise available to the Administrative Agent by contract, at law or in equity.
- (b) **Demand Possession.** Demand possession of any or all of the Collateral, in which event the Borrower shall, at the expense of the Borrower, immediately cause the Collateral designated by the Administrative Agent to be assembled and made available and/or delivered to the Administrative Agent at any place designated by the Administrative Agent.
- (c) **Take Possession.** Enter on any premises where any Collateral is located and take possession of, disable or remove such Collateral.
- (d) **Deal with Collateral.** Hold, store and keep idle, or operate, lease or otherwise use or permit the use of, any or all of the Collateral for such time and on such terms as the Administrative Agent may determine, and demand, collect and retain all earnings and other sums due or to become due from any Person with respect to any of the Collateral.
- (e) **Carry on Business.** Carry on, or concur in the carrying on of, any or all of the business or undertaking of the Borrower and enter on, occupy and use (without charge by the Borrower) any of the premises, buildings, plant and undertaking of, or occupied or used by, the Borrower.
- (f) **Enforce Collateral.** Seize, collect, receive, enforce or otherwise deal with any Collateral in such manner, on such terms and conditions and at such times as the Administrative Agent deems advisable.
- (g) **Dispose of Collateral.** Realize on any or all of the Collateral and sell, lease, assign, give options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the above), in one or more parcels at any public or private sale, at any exchange, broker's board or office of the Administrative Agent or elsewhere, with or

without advertising or other formality, except as required by applicable Law, on such terms and conditions as the Administrative Agent may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery; so long as every aspect of the disposition is commercially reasonable.

- (h) Court-Approved Disposition of Collateral. Obtain from any court of competent jurisdiction an order for the sale or foreclosure of any or all of the Collateral.
- (i) Purchase by Administrative Agent. At any public sale, and to the extent permitted by Law on any private sale, bid for and purchase any or all of the Collateral offered for sale and, upon compliance with the terms of such sale, hold, retain, sell or otherwise dispose of such Collateral without any further accountability to the Borrower or any other Person with respect to such holding, retention, sale or other disposition, except as required by Law. In any such sale to the Administrative Agent, the Administrative Agent may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for any or all of the Secured Liabilities then due and payable to it as a credit against the purchase price.
- (j) Collect Accounts. Notify (whether in its own name or in the name of the Borrower) the account debtors under any Accounts of the Borrower of the assignment of such Accounts to the Administrative Agent and direct such account debtors to make payment of all amounts due or to become due to the Borrower with respect to such Accounts directly to the Administrative Agent and, upon such notification and at the expense of the Borrower, enforce collection of any such Accounts, and adjust, settle or compromise the amount or payment of such Accounts, in such manner and to such extent as the Administrative Agent deems appropriate in the circumstances.
- (k) Transfer of Collateral. Transfer any Collateral that is Pledged Shares into the name of the Administrative Agent or its nominee.
- (l) Voting. Vote any or all of the Pledged Shares (whether or not transferred to the Administrative Agent or its nominee) and give or withhold all consents, waivers and ratifications with respect thereto and otherwise act with respect thereto as though it were the outright owner thereof.
- (m) Exercise Other Rights. Exercise any and all rights, privileges, entitlements and options pertaining to any Collateral that is Pledged Shares as if the Administrative Agent were the absolute owner of such Pledged Shares.
- (n) Instruments; Documents of Title; Chattel Paper. Endorse the Borrower's name on any and all Instruments, Documents of Title and Chattel Paper pertaining to or constituting Collateral and give valid and binding receipts and discharges therefor and in respect thereof.
- (o) Dealing with Contracts and Permits. Deal with any and all Contracts and Permits to the same extent as the Borrower might (including the enforcement, realization, sale, assignment, transfer, and requirement for continued performance), all on such terms and conditions and at such time or times as may seem advisable to the Administrative Agent.
- (p) Payment of Liabilities. Pay any liability secured by any Lien against any Collateral. The Borrower shall immediately on demand reimburse the Administrative Agent for all such payments and, until paid, any such reimbursement obligation shall form part of the Secured Liabilities and shall be secured by the Security Interests.

- (q) Borrow and Grant Liens. Borrow money for the maintenance, preservation or protection of any Collateral or for carrying on any of the business or undertaking of the Borrower and grant Liens on any Collateral (in priority to the Security Interests or otherwise) as security for the money so borrowed. The Borrower shall immediately on demand reimburse the Administrative Agent for all such borrowings and, until paid, any such reimbursement obligations shall form part of the Secured Liabilities and shall be secured by the Security Interests.
- (r) Appoint Receiver. Appoint by instrument in writing one or more Receivers of the Borrower or any or all of the Collateral with such rights, powers and authority (including any or all of the rights, powers and authority of the Administrative Agent under this Agreement) as may be provided for in the instrument of appointment or any supplemental instrument, and remove and replace any such Receiver from time to time. To the extent permitted by applicable Law, any Receiver appointed by the Administrative Agent shall (for purposes relating to responsibility for the Receiver's acts or omissions) be considered to be the agent of the Borrower and not of the Administrative Agent.
- (s) Legal Proceedings; Court-Appointed Receiver. Commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Administrative Agent, any Finance Party, the Receiver or the Borrower for the purpose of exercising any of the rights, powers and remedies set out in this Section, including obtaining from any court of competent jurisdiction an order for the appointment of a Receiver of the Borrower or of any or all of the Collateral.
- (t) Consultants. Require the Borrower to engage a consultant of the Administrative Agent's choice, or engage a consultant on its own behalf, such consultant to receive the full cooperation and support of the Borrower and its agents and employees, including unrestricted access to the premises of the Borrower and the Books and Records; all reasonable fees and expenses of such consultant shall be for the account of the Borrower and the Borrower hereby authorizes any such consultant to report directly to the Administrative Agent and to disclose to the Administrative Agent any and all information obtained in the course of such consultant's employment.

The Administrative Agent may exercise any or all of the foregoing rights and remedies without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by applicable Law) to or on the Borrower or any other Person, and the Borrower hereby waives each such demand, presentment, protest, advertisement and notice to the extent permitted by applicable Law. None of the above rights or remedies shall be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time. The Borrower acknowledges and agrees that any action taken by the Administrative Agent hereunder following the occurrence and during the continuance of an Event of Default shall not be rendered invalid or ineffective as a result of the curing of the Event of Default on which such action was based.

12. Realization Standards. To the extent that applicable Law imposes duties on the Administrative Agent to exercise remedies in a commercially reasonable manner and without prejudice to the ability of the Administrative Agent to dispose of the Collateral in any such manner, the Borrower acknowledges and agrees that it is not commercially unreasonable for the Administrative Agent to (or not to) (i) incur expenses reasonably deemed significant by the Administrative Agent to prepare the Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) fail to obtain third party consents for access to the Collateral to be disposed of, (iii) fail to exercise collection remedies against account debtors or other Persons obligated on the Collateral or to remove Liens against the Collateral, (iv) exercise collection remedies against

account debtors or other Persons obligated on the Collateral directly or through the use of collection agencies and other collection specialists, (v) dispose of Collateral by way of public auction, public tender or private contract, with or without advertising and without any other formality, (vi) contact other Persons, whether or not in the same business of the Borrower, for expressions of interest in acquiring all or any portion of the Collateral, (vii) hire one or more professional auctioneers to assist in the disposition of the Collateral, if the Collateral is of a specialized nature or an upset or reserve bid or price is established, (viii) dispose of the Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) dispose of assets in wholesale rather than retail markets, (x) disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) purchase insurance or credit enhancements to insure the Administrative Agent against risks of loss, collection or disposition of the Collateral or to provide to the Administrative Agent a guaranteed return from the collection or disposition of the Collateral, (xii) to the extent deemed appropriate by the Administrative Agent, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Administrative Agent in the collection or disposition of any of the Collateral, (xiii) dispose of Collateral in whole or in part, (ivx) dispose of Collateral to a customer of the Administrative Agent, and (vx) establish an upset or reserve bid price with respect to Collateral.

13. **Grant of Licence.** For the purpose of enabling the Administrative Agent to exercise its rights and remedies under this Agreement when the Administrative Agent is entitled to exercise such rights and remedies, and for no other purpose, the Borrower grants to the Administrative Agent an irrevocable, non-exclusive licence (exercisable without payment of royalty or other compensation to the Borrower) to use, assign or sublicense any or all of the Intellectual Property Rights, including in such licence reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout of the same. For any trade-marks, get-up and trade dress and other business indicia, such licence includes an obligation on the part of the Administrative Agent to maintain the standards of quality maintained by the Borrower or, in the case of trade-marks, get-up and trade dress or other business indicia licensed to the Borrower, the standards of quality imposed upon the Borrower by the relevant licence. For copyright works, such licence shall include the benefit of any waivers of moral rights and similar rights.

14. **Securities Laws.** The Administrative Agent is authorized, in connection with any offer or sale of any Pledged Shares, to comply with any limitation or restriction as it may be advised by counsel is necessary to comply with applicable Law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Securities. In addition to and without limiting Section 12, the Borrower further agrees that compliance with any such limitation or restriction shall not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Administrative Agent shall not be liable or accountable to the Borrower for any discount allowed by reason of the fact that such Pledged Shares are sold in compliance with any such limitation or restriction. If the Administrative Agent chooses to exercise its right to sell any or all Pledged Shares, upon written request, the Borrower shall cause each applicable Pledged Issuer to furnish to the Administrative Agent all such information as the Administrative Agent may reasonably request in order to determine the number of shares and other instruments included in the Collateral which may be sold by the Administrative Agent in exempt transactions under any Laws governing securities, and the rules and regulations of any applicable securities regulatory body thereunder, as the same are from time to time in effect.

15. **ULC Shares.** The Borrower acknowledges that certain of the Collateral may now or in the future consist of ULC Shares, and that it is the intention of the Administrative Agent and the Borrower that the Administrative Agent should not under any circumstances prior to realization thereon be held to

be a "member" or a "shareholder", as applicable, of a ULC for the purposes of any ULC Laws. Therefore, notwithstanding any provisions to the contrary contained in this Agreement, the Loan Agreement or any other document in connection therewith, where the Borrower is the registered owner of ULC Shares which are Collateral, the Borrower shall remain the sole registered owner of such ULC Shares until such time as such ULC Shares are effectively transferred into the name of the Administrative Agent or any other Person on the books and records of the applicable ULC. Accordingly, the Borrower shall be entitled to receive and retain for its own account any dividend on or other distribution, if any, with respect to such ULC Shares (except for any dividend or distribution comprised of Pledged Security Certificates, which shall be delivered to the Administrative Agent to hold hereunder) and shall have the right to vote such ULC Shares and to control the direction, management and policies of the applicable ULC to the same extent as the Borrower would if such ULC Shares were not pledged to the Administrative Agent pursuant hereto. Nothing in this Agreement, the Loan Agreement or any other document in connection therewith is intended to, and nothing in this Agreement, the Loan Agreement or any other document in connection therewith shall, constitute the Administrative Agent or any Person other than the Borrower, a member or shareholder of a ULC for the purposes of any ULC Laws (whether listed or unlisted, registered or beneficial), until such time as notice is given to the Borrower and further steps are taken pursuant hereto or thereto so as to register the Administrative Agent or such other Person, as specified in such notice, as the holder of the ULC Shares. To the extent any provision hereof would have the effect of constituting the Administrative Agent as a member or a shareholder, as applicable, of any ULC prior to such time, such provision shall be severed herefrom and shall be ineffective with respect to ULC Shares which are Collateral without otherwise invalidating or rendering unenforceable this Agreement or invalidating or rendering unenforceable such provision insofar as it relates to Collateral which is not ULC Shares. Except upon the exercise of rights of the Administrative Agent to sell, transfer or otherwise dispose of ULC Shares in accordance with this Agreement, the Borrower shall not cause or permit, or enable a Pledged Issuer that is a ULC to cause or permit, the Administrative Agent to: (a) be registered as a shareholder or member of such Pledged Issuer; (b) have any notation entered in their favour in the share register of such Pledged Issuer; (c) be held out as shareholders or members of such Pledged Issuer; (d) receive, directly or indirectly, any dividends, property or other distributions from such Pledged Issuer by reason of the Administrative Agent holding the Security Interests over the ULC Shares; or (e) act as a shareholder of such Pledged Issuer, or exercise any rights of a shareholder including the right to attend a meeting of shareholders of such Pledged Issuer or to vote its ULC Shares.

16. **Application of Proceeds.** All Proceeds of Collateral received by the Administrative Agent or a Receiver may be applied to discharge or satisfy any expenses (including the Receiver's remuneration and other expenses of enforcing the Administrative Agent's rights under this Agreement), Liens on the Collateral in favour of Persons other than the Administrative Agent, borrowings, taxes and other outgoings affecting the Collateral or which are considered advisable by the Administrative Agent or the Receiver to protect, preserve, repair, process, maintain or enhance the Collateral or prepare it for sale, lease or other disposition, or to keep in good standing any Liens on the Collateral ranking in priority to any of the Security Interests, or to sell, lease or otherwise dispose of the Collateral. The balance of such Proceeds may, at the sole discretion of the Administrative Agent, be held as collateral security for the Secured Liabilities or be applied to such of the Secured Liabilities (whether or not the same are due and payable) in such manner and at such times as the Administrative Agent considers appropriate and thereafter shall be accounted for as required by Law.

17. **Continuing Liability of Borrower.** The Borrower shall remain liable for any Secured Liabilities that are outstanding following realization of all or any part of the Collateral and the application of the Proceeds thereof.

18. **Administrative Agent's Appointment as Attorney-in-Fact.** Effective upon the occurrence and during the continuance of an Event of Default, the Borrower constitutes and appoints the Administrative Agent and any officer or agent of the Administrative Agent, with full power of

substitution, as the Borrower's true and lawful attorney-in-fact with full power and authority in the place of the Borrower and in the name of the Borrower or in its own name, from time to time in the Administrative Agent's discretion, to take any and all appropriate action and to execute any and all documents and instruments as, in the opinion of such attorney, may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the effect of this Section, upon the occurrence of an Event of Default, the Borrower grants the Administrative Agent an irrevocable proxy to vote the Pledged Shares and to exercise all other rights, powers, privileges and remedies to which a holder thereof would be entitled (including giving or withholding written consents of shareholders, calling special meetings of shareholders and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Shares on the books and records of a Pledged Issuer or Pledged Securities Intermediary, as applicable). These powers are coupled with an interest and are irrevocable until the Release Date. Nothing in this Section affects the right of the Administrative Agent as secured party or any other Person on the Administrative Agent's behalf, to sign and file or deliver (as applicable) all such financing statements, financing change statements, notices, verification statements and other documents relating to the Collateral and this Agreement as the Administrative Agent or such other Person considers appropriate. The Borrower hereby ratifies and confirms, and agrees to ratify and confirm, whatever lawful acts the Administrative Agent or any of the Administrative Agent's sub-agents, nominees or attorneys do or purport to do in exercise of the power of attorney granted to the Administrative Agent pursuant to this Section.

19. **Performance by Administrative Agent of Borrower's Obligations.** If the Borrower fails to perform or comply with any of the obligations of the Borrower under this Agreement, the Administrative Agent may, but need not, perform or otherwise cause the performance or compliance of such obligation, provided that such performance or compliance shall not constitute a waiver, remedy or satisfaction of such failure. The expenses of the Administrative Agent incurred in connection with any such performance or compliance shall be payable by the Borrower to the Administrative Agent immediately on demand, and until paid, any such expenses shall form part of the Secured Liabilities and shall be secured by the Security Interests.

20. **Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

21. **Rights of Administrative Agent; Limitations on Administrative Agent and Finance Parties' Obligations.**

- (a) **Limitations on Liability.** None of the Administrative Agent, any Receiver, any Finance Party or agent of such parties shall be liable to the Borrower or any other Person for any failure or delay in exercising any of the rights of the Borrower under this Agreement (including any failure to take possession of, collect, sell, lease or otherwise dispose of any Collateral, or to preserve rights against prior parties, except in respect of damages to the extent attributable to the gross negligence or wilful misconduct of the Administrative Agent or any Receiver). Neither the Administrative Agent, a Receiver nor any agent of the Administrative Agent (including, in Alberta or British Columbia, any sheriff) is required to take, or shall have any liability for any failure to take or delay in taking, any steps necessary or advisable to preserve rights against other Persons under any Collateral in its possession. None of the Administrative Agent, any Receiver, any Finance Party or any agent of such parties shall be liable for any, and the Borrower shall bear the full risk of all, loss or damage to any and all of the Collateral (including any Collateral in the possession of the Administrative Agent, any Receiver, any Finance Party or any agent of such parties) caused for any reason, except in respect of damages to the extent

attributable to the gross negligence or wilful misconduct of the Administrative Agent, any Receiver, any Finance Party or agent of such parties.

- (b) Borrower Remains Liable under Accounts and Contracts. Notwithstanding any provision of this Agreement, the Borrower shall remain liable under each of the documents giving rise to the Accounts of the Borrower and under each of the Contracts to observe and perform all the conditions and obligations to be observed and performed by the Borrower thereunder, all in accordance with the terms of each such document and Contract. Neither the Administrative Agent nor any Finance Party (or any of their affiliates, officers, directors, employees, agents or representatives) shall have any obligation or liability under any Account of the Borrower (or any document giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Administrative Agent of any payment relating to such Account or Contract pursuant hereto, and in particular (but without limitation), except in respect of damages to the extent attributable to the gross negligence or wilful misconduct of the Administrative Agent or any Finance Party, neither the Administrative Agent nor any Finance Party shall be obligated in any manner to perform any of the obligations of the Borrower under or pursuant to any Account (or any document giving rise thereto) or under or pursuant to any Contract to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any document giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time.
- (c) Analysis of Accounts. At any time and from time to time, the Administrative Agent shall have the right to analyze and verify the Accounts of the Borrower in any manner and through any medium that it reasonably considers advisable, and the Borrower shall furnish all such assistance and information as the Administrative Agent may require in connection therewith. At any time and from time to time, upon the Administrative Agent's reasonable request and at the expense of the Borrower, the Borrower shall furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, its Accounts.
- (d) Use of Agents. The Administrative Agent may perform any of its rights or duties under this Agreement by or through agents and is entitled to retain counsel and to act in reliance on the advice of such counsel concerning all matters pertaining to its rights and duties under this Agreement.

22. Dealings by Administrative Agent. The Administrative Agent shall not be obliged to exhaust its recourse against the Borrower or any other Person or against any other security it may hold with respect to the Secured Liabilities or any part thereof before realizing upon or otherwise dealing with the Collateral in such manner as the Administrative Agent may consider desirable. The Administrative Agent may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with the Borrower and any other Person, and with any or all of the Collateral, and with other security and sureties, as the Administrative Agent may see fit, all without prejudice to the Secured Liabilities or to the rights and remedies of the Administrative Agent or the Finance Parties under this Agreement or the Loan Agreement. The powers and rights conferred on the Administrative Agent under this Agreement are granted to the Administrative Agent, acting for and on behalf of the Finance Parties, solely to protect the interests of the Administrative Agent and the Finance Parties in the Collateral and shall not impose any duty upon the Administrative Agent to exercise any such powers or rights.

23. **Communication.** Any notice or other communication required or permitted to be given under this Agreement shall be made in accordance with the terms of the Loan Agreement.

24. **Release of Information.** The Borrower authorizes the Administrative Agent and each Finance Party to provide a copy of this Agreement and such other information as may be requested of the Administrative Agent (i) to the extent necessary to enforce the Administrative Agent's rights, remedies and entitlements under this Agreement, (ii) to any assignee or prospective assignee of all or any part of the Secured Liabilities, and (iii) as required by applicable Law.

25. **Expenses; Indemnity; Waiver.**

- (a) The Borrower shall pay all out-of-pocket expenses incurred by the Administrative Agent, including the fees, charges and disbursements of any counsel for the Administrative Agent and all applicable taxes, in connection with the assessment, enforcement or protection of their rights in connection with this Agreement (including its rights under this Section) including all such out-of-pocket expenses incurred (i) during any workout, restructuring or negotiations with respect to the Secured Liabilities, (ii) in taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral, and (iii) in enforcing or collecting indebtedness.
- (b) The Borrower shall indemnify the Administrative Agent and each Finance Party against, and hold the Administrative Agent and each Finance Party harmless from, any and all losses, claims, cost recovery actions, damages, expenses and liabilities of whatsoever nature or kind and all reasonable out-of-pocket expenses and all applicable taxes to which the Administrative Agent or any Finance Party may become subject arising out of or in connection with (i) the breach by the Borrower of its obligations hereunder, (ii) any actual or prospective claim, litigation, investigation or proceeding relating to this Agreement or the Secured Liabilities, whether based on contract, tort or any other theory and regardless of whether the Administrative Agent or any Finance Party is a party thereto, (iii) any other aspect of this Agreement, or (iv) the enforcement of Administrative Agent's rights hereunder and any related investigation, defence, preparation of defence, litigation and enquiries; provided that such indemnity shall not, as to the Administrative Agent or any Finance Party, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct (it being acknowledged that ordinary negligence does not necessarily constitute gross negligence) or wilful misconduct of or material breach of this Agreement by the Administrative Agent.
- (c) The Borrower shall not assert, and hereby waives (to the fullest extent permitted by applicable Law), (i) any claim against the Administrative Agent or any Finance Party (or any director, officer or employee thereof), on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, and (ii) all of the rights, benefits and protections given by any present or future statute that imposes limitations on the rights, powers or remedies of a secured party or on the methods of, or procedures for, realization of security, including any "seize or sue" or "anti-deficiency" statute or any similar provision of any other statute; provided that such waiver does not apply to any claim arising out of the fraud, wilful misconduct or gross negligence of the Administrative Agent or any Finance Party.

- (d) All amounts due under this Section shall (i) be payable not later than 10 Business Days after written demand therefor, and (ii) shall form part of the Secured Liabilities and shall be secured by the Security Interests.
- (e) The indemnifications set out in this Section shall survive the Release Date and the release or extinguishment of the Security Interests for a period of three years.

26. **Release of Borrower.** Upon the written request of the Borrower given at any time on or after the Release Date, the Administrative Agent shall, at the expense of the Borrower, release the Borrower and the Collateral from the Security Interests and such release shall serve to terminate any licence granted in this Agreement. Upon such release, and at the request and expense of the Borrower, the Administrative Agent shall execute and deliver to the Borrower such releases and discharges as the Borrower may reasonably request.

27. **Additional Security.** This Agreement is in addition to, and not in substitution of, any and all other security previously or concurrently delivered by the Borrower or any other Person to the Administrative Agent or any Finance Party, all of which other security shall remain in full force and effect.

28. **Alteration or Waiver.** None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Administrative Agent. The Administrative Agent shall not, by any act or delay, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent would otherwise have on any future occasion. Neither the taking of any judgment nor the exercise of any power of seizure or sale shall extinguish the liability of the Borrower to pay the Secured Liabilities, nor shall the same operate as a merger of any covenant contained in this Agreement or of any other liability, nor shall the acceptance of any payment or other security constitute or create any novation.

29. **Amalgamation.** If the Borrower is a corporation, the Borrower acknowledges that if it amalgamates or merges with any other corporation or corporations, then (i) the Collateral and the Security Interests shall extend to and include all the property and assets of the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired, (ii) the term "Borrower", where used in this Agreement, shall extend to and include the amalgamated corporation, and (iii) the term "Secured Liabilities", where used in this Agreement, shall extend to and include the Secured Liabilities of the amalgamated corporation.

30. **Governing Law; Attornment.** This Agreement shall be governed by and construed in accordance with the Laws of the Province of British Columbia. Without prejudice to the ability of the Administrative Agent to enforce this Agreement in any other proper jurisdiction, the Borrower irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of such province. To the extent permitted by applicable Law, the Borrower irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of such Province.

31. **Interpretation.** The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including"

shall be deemed to be followed by the phrase "without limitation". The word "or" is disjunctive; the word "and" is conjunctive. The word "shall" is mandatory; the word "may" is permissive. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set out herein), (b) any reference herein to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time, (c) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (e) all references herein to Sections and Schedules shall be construed to refer to Sections and Schedules to, this Agreement, Section headings are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement. Any reference in this Agreement to a Permitted Liens is not intended to subordinate or postpone, and shall not be interpreted as subordinating or postponing, or as any agreement to subordinate or postpone, any Security Interest to any Permitted Liens. The doctrine of consolidation will apply to this Agreement and the Administrative Agent's rights of consolidation shall not be diminished in any way by Section 31 of the *Property Law Act* (British Columbia) and any amendments thereto. Whenever a representation or warranty is made on the basis of the knowledge or awareness of a party, such knowledge or awareness consists of the actual collective knowledge or awareness of the senior officers of such party, in their capacity as senior officers of such party; provided that the party making the representation and warranty shall have conducted a reasonable investigation as to the subject matter relating thereto and the level of such investigation shall be that of a reasonably prudent Person investigating a material consideration in the context of a material transaction.

32. **Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Loan Agreement then, notwithstanding anything contained in this Agreement, the provisions contained in the Loan Agreement shall prevail to the extent of such conflict or inconsistency and the provisions of this Agreement shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, it being understood that the purpose of this Agreement is to add to, and not detract from, the rights granted to the Administrative Agent or any Finance Party under the Loan Agreement.

33. **Successors and Assigns.** This Agreement shall enure to the benefit of, and be binding on, the Borrower and its successors and permitted assigns, and shall enure to the benefit of, and be binding on, the Administrative Agent and its successors and assigns. The Borrower may not assign this Agreement, or any of its rights or obligations under this Agreement. The Administrative Agent may assign this Agreement and any of its rights and obligations hereunder to any Person.

34. **Acknowledgment of Receipt/Waiver.** The Borrower acknowledges receipt of an executed copy of this Agreement and, to the extent permitted by applicable Law, waives the right to receive a copy of any financing statement or financing change statement registered in connection with this Agreement or any verification statement issued with respect to any such financing statement or financing change statement.

35. **Electronic Signature.** Delivery of an executed signature page to this Agreement by the Borrower by facsimile or other electronic form of transmission shall be as effective as delivery by the Borrower of a manually executed copy of this Agreement by the Borrower.

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF the undersigned has caused this Agreement to be duly executed as of the date first written above.

SPEAKEASY CANNABIS CLUB LTD.

By: _____
Name:
Title:

BHAYANA VENTURES LTD.

By: _____
Name:
Title:

SCHEDULE A

BORROWER INFORMATION

Full legal name:

Prior names:

Predecessor companies:

Jurisdiction of incorporation or organization:

Address of chief executive office:

Addresses of all places where business is carried on or tangible Personal Property is kept:

Description of Crops, including description of Crops that are growing as well as a description of newly planted seedling and when such seedling is anticipated to grow into Crops:

Jurisdictions in which all material account debtors are located:

Addresses of all owned real property:

Addresses of all leased real property:

Description of all "serial number" goods (i.e. motor vehicles, trailers, aircraft, boats and outboard motors for boats):

Description of all material Permits:

Subsidiaries of the Borrower:

Instruments, Documents of Title and Chattel Paper of the Borrower:

Pledged Certificated Securities:

Pledged Issuer	Securities Owned	% of issued and outstanding Securities of Pledged Issuer	Security Certificate Numbers	Security Certificate Location

Pledged Securities Accounts:

Pledged Securities Intermediary	Securities Account Number	Pledged Securities Intermediary's Jurisdiction	Pledged Security Entitlements
[BROKERAGE HOUSE]	[NUMBER]	[Ontario]	[100 common shares of [COMPANY]]

Pledged Uncertificated Securities:

Pledged Issuer	Pledged Issuer's Jurisdiction	Securities Owned	% of issued and outstanding Securities of Pledged Issuer
[LIMITED PARTNERSHIP]	[Ontario]	[100 limited partnership units]	[50% of all limited partnership interests]

Pledged Futures Accounts:

Pledged Futures Intermediary	Futures Account Number	Pledged Futures Intermediary's Jurisdiction	Pledged Futures Contracts
[BROKERAGE HOUSE]	[NUMBER]	[Ontario]	[Brief description of Contract]

Registered trade-marks and applications for trademark registrations:

<i>Country</i>	<i>Trade-mark</i>	<i>Application No.</i>	<i>Application Date</i>	<i>Registration No.</i>	<i>Registration Date</i>	<i>Licensed to or by Borrower</i>
						[Y/N]

Patents and patent applications:

<i>Country</i>	<i>Title</i>	<i>Patent No.</i>	<i>Application Date</i>	<i>Date of Grant</i>	<i>Licensed to or by Borrower</i>
					[Y/N]

Copyright registrations and applications for copyright registrations:

<i>Country</i>	<i>Work</i>	<i>Application No.</i>	<i>Application Date</i>	<i>Registration No.</i>	<i>Licensed to or by Borrower</i>
					[Y/N]

Industrial designs/registered designs and applications for registered designs:

<i>Country</i>	<i>Design</i>	<i>Application No.</i>	<i>Application Date</i>	<i>Registration No.</i>	<i>Issue Date</i>	<i>Licensed to or by Borrower</i>
						[Y/N]

EXHIBIT "E"

1233 GSA

See attached.

GENERAL SECURITY AGREEMENT

This General Security Agreement is made as of [●], 2020.

BETWEEN:

10161233 CANADA LIMITED, a corporation existing under the laws of Canada

(together with its successors and permitted assigns, the "**1233**")

AND:

BHAYANA VENTURES LTD., a corporation existing under the laws of British Columbia, in its capacity as agent for and on behalf of the Finance Parties (as defined below)

(together with its successors and permitted assigns, the "**Administrative Agent**")

RECITALS:

A. 1244726 B.C. Ltd (the "**Lender**"), the Administrative Agent, SpeakEasy Cannabis Club Ltd., 1233 and 1193213 B.C. Ltd. (the "**Finder**"; together with the Lender, the "**Finance Parties**"), are parties to a convertible loan agreement dated April 21, 2020 (as amended, supplemented, restated or replaced from time to time, the "**Loan Agreement**"); and

B. To secure the payment and performance of the Secured Liabilities (as defined below), 1233 has agreed to grant to the Administrative Agent the Security Interests (as defined below) with respect to the Collateral (as defined below) in accordance with the terms of this Agreement.

NOW THEREFORE IN CONSIDERATION of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by 1233, 1233 hereby agrees with the Administrative Agent, as follows:

1. **Definitions.** In this Agreement capitalized terms used but not otherwise defined in this Agreement shall have the meanings given to them in the Loan Agreement, and the following terms have the following meanings:

"**1233**" has the meaning set out in the recitals hereto.

"**Accessions**", "**Account**", "**Chattel Paper**", "**Certificated Security**", "**Consumer Goods**", "**Crops**", "**Document of Title**", "**Equipment**", "**Fixtures**", "**Futures Account**", "**Futures Contract**", "**Futures Intermediary**", "**Goods**", "**Instrument**", "**Intangible**", "**Inventory**", "**Investment Property**", "**Money**", "**Proceeds**", "**Purchase Money Security Interest**", "**Securities Account**", "**Securities Intermediary**", "**Security**", "**Security Certificate**", "**Security Entitlement**", and "**Uncertificated Security**" have the meanings given to them in the PPSA.

"**Administrative Agent**" has the meaning set out in the recitals hereto.

"**Agreement**" means this agreement, including the Schedules and recitals to this agreement, as it or they may be amended, supplemented, restated or replaced from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular section or other portion of this Agreement.

"Books and Records" means all books, records, files, papers, disks, documents and other repositories of data recording in any form or medium, evidencing or relating to the Personal Property of 1233 which are at any time owned by 1233 or to which 1233 (or any Person on 1233's behalf) has access.

"Collateral" means all of the present and after-acquired:

- (a) undertaking;
- (b) Personal Property (including any Personal Property that may be described in any Schedule to this Agreement or any schedules, documents or listings that 1233 may from time to time provide to the Administrative Agent in connection with this Agreement); and
- (c) real property (including any real property that may be described in any Schedule to this Agreement or any schedules, documents or listings that 1233 may from time to time provide to the Administrative Agent in connection with this Agreement and including all fixtures, improvements, buildings and other structures placed, installed or erected from time to time on any such real property),

of 1233, including Books and Records, Contracts, Intellectual Property Rights and Permits, and including all such property in which 1233 now or in the future has any right, title or interest whatsoever, whether owned, leased, licensed, possessed or otherwise held by 1233, and all Proceeds of any of the foregoing, wherever located.

"Contracts" means all contracts and agreements to which 1233 is at any time a party or pursuant to which 1233 has at any time acquired rights, and includes (i) all rights of 1233 to receive money due and to become due to it in connection with a contract or agreement, (ii) all rights of 1233 to damages arising out of, or for breach or default with respect to, a contract or agreement, and (iii) all rights of 1233 to perform and exercise all remedies in connection with a contract or agreement.

"Control" means, with respect to a particular Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise. **"Controlled"** has the corresponding meaning.

"Control Person" means a "control person", as such term is defined under applicable Canadian securities laws.

"Finance Parties" has the meaning set out in the recitals hereto.

"Finder" has the meaning set out in the recitals hereto.

"Governmental Authority" means any (i) multinational, federal, provincial, state, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency, instrumentality, securities commission or stock exchange, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation, taxing, fiscal or monetary authority under or for the account of any of the above.

"Intellectual Property Rights" means all industrial and intellectual property rights of 1233 or in which 1233 has any right, title or interest, including copyrights, patents, inventions (whether or not patented), trade-marks, get-up and trade dress, industrial designs, integrated circuit topographies, plant breeders' rights, know-how and trade secrets, registrations and applications for registration for any such industrial and intellectual property rights, and all Contracts related to any such industrial and intellectual property rights.

"Issuer" has the meaning given to that term in the STA.

"Laws" means all federal, provincial, municipal, foreign and international statutes, acts, codes, ordinances, decrees, treaties, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, and all policies, practices and guidelines of any Governmental Authority binding on or affecting the Person referred to in the context in which such word is used (including, in the case of tax matters, any accepted practice or application or official interpretation of any relevant taxation authority); and **"Law"** means any one or more of the foregoing.

"Lender" has the meaning set out in the recitals hereto.

"Loan Agreement" has the meaning set out in the recitals hereto.

"Organizational Documents" means, with respect to any Person, such Person's articles or other charter documents, by-laws, unanimous shareholder agreement, partnership agreement or trust agreement, as applicable, and any and all other similar agreements, documents and instruments relative to such Person.

"Permits" means all permits, licences, waivers, exemptions, consents, certificates, authorizations, approvals, franchises, rights-of-way, easements and entitlements that 1233 has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business.

"Personal Property" means personal property and includes Accounts, Chattel Paper, Documents of Title, Equipment, Goods (including Crops and Fixtures), Instruments, Intangibles, Inventory, Investment Property and Money, inclusive of all components, renewals, substitutions and replacements of any such personal property and all attachments, accessories and increases, additions and Accessions to any such personal property.

"Pledged Certificated Securities" means any and all Collateral that is a Certificated Security.

"Pledged Futures Contracts" means any and all Collateral that is a Futures Contract.

"Pledged Futures Accounts" means any and all Collateral that is a Futures Account.

"Pledged Futures Intermediary" means, at any time, any Person which is at such time a Futures Intermediary at which a Pledged Futures Account is maintained.

"Pledged Futures Intermediary's Jurisdiction" means, with respect to any Pledged Futures Intermediary, its jurisdiction as determined under section 7.1(4) of the PPSA.

"Pledged Issuer" means, at any time, any Person which is an Issuer of, or with respect to, any Pledged Shares at such time.

"Pledged Issuer's Jurisdiction" means, with respect to any Pledged Issuer, its jurisdiction as determined under section 44 of the STA.

"Pledged Securities" means any and all Collateral that is a Security.

"Pledged Securities Accounts" means any and all Collateral that is a Securities Account.

"Pledged Securities Intermediary" means, at any time, any Person which is at such time a Securities Intermediary at which a Pledged Securities Account is maintained.

"Pledged Securities Intermediary's Jurisdiction" means, with respect to any Pledged Securities Intermediary, its jurisdiction as determined under section 45(2) of the STA.

"Pledged Security Certificates" means any and all Security Certificates representing the Pledged Certificated Securities.

"Pledged Security Entitlements" means any and all Collateral that is a Security Entitlement.

"Pledged Shares" means all Pledged Securities and Pledged Security Entitlements.

"Pledged Uncertificated Securities" means any and all Collateral that is an Uncertificated Security.

"PPSA" means the *Personal Property Security Act* of the Province referred to in the "Governing Law" section of this Agreement, as such legislation may be amended, renamed or replaced from time to time, and includes all regulations from time to time made under such legislation.

"Receiver" means an interim receiver, a receiver, a manager or a receiver and manager.

"Release Date" means the date on which all the Secured Liabilities have been indefeasibly paid and discharged in full and 1233 has no further obligations to the Administrative Agent or any Finance Party under the Loan Agreement pursuant to which further Secured Liabilities might arise.

"Reporting Pledged Issuer" means a Pledged Issuer that is a "reporting issuer", as such term is defined under applicable Canadian securities laws.

"Secured Liabilities" means all present and future indebtedness, liabilities and obligations of any and every kind, nature and description (whether direct or indirect, joint or several, absolute or contingent, matured or unmatured) of 1233 to the Administrative Agent or any Finance Party whenever and however incurred, and any unpaid balance thereof.

"Security Interests" means the Liens created by 1233 in favour of the Administrative Agent (for the benefit of the Finance Parties) under this Agreement.

"STA" means the *Securities Transfer Act* of the Province referred to in the "Governing Law" section of this Agreement, as such legislation may be amended, renamed or replaced from time to time, and includes all regulations from time to time made under such legislation.

"Subsidiary" means with respect to any Person (the "**parent**") at any date, (i) any corporation, association, joint venture or other business entity of which securities or other ownership interests representing more than 50% of the voting power of all equity interests entitled to vote in the election of the board of directors thereof are, as of such date, held by the parent or one or more subsidiaries of the parent; (ii) any partnership, (A) the sole general partner or the managing general partner of which is the parent or one or more subsidiaries of the parent or (B) the only general partners of which are the parent or one or more subsidiaries of the parent; and (iii) any other Person that is otherwise controlled by the parent or one or more subsidiaries of the parent; provided, however, that a "subsidiary" shall not include any contractual joint venture that the parent or one or more subsidiaries of the parent is a party and which accounts for less than 10% of the total revenue, assets, properties, businesses or other interests of 1233, on a consolidated basis.

"ULC" means an Issuer that is an unlimited company, unlimited liability corporation or unlimited liability company.

"ULC Laws" means the *Companies Act* (Nova Scotia), the *Business Corporations Act* (Alberta), the *Business Corporations Act* (British Columbia), and any other present or future Laws governing ULCs.

"ULC Shares" means shares or other equity interests in the capital stock of a ULC.

"Voting or Equity Securities" means (a) any "security" (as defined under applicable Canadian securities laws), other than a bond, debenture, note or similar instrument representing indebtedness (whether secured or unsecured), of an issuer carrying a voting right either under all circumstances or under some circumstances that have occurred and are continuing or (b) a security of an issuer that carries a residual right to participate in the earnings of the issuer and, on liquidation or winding up of the issuer, in its assets.

2. **Grant of Security Interests.** As general and continuing collateral security for the due payment and performance of the Secured Liabilities, 1233 pledges, mortgages, charges and assigns (by way of security) to the Administrative Agent (for the benefit of the Finance Parties), and grants to the Administrative Agent (for the benefit of the Finance Parties) a general and continuing security interest in and to the Collateral.

3. **Limitations on Grant of Security Interests.** If the grant of the Security Interests with respect to any Contract, Intellectual Property Right or Permit under Section 2 would result in the termination or breach of such Contract, Intellectual Property Right or Permit or is otherwise prohibited or ineffective (whether by the terms thereof or under applicable Law), then such Contract, Intellectual Property Right or Permit shall not be subject to the Security Interests but shall be held in trust by 1233 for the benefit of the Administrative Agent and, on the exercise by the Administrative Agent of any of its rights or remedies under this Agreement following an Event of Default shall be assigned by 1233 as directed by the Administrative Agent; provided that: (i) the Security Interests shall attach to such Contract, Intellectual Property Right or Permit, or applicable portion thereof, immediately at such time as the condition causing such termination or breach is remedied, and (ii) if a term in a Contract that prohibits or restricts the grant of the Security Interests in the whole of an Account or Chattel Paper forming part of the Collateral is unenforceable against the Administrative Agent under applicable Law, then the exclusion from the Security Interests set out above shall not apply to such Account or Chattel Paper. In addition, the Security Interests do not attach to Consumer Goods or extend to the last day of the term of any lease or agreement for lease of real property. Such last day shall be held by 1233 in trust for the Administrative Agent and, on the exercise by the Administrative Agent of any of its rights or remedies under this Agreement following an Event of Default, shall be assigned by 1233 as directed by the Administrative Agent. For greater certainty, no Intellectual Property Right in any trade-mark, get-up or trade dress is presently assigned to the Administrative Agent by sole virtue of the grant of the Security Interests contained in Section 2.

4. **Attachment; No Obligation to Advance.** 1233 acknowledges and agrees that: (i) value has been given to 1233, (ii) 1233 has rights in the Collateral existing at the date of this Agreement, (iii) 1233 and the Administrative Agent have not agreed to postpone the time for attachment of the Security Interests to any of the Collateral, (iv) the Security Interest shall attach to the Collateral in which 1233 has rights at the date of this Agreement when 1233 executes this Agreement and shall attach to all after-acquired Collateral when 1233 has rights in such Collateral, and (v) the Security Interests shall have effect and be deemed to be effective whether or not the Secured Liabilities or any part thereof are owing or in existence before or after or upon the date of this Agreement. Neither the execution and delivery of this Agreement nor the provision of any financial accommodation by the Administrative Agent shall oblige the Administrative Agent to make any financial accommodation or further financial accommodation available to 1233 or any other Person.

5. **Purchase Money Security Interest.** 1233 acknowledges and agrees that the Security Interests constitute and are intended to create Purchase Money Security Interests in Collateral to the extent that monies advanced by the Lender are used or are to be used, in whole or in part, to purchase or otherwise to acquire rights in Collateral.

6. **Representations and Warranties.** 1233 represents and warrants to the Administrative Agent and each Finance Party that, as of the date of this Agreement:

- (a) **1233 Information.** All of the information set out in Schedule A is accurate and complete.
- (b) **Title; No Other Security Interests.** Except for Permitted Liens or as otherwise contemplated in the Loan Agreement, 1233 owns (or, with respect to any leased or licensed property forming part of the Collateral, holds a valid leasehold or licensed interest in) the Collateral free and clear of any Liens. 1233 is the registered and beneficial owner of the Pledged Shares. No security agreement, financing statement or other notice with respect to any or all of the Collateral is on file or on record in any public office, except for filings with respect to Permitted Liens.
- (c) **Amount of Accounts.** The amount represented by 1233 to the Administrative Agent from time to time as owing by each account debtor or by all account debtors with respect to its Accounts will at such time be the correct amount so owing by such account debtor or debtors and, unless disclosed in writing by 1233 to the Administrative Agent at that time, will be owed free of any dispute, set-off or counterclaim. Except as disclosed in writing by 1233 to the Administrative Agent, neither 1233 nor (to the best of 1233's knowledge) any other party to any Account of 1233 or Contract is in default or is likely to become in default in the performance or observance of any of the terms of such Account or Contract where such default is or could reasonably be expected to be materially adverse to 1233 or the Administrative Agent.
- (d) **Authority.** 1233 has full power and authority to grant to the Administrative Agent the Security Interests and to execute, deliver and perform its obligations under this Agreement, and such execution, delivery and performance does not contravene any of 1233's Organizational Documents or any agreement, instrument or restriction to which 1233 is a party or by which 1233 or any of the Collateral is bound.
- (e) **Consents and Transfer Restrictions.**
 - (i) Except for any consent that has been obtained and is in full force and effect, no consent of any Person (including any counterparty with respect to any Contract, any account debtor with respect to any Account, or any Governmental Authority with respect to any Permit) is required, or is purported to be required, for the execution, delivery, performance and enforcement of this Agreement (this representation being given without reference to the exclusions contained in Section 3). For the purposes of complying with any transfer restrictions contained in the Organizational Documents of any Pledged Issuer, 1233 hereby irrevocably consents to any transfer of the Pledged Securities of such Pledged Issuer.
 - (ii) (A) No order ceasing or suspending trading in, or prohibiting the transfer of the Pledged Shares has been issued and no proceedings for this purpose have been instituted, nor does 1233 have any reason to believe that any such proceedings are pending, contemplated or threatened and (B) the Pledged Shares are not subject to any escrow or other agreement, arrangement, commitment or understanding, prohibiting the transfer of the Pledged Shares, including pursuant to applicable Canadian securities laws or the rules, regulations or policies of any marketplace on which the Pledged Shares are listed, posted or traded.

- (f) Execution and Delivery. This Agreement has been duly authorized, executed and delivered by 1233 and is a valid and binding obligation of 1233 enforceable against 1233 in accordance with its terms, subject only to bankruptcy, insolvency, liquidation, reorganization, moratorium and other similar Laws generally affecting the enforcement of creditors' rights, and to the fact that equitable remedies (such as specific performance and injunction) are discretionary remedies.
- (g) No Consumer Goods. 1233 does not own any Consumer Goods which are material in value or which are material to the business, operations, property, condition or prospects (financial or otherwise) of 1233.
- (h) Intellectual Property Rights. All registrations and applications for registration pertaining to any Intellectual Property Rights, all other material Intellectual Property Rights, and the nature of 1233's right, title or interest therein, are described in Schedule A to this Agreement. Each Intellectual Property Right is valid, subsisting, unexpired, enforceable, and has not been abandoned. Except as set out in Schedule A to this Agreement, none of the Intellectual Property Rights have been licensed or franchised by 1233 to any Person or, to 1233's knowledge, infringed or otherwise misused by any Person. Except as set out in Schedule A to this Agreement, the exercise of any Intellectual Property Right, or any licensee or franchisee thereof, has not infringed or otherwise misused any intellectual property right of any other Person, and 1233 has not received and is not aware of any claim of such infringement or other misuse.
- (i) Partnerships, Limited Liability Companies. Where applicable, the terms of any interest in a partnership or limited liability company that is Collateral, expressly provide that such interest is a "security" for the purposes of the STA.
- (j) Due Authorization. The Pledged Securities are fully paid and non-assessable and, to 1233's knowledge, have been duly authorized and validly issued.
- (k) Warrants, Options, etc. Except as described in Schedule A, there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Shares.
- (l) No Required Disposition. There is no existing agreement, option, right or privilege capable of becoming an agreement or option pursuant to which 1233 would be required to sell, redeem or otherwise dispose of any Pledged Shares or under which any Pledged Issuer has any obligation to issue any Securities of such Pledged Issuer to any Person.
- (m) Securities Laws. 1233 is not a Control Person with respect to any Reporting Pledged Issuer and the Pledged Shares issued by a Reporting Pledged Issuer do not comprise Voting or Equity Securities of any class (or securities convertible into Voting or Equity Securities of any class) constituting ten per cent or more of the outstanding securities of that class.

7. Survival of Representations and Warranties. All representations and warranties made by 1233 in this Agreement (a) are material, (b) shall be considered to have been relied on by the Administrative Agent and each Finance Party, and (c) shall survive the execution and delivery of this Agreement or any investigation made at any time by or on behalf of the Administrative Agent and any disposition or payment of the Secured Liabilities until the Release Date.

8. **Covenants.** 1233 covenants and agrees with the Administrative Agent and each Finance Party that:

- (a) **Further Documentation.** 1233 shall from time to time, at the expense of 1233, promptly and duly authorize, execute and deliver such further instruments and documents, and take such further action, as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of, and the rights and powers granted by, this Agreement (including the filing of any financing statements or financing change statements under any applicable legislation with respect to the Security Interests). 1233 acknowledges that this Agreement has been prepared based on the existing Laws in the Province referred to in the "Governing Law" section of this Agreement and that a change in such Laws, or the Laws of other jurisdictions, may require the execution and delivery of different forms of security documentation. Accordingly, 1233 agrees that the Administrative Agent shall have the right, upon advice of legal counsel, to require that this Agreement be amended, supplemented, restated or replaced, and that 1233 shall on the reasonable request by the Administrative Agent authorize, execute and deliver any such amendment, supplement, restatement or replacement (i) to reflect any changes in such Laws, whether arising as a result of statutory amendments, court decisions or otherwise, (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions, or (iii) if 1233 merges or amalgamates with any other Person or enters into any corporate reorganization, in each case in order to confer on the Administrative Agent Liens similar to, and having the same effect as, the Security Interests.
- (b) **Maintenance of Records.** 1233 shall keep and maintain accurate and complete records of the Collateral, including a record of all payments received and all credits granted with respect to the Accounts and Contracts. At the written request of the Administrative Agent, 1233 shall mark any Collateral specified by the Administrative Agent to evidence the existence of the Security Interests.
- (c) **Right of Inspection.** The Administrative Agent may, at all times upon reasonable notice during normal business hours, without charge, examine and make copies of all Books and Records, and may discuss the affairs, finances and accounts of 1233 with its officers and accountants. The Administrative Agent may also, without charge and upon reasonable notice to 1233 and its own risk, enter the premises of 1233 where any of the Collateral is located for the purpose of inspecting the Collateral, observing its use or otherwise protecting its interests in the Collateral. 1233, at its own expense, shall provide the Administrative Agent with such clerical and other assistance as may be reasonably requested by the Administrative Agent to exercise any of its rights under this paragraph. Notwithstanding the foregoing, the Administrative Agent agrees to repair and restore in a good and workmanlike manner any damage to property resulting from the Administrative Agent's negligence during any such access to, investigation of or inspection of the premises at the Administrative Agent's sole cost and expense promptly on becoming aware of such damage.
- (d) **Limitations on Other Liens.** 1233 shall not create, incur or permit to exist, and shall defend the Collateral against, and shall take such other action as is necessary to remove, any and all Liens in and other claims affecting the Collateral, other than the Permitted Liens, and 1233 shall defend the right, title and interest of the Administrative Agent in and to the Collateral against the claims and demands of all Persons.
- (e) **Limitations on Dispositions of Collateral.** 1233 shall not, without the Administrative Agent's prior written consent, sell, lease or otherwise dispose of any of the Collateral,

except that Inventory may be sold, leased or otherwise disposed of and, subject to the terms of this Agreement, Accounts may be collected, in either case in the ordinary course of 1233's business. Following an Event of Default, all Proceeds of the Collateral (including all amounts received with respect to Accounts) received by or on behalf of 1233, whether or not arising in the ordinary course of 1233's business, shall be received by 1233 as trustee for the Administrative Agent and shall be immediately paid to the Administrative Agent.

- (f) Limitations on Modifications, Waivers, Extensions. Other than as not prohibited by paragraph (g) below, 1233 shall not (i) amend, modify, terminate, permit to expire or waive any provision of any Permit, Contract or any document giving rise to an Account in any manner which is or could reasonably be expected to be materially adverse to 1233, the Administrative Agent or any Finance Party, or (ii) fail to exercise promptly and diligently its rights under each Contract and each document giving rise to an Account if such failure is or could reasonably be expected to be materially adverse to 1233, the Administrative Agent or any Finance Party.
- (g) Limitations on Discounts, Compromises, Extensions of Accounts. Other than in the ordinary course of business of 1233 consistent with previous practices, 1233 shall not (i) grant any extension of the time for payment of any Account, (ii) compromise, compound or settle any Account for less than its full amount, (iii) release, wholly or partially, any Person liable for the payment of any Account, or (iv) allow any credit or discount of any Account, except to such extent as 1233 determines that any such compromise, compound or settlement could reasonably be expected to benefit the Administrative Agent and the Finance Parties in the circumstances.
- (h) Maintenance of Collateral. 1233 shall maintain all tangible Collateral in good operating condition, ordinary wear and tear excepted, and 1233 shall provide all maintenance, service and repairs necessary for such purpose. 1233 shall maintain in good standing all registrations and applications with respect to the Intellectual Property Rights except to the extent that any failure to do so could not reasonably be expected to be materially adverse to 1233, the Administrative Agent or the Finance Parties.
- (i) Insurance. 1233 shall keep the Collateral insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses. The applicable insurance policies shall be in form and substance customary for such policies and shall (i) contain by way of endorsement a mortgagee clause in form and substance satisfactory to the Administrative Agent, and (ii) name the Administrative Agent as loss payee as its interest may appear. 1233 shall, from time to time at the Administrative Agent's request, deliver the applicable insurance policies (or satisfactory evidence of such policies) to the Administrative Agent. Neither the Administrative Agent, the Finance Parties nor their correspondents or agents shall be responsible for the character, adequacy, validity or genuineness of any insurance, the solvency of any insurer, or any other risk connected with insurance.
- (j) Further Identification of Collateral. 1233 shall promptly furnish to the Administrative Agent such statements and schedules further identifying and describing the Collateral, and such other reports in connection with the Collateral, as the Administrative Agent may from time to time reasonably request, including an updated list of any motor vehicles or other "serial number" goods owned by 1233 and classified as Equipment, including vehicle identification numbers.

- (k) Amalgamation, Merger or Consolidation. 1233 shall not permit, to the extent in 1233's capacity to control as shareholder, any Pledged Issuer to amalgamate, merge or consolidate unless all of the outstanding capital stock of the surviving or resulting corporation is, upon such amalgamation, merger or consolidation, pledged under this Agreement and no cash, securities or other property is distributed with respect to the outstanding shares of any other constituent corporation.
- (l) Agreements re Intellectual Property Rights. Promptly upon request from time to time by the Administrative Agent, 1233 shall, upon advice of counsel, authorize, execute and deliver any and all agreements, instruments, documents and papers that the Administrative Agent may reasonably request to evidence the Security Interests in any Intellectual Property Rights and, where applicable, the goodwill of the business of 1233 connected with the use of, and symbolized by, any such Intellectual Property Rights.
- (m) Instruments; Documents of Title; Chattel Paper. Promptly upon request from time to time by the Administrative Agent, 1233 shall deliver to the Administrative Agent, endorsed and/or accompanied by such instruments of assignment and transfer in such form and substance as the Administrative Agent may reasonably request, any and all Instruments, Documents of Title and Chattel Paper included in or relating to the Collateral as the Administrative Agent may specify in its request.
- (n) Pledged Certificated Securities. 1233 shall deliver to the Administrative Agent any and all Pledged Security Certificates and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Certificated Securities in the manner provided under section 23 of the STA, if applicable, or other applicable laws. At the request of the Administrative Agent, 1233 shall cause all Pledged Security Certificates to be registered in the name of the Administrative Agent or its nominee.
- (o) Pledged Uncertificated Securities. 1233 shall deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Uncertificated Securities in the manner provided under section 24 of the STA if applicable, or other applicable laws. If applicable, for the purposes of section 27(1) of the STA, this Agreement shall constitute 1233's irrevocable consent to entry by a Pledged Issuer into an agreement of the kind referred to in clause 24(1)(b) of the STA.
- (p) Pledged Security Entitlements. 1233 shall deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Security Entitlements in the manner provided under section 25 or 26 of the STA, if applicable, or other applicable laws.
- (q) Pledged Futures Contracts. 1233 shall deliver to the Administrative Agent any and all such documents, agreements and other materials as may be required from time to time to provide the Administrative Agent with control over all Pledged Futures Contracts in the manner provided under subsection 1(1.1) of the PPSA.
- (r) Partnerships, Limited Liability Companies. 1233 shall ensure that the terms of any interest in a partnership or limited liability company that is Collateral shall expressly provide that such interest is a "security" for the purposes of the STA.

- (s) Transfer Restrictions. If the constating documents of any Pledged Issuer (other than a ULC) restrict the transfer of the Securities of such Pledged Issuer, then 1233 shall deliver to the Administrative Agent a certified copy of a resolution of the directors, shareholders, unitholders or partners of such Pledged Issuer, as applicable, consenting to the transfer(s) contemplated by this Agreement, including any prospective transfer of the Collateral by the Administrative Agent upon a realization on the Security Interests.
- (t) Notices. 1233 shall advise the Administrative Agent promptly, in reasonable detail, of:
- (i) any change to a Pledged Securities Intermediary's Jurisdiction, Pledged Issuer's Jurisdiction, or Pledged Future Intermediary's Jurisdiction;
 - (ii) any change in the location of the jurisdiction of incorporation or amalgamation, chief executive office or domicile of 1233;
 - (iii) any change in the name of 1233;
 - (iv) any merger, consolidation or amalgamation of 1233 with any other Person;
 - (v) any additional jurisdiction in which 1233 carries on business or has tangible Personal Property;
 - (vi) any additional jurisdiction in which material account debtors of 1233 are located;
 - (vii) any acquisition of any right, title or interest in real property by 1233;
 - (viii) any acquisition of any Intellectual Property Rights which are the subject of a registration or application with any governmental intellectual property or other governing body or registry, or which are material to 1233's business;
 - (ix) any acquisition of any Instrument, Document of Title or Chattel Paper;
 - (x) any creation or acquisition of any Subsidiary of 1233;
 - (xi) any Lien (other than Permitted Liens) or similar interest granted or made on, or claim asserted against, any of the Collateral;
 - (xii) 1233 becoming (or if 1233 could reasonably be determined to have become) a Control Person with respect to any Reporting Pledged Issuer;
 - (xiii) the issuance of any order ceasing or suspending trading in, or prohibiting the transfer of any Pledged Shares or the institution of proceedings for such purpose, or if 1233 has any reason to believe that any such proceedings are pending, contemplated or threatened; or
 - (xiv) any occurrence of any event, claim or occurrence that could reasonably be expected to have a material adverse effect on the value of the Collateral or on the Security Interests.

1233 shall not effect or permit any of the changes referred to in clauses (ii) through (viii) above unless all filings have been made and all other actions taken that are required in order for the Administrative Agent to continue at all times following such change to have a valid and perfected first priority Security Interest with respect to all of the Collateral.

9. **Voting Rights.** Unless an Event of Default has occurred and is continuing, 1233 shall be entitled to exercise all voting power from time to time exercisable with respect to the Pledged Shares and give consents, waivers and ratifications with respect thereto; provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would be, or would have a reasonable likelihood of being, prejudicial to the interests of the Administrative Agent or which would have the effect of reducing the value of the Collateral as security for the Secured Liabilities or imposing any restriction on the transferability of any of the Collateral. Unless an Event of Default has occurred and is continuing, the Administrative Agent shall, from time to time at the request and expense of 1233, execute or cause to be executed, with respect to all Pledged Securities that are registered in the name of the Administrative Agent or its nominee, valid proxies appointing 1233 as its (or its nominee's) proxy to attend, vote and act for and on behalf of the Administrative Agent or such nominee, as the case may be, at any and all meetings of the applicable Pledged Issuer's shareholders or debt holders, all Pledged Securities that are registered in the name of the Administrative Agent or such nominee, as the case may be, and to execute and deliver, consent to or approve or disapprove of or withhold consent to any resolutions in writing of shareholders or debt holders of the applicable Pledged Issuer for and on behalf of the Administrative Agent or such nominee, as the case may be. Immediately upon the occurrence and during the continuance of any Event of Default, all such rights of 1233 to vote and give consents, waivers and ratifications shall cease and the Administrative Agent or its nominee shall be entitled to exercise all such voting rights and to give all such consents, waivers and ratifications.

10. **Dividends; Interest.** Unless an Event of Default has occurred and is continuing, 1233 shall be entitled to receive any and all cash dividends, interest, principal payments and other forms of cash distribution on the Pledged Shares which it is otherwise entitled to receive, but any and all stock and/or liquidating dividends, distributions of property, returns of capital or other distributions made on or with respect to the Pledged Shares, whether resulting from a subdivision, combination or reclassification of the outstanding capital stock of any Pledged Issuer or received in exchange for the Pledged Shares or any part thereof or as a result of any amalgamation, merger, consolidation, acquisition or other exchange of property to which any Pledged Issuer may be a party or otherwise, and any and all cash and other property received in exchange for any Pledged Shares shall be and become part of the Collateral subject to the Security Interests and, if received by 1233, shall forthwith be delivered to the Administrative Agent or its nominee (accompanied, if appropriate, by proper instruments of assignment and/or stock powers of attorney executed by 1233 in accordance with the Administrative Agent's instructions) to be held subject to the terms of this Agreement; and if any of the Pledged Security Certificates have been registered in the name of the Administrative Agent or its nominee, the Administrative Agent shall execute and deliver (or cause to be executed and delivered) to 1233 all such dividend orders and other instruments as 1233 may request for the purpose of enabling 1233 to receive the dividends, distributions or other payments which 1233 is authorized to receive and retain pursuant to this Section. If an Event of Default has occurred and is continuing, all rights of 1233 pursuant to this Section shall cease and the Administrative Agent shall have the sole and exclusive right and authority to receive and retain the cash dividends, interest, principal payments and other forms of cash distribution which 1233 would otherwise be authorized to retain pursuant to this Section. Any money and other property paid over to or received by the Administrative Agent pursuant to the provisions of this Section shall be retained by the Administrative Agent as additional Collateral hereunder and be applied in accordance with the provisions of this Agreement.

11. **Rights on Event of Default.** If an Event of Default has occurred and is continuing, then and in every such case all of the Secured Liabilities shall, at the option of the Administrative Agent, become immediately due and payable and the Security Interests shall become enforceable and the Administrative Agent, in addition to any rights now or hereafter existing under applicable Law may, personally or by agent, at such time or times as the Administrative Agent in its discretion may determine, do any one or more of the following:

- (a) Rights under PPSA, etc. Exercise all of the rights and remedies granted to secured parties under the PPSA and any other applicable statute, or otherwise available to the Administrative Agent by contract, at law or in equity.
- (b) Demand Possession. Demand possession of any or all of the Collateral, in which event 1233 shall, at the expense of 1233, immediately cause the Collateral designated by the Administrative Agent to be assembled and made available and/or delivered to the Administrative Agent at any place designated by the Administrative Agent.
- (c) Take Possession. Enter on any premises where any Collateral is located and take possession of, disable or remove such Collateral.
- (d) Deal with Collateral. Hold, store and keep idle, or operate, lease or otherwise use or permit the use of, any or all of the Collateral for such time and on such terms as the Administrative Agent may determine, and demand, collect and retain all earnings and other sums due or to become due from any Person with respect to any of the Collateral.
- (e) Carry on Business. Carry on, or concur in the carrying on of, any or all of the business or undertaking of 1233 and enter on, occupy and use (without charge by 1233) any of the premises, buildings, plant and undertaking of, or occupied or used by, 1233.
- (f) Enforce Collateral. Seize, collect, receive, enforce or otherwise deal with any Collateral in such manner, on such terms and conditions and at such times as the Administrative Agent deems advisable.
- (g) Dispose of Collateral. Realize on any or all of the Collateral and sell, lease, assign, give options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the above), in one or more parcels at any public or private sale, at any exchange, broker's board or office of the Administrative Agent or elsewhere, with or without advertising or other formality, except as required by applicable Law, on such terms and conditions as the Administrative Agent may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery; so long as every aspect of the disposition is commercially reasonable.
- (h) Court-Approved Disposition of Collateral. Obtain from any court of competent jurisdiction an order for the sale or foreclosure of any or all of the Collateral.
- (i) Purchase by Administrative Agent. At any public sale, and to the extent permitted by Law on any private sale, bid for and purchase any or all of the Collateral offered for sale and, upon compliance with the terms of such sale, hold, retain, sell or otherwise dispose of such Collateral without any further accountability to 1233 or any other Person with respect to such holding, retention, sale or other disposition, except as required by Law. In any such sale to the Administrative Agent, the Administrative Agent may, for the purpose of making payment for all or any part of the Collateral so purchased, use any claim for any or all of the Secured Liabilities then due and payable to it as a credit against the purchase price.
- (j) Collect Accounts. Notify (whether in its own name or in the name of 1233) the account debtors under any Accounts of 1233 of the assignment of such Accounts to the Administrative Agent and direct such account debtors to make payment of all amounts due or to become due to 1233 with respect to such Accounts directly to the Administrative Agent and, upon such notification and at the expense of 1233, enforce collection of any such Accounts, and adjust, settle or compromise the amount or payment

of such Accounts, in such manner and to such extent as the Administrative Agent deems appropriate in the circumstances.

- (k) Transfer of Collateral. Transfer any Collateral that is Pledged Shares into the name of the Administrative Agent or its nominee.
- (l) Voting. Vote any or all of the Pledged Shares (whether or not transferred to the Administrative Agent or its nominee) and give or withhold all consents, waivers and ratifications with respect thereto and otherwise act with respect thereto as though it were the outright owner thereof.
- (m) Exercise Other Rights. Exercise any and all rights, privileges, entitlements and options pertaining to any Collateral that is Pledged Shares as if the Administrative Agent were the absolute owner of such Pledged Shares.
- (n) Instruments; Documents of Title; Chattel Paper. Endorse 1233's name on any and all Instruments, Documents of Title and Chattel Paper pertaining to or constituting Collateral and give valid and binding receipts and discharges therefor and in respect thereof.
- (o) Dealing with Contracts and Permits. Deal with any and all Contracts and Permits to the same extent as 1233 might (including the enforcement, realization, sale, assignment, transfer, and requirement for continued performance), all on such terms and conditions and at such time or times as may seem advisable to the Administrative Agent.
- (p) Payment of Liabilities. Pay any liability secured by any Lien against any Collateral. 1233 shall immediately on demand reimburse the Administrative Agent for all such payments and, until paid, any such reimbursement obligation shall form part of the Secured Liabilities and shall be secured by the Security Interests.
- (q) Borrow and Grant Liens. Borrow money for the maintenance, preservation or protection of any Collateral or for carrying on any of the business or undertaking of 1233 and grant Liens on any Collateral (in priority to the Security Interests or otherwise) as security for the money so borrowed. 1233 shall immediately on demand reimburse the Administrative Agent for all such borrowings and, until paid, any such reimbursement obligations shall form part of the Secured Liabilities and shall be secured by the Security Interests.
- (r) Appoint Receiver. Appoint by instrument in writing one or more Receivers of 1233 or any or all of the Collateral with such rights, powers and authority (including any or all of the rights, powers and authority of the Administrative Agent under this Agreement) as may be provided for in the instrument of appointment or any supplemental instrument, and remove and replace any such Receiver from time to time. To the extent permitted by applicable Law, any Receiver appointed by the Administrative Agent shall (for purposes relating to responsibility for the Receiver's acts or omissions) be considered to be the agent of 1233 and not of the Administrative Agent.
- (s) Legal Proceedings; Court-Appointed Receiver. Commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Administrative Agent, any Finance Party, the Receiver or 1233 for the purpose of exercising any of the rights, powers and remedies set out in this Section, including obtaining from any court of competent jurisdiction an order for the appointment of a Receiver of 1233 or of any or all of the Collateral.

- (t) **Consultants.** Require 1233 to engage a consultant of the Administrative Agent's choice, or engage a consultant on its own behalf, such consultant to receive the full cooperation and support of 1233 and its agents and employees, including unrestricted access to the premises of 1233 and the Books and Records; all reasonable fees and expenses of such consultant shall be for the account of 1233 and 1233 hereby authorizes any such consultant to report directly to the Administrative Agent and to disclose to the Administrative Agent any and all information obtained in the course of such consultant's employment.

The Administrative Agent may exercise any or all of the foregoing rights and remedies without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by applicable Law) to or on 1233 or any other Person, and 1233 hereby waives each such demand, presentment, protest, advertisement and notice to the extent permitted by applicable Law. None of the above rights or remedies shall be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time. 1233 acknowledges and agrees that any action taken by the Administrative Agent hereunder following the occurrence and during the continuance of an Event of Default shall not be rendered invalid or ineffective as a result of the curing of the Event of Default on which such action was based.

12. **Realization Standards.** To the extent that applicable Law imposes duties on the Administrative Agent to exercise remedies in a commercially reasonable manner and without prejudice to the ability of the Administrative Agent to dispose of the Collateral in any such manner, 1233 acknowledges and agrees that it is not commercially unreasonable for the Administrative Agent to (or not to) (i) incur expenses reasonably deemed significant by the Administrative Agent to prepare the Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) fail to obtain third party consents for access to the Collateral to be disposed of, (iii) fail to exercise collection remedies against account debtors or other Persons obligated on the Collateral or to remove Liens against the Collateral, (iv) exercise collection remedies against account debtors or other Persons obligated on the Collateral directly or through the use of collection agencies and other collection specialists, (v) dispose of Collateral by way of public auction, public tender or private contract, with or without advertising and without any other formality, (vi) contact other Persons, whether or not in the same business of 1233, for expressions of interest in acquiring all or any portion of the Collateral, (vii) hire one or more professional auctioneers to assist in the disposition of the Collateral, if the Collateral is of a specialized nature or an upset or reserve bid or price is established, (viii) dispose of the Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) dispose of assets in wholesale rather than retail markets, (x) disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) purchase insurance or credit enhancements to insure the Administrative Agent against risks of loss, collection or disposition of the Collateral or to provide to the Administrative Agent a guaranteed return from the collection or disposition of the Collateral, (xii) to the extent deemed appropriate by the Administrative Agent, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Administrative Agent in the collection or disposition of any of the Collateral, (xiii) dispose of Collateral in whole or in part, (ivx) dispose of Collateral to a customer of the Administrative Agent, and (vx) establish an upset or reserve bid price with respect to Collateral.

13. **Grant of Licence.** For the purpose of enabling the Administrative Agent to exercise its rights and remedies under this Agreement when the Administrative Agent is entitled to exercise such rights and remedies, and for no other purpose, 1233 grants to the Administrative Agent an irrevocable, non-exclusive licence (exercisable without payment of royalty or other compensation to 1233) to use, assign or sublicense any or all of the Intellectual Property Rights, including in such licence reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer programs

used for the compilation or printout of the same. For any trade-marks, get-up and trade dress and other business indicia, such licence includes an obligation on the part of the Administrative Agent to maintain the standards of quality maintained by 1233 or, in the case of trade-marks, get-up and trade dress or other business indicia licensed to 1233, the standards of quality imposed upon 1233 by the relevant licence. For copyright works, such licence shall include the benefit of any waivers of moral rights and similar rights.

14. **Securities Laws.** The Administrative Agent is authorized, in connection with any offer or sale of any Pledged Shares, to comply with any limitation or restriction as it may be advised by counsel is necessary to comply with applicable Law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of such Securities. In addition to and without limiting Section 12, 1233 further agrees that compliance with any such limitation or restriction shall not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and the Administrative Agent shall not be liable or accountable to 1233 for any discount allowed by reason of the fact that such Pledged Shares are sold in compliance with any such limitation or restriction. If the Administrative Agent chooses to exercise its right to sell any or all Pledged Shares, upon written request, 1233 shall cause each applicable Pledged Issuer to furnish to the Administrative Agent all such information as the Administrative Agent may reasonably request in order to determine the number of shares and other instruments included in the Collateral which may be sold by the Administrative Agent in exempt transactions under any Laws governing securities, and the rules and regulations of any applicable securities regulatory body thereunder, as the same are from time to time in effect.

15. **ULC Shares.** 1233 acknowledges that certain of the Collateral may now or in the future consist of ULC Shares, and that it is the intention of the Administrative Agent and 1233 that the Administrative Agent should not under any circumstances prior to realization thereon be held to be a "member" or a "shareholder", as applicable, of a ULC for the purposes of any ULC Laws. Therefore, notwithstanding any provisions to the contrary contained in this Agreement, the Loan Agreement or any other document in connection therewith, where 1233 is the registered owner of ULC Shares which are Collateral, 1233 shall remain the sole registered owner of such ULC Shares until such time as such ULC Shares are effectively transferred into the name of the Administrative Agent or any other Person on the books and records of the applicable ULC. Accordingly, 1233 shall be entitled to receive and retain for its own account any dividend on or other distribution, if any, with respect to such ULC Shares (except for any dividend or distribution comprised of Pledged Security Certificates, which shall be delivered to the Administrative Agent to hold hereunder) and shall have the right to vote such ULC Shares and to control the direction, management and policies of the applicable ULC to the same extent as 1233 would if such ULC Shares were not pledged to the Administrative Agent pursuant hereto. Nothing in this Agreement, the Loan Agreement or any other document in connection therewith is intended to, and nothing in this Agreement, the Loan Agreement or any other document in connection therewith shall, constitute the Administrative Agent or any Person other than 1233, a member or shareholder of a ULC for the purposes of any ULC Laws (whether listed or unlisted, registered or beneficial), until such time as notice is given to 1233 and further steps are taken pursuant hereto or thereto so as to register the Administrative Agent or such other Person, as specified in such notice, as the holder of the ULC Shares. To the extent any provision hereof would have the effect of constituting the Administrative Agent as a member or a shareholder, as applicable, of any ULC prior to such time, such provision shall be severed herefrom and shall be ineffective with respect to ULC Shares which are Collateral without otherwise invalidating or rendering unenforceable this Agreement or invalidating or rendering unenforceable such provision insofar as it relates to Collateral which is not ULC Shares. Except upon the exercise of rights of the Administrative Agent to sell, transfer or otherwise dispose of ULC Shares in accordance with this Agreement, 1233 shall not cause or permit, or enable a Pledged Issuer that is a ULC to cause or permit, the Administrative Agent to: (a) be registered as a shareholder or member of such Pledged

Issuer; (b) have any notation entered in their favour in the share register of such Pledged Issuer; (c) be held out as shareholders or members of such Pledged Issuer; (d) receive, directly or indirectly, any dividends, property or other distributions from such Pledged Issuer by reason of the Administrative Agent holding the Security Interests over the ULC Shares; or (e) act as a shareholder of such Pledged Issuer, or exercise any rights of a shareholder including the right to attend a meeting of shareholders of such Pledged Issuer or to vote its ULC Shares.

16. **Application of Proceeds.** All Proceeds of Collateral received by the Administrative Agent or a Receiver may be applied to discharge or satisfy any expenses (including the Receiver's remuneration and other expenses of enforcing the Administrative Agent's rights under this Agreement), Liens on the Collateral in favour of Persons other than the Administrative Agent, borrowings, taxes and other outgoing affecting the Collateral or which are considered advisable by the Administrative Agent or the Receiver to protect, preserve, repair, process, maintain or enhance the Collateral or prepare it for sale, lease or other disposition, or to keep in good standing any Liens on the Collateral ranking in priority to any of the Security Interests, or to sell, lease or otherwise dispose of the Collateral. The balance of such Proceeds may, at the sole discretion of the Administrative Agent, be held as collateral security for the Secured Liabilities or be applied to such of the Secured Liabilities (whether or not the same are due and payable) in such manner and at such times as the Administrative Agent considers appropriate and thereafter shall be accounted for as required by Law.

17. **Continuing Liability of 1233.** 1233 shall remain liable for any Secured Liabilities that are outstanding following realization of all or any part of the Collateral and the application of the Proceeds thereof.

18. **Administrative Agent's Appointment as Attorney-in-Fact.** Effective upon the occurrence and during the continuance of an Event of Default, 1233 constitutes and appoints the Administrative Agent and any officer or agent of the Administrative Agent, with full power of substitution, as 1233's true and lawful attorney-in-fact with full power and authority in the place of 1233 and in the name of 1233 or in its own name, from time to time in the Administrative Agent's discretion, to take any and all appropriate action and to execute any and all documents and instruments as, in the opinion of such attorney, may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the effect of this Section, upon the occurrence of an Event of Default, 1233 grants the Administrative Agent an irrevocable proxy to vote the Pledged Shares and to exercise all other rights, powers, privileges and remedies to which a holder thereof would be entitled (including giving or withholding written consents of shareholders, calling special meetings of shareholders and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Shares on the books and records of a Pledged Issuer or Pledged Securities Intermediary, as applicable). These powers are coupled with an interest and are irrevocable until the Release Date. Nothing in this Section affects the right of the Administrative Agent as secured party or any other Person on the Administrative Agent's behalf, to sign and file or deliver (as applicable) all such financing statements, financing change statements, notices, verification statements and other documents relating to the Collateral and this Agreement as the Administrative Agent or such other Person considers appropriate. 1233 hereby ratifies and confirms, and agrees to ratify and confirm, whatever lawful acts the Administrative Agent or any of the Administrative Agent's sub-agents, nominees or attorneys do or purport to do in exercise of the power of attorney granted to the Administrative Agent pursuant to this Section.

19. **Performance by Administrative Agent of 1233's Obligations.** If 1233 fails to perform or comply with any of the obligations of 1233 under this Agreement, the Administrative Agent may, but need not, perform or otherwise cause the performance or compliance of such obligation, provided that such performance or compliance shall not constitute a waiver, remedy or satisfaction of such failure. The expenses of the Administrative Agent incurred in connection with any such performance or compliance shall be payable by 1233 to the Administrative Agent immediately on demand, and until

paid, any such expenses shall form part of the Secured Liabilities and shall be secured by the Security Interests.

20. **Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

21. **Rights of Administrative Agent; Limitations on Administrative Agent and Finance Parties' Obligations.**

- (a) **Limitations on Liability.** None of the Administrative Agent, any Receiver, any Finance Party or agent of such parties shall be liable to 1233 or any other Person for any failure or delay in exercising any of the rights of 1233 under this Agreement (including any failure to take possession of, collect, sell, lease or otherwise dispose of any Collateral, or to preserve rights against prior parties, except in respect of damages to the extent attributable to the gross negligence or wilful misconduct of the Administrative Agent or any Receiver). Neither the Administrative Agent, a Receiver nor any agent of the Administrative Agent (including, in Alberta or British Columbia, any sheriff) is required to take, or shall have any liability for any failure to take or delay in taking, any steps necessary or advisable to preserve rights against other Persons under any Collateral in its possession. None of the Administrative Agent, any Receiver, any Finance Party or any agent of such parties shall be liable for any, and 1233 shall bear the full risk of all, loss or damage to any and all of the Collateral (including any Collateral in the possession of the Administrative Agent, any Receiver, any Finance Party or any agent of such parties) caused for any reason, except in respect of damages to the extent attributable to the gross negligence or wilful misconduct of the Administrative Agent, any Receiver, any Finance Party or agent of such parties.
- (b) **1233 Remains Liable under Accounts and Contracts.** Notwithstanding any provision of this Agreement, 1233 shall remain liable under each of the documents giving rise to the Accounts of 1233 and under each of the Contracts to observe and perform all the conditions and obligations to be observed and performed by 1233 thereunder, all in accordance with the terms of each such document and Contract. Neither the Administrative Agent nor any Finance Party (or any of their affiliates, officers, directors, employees, agents or representatives) shall have any obligation or liability under any Account of 1233 (or any document giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Administrative Agent of any payment relating to such Account or Contract pursuant hereto, and in particular (but without limitation), except in respect of damages to the extent attributable to the gross negligence or wilful misconduct of the Administrative Agent or any Finance Party, neither the Administrative Agent nor any Finance Party shall be obligated in any manner to perform any of the obligations of 1233 under or pursuant to any Account (or any document giving rise thereto) or under or pursuant to any Contract to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any document giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time.
- (c) **Analysis of Accounts.** At any time and from time to time, the Administrative Agent shall have the right to analyze and verify the Accounts of 1233 in any manner and through any

medium that it reasonably considers advisable, and 1233 shall furnish all such assistance and information as the Administrative Agent may require in connection therewith. At any time and from time to time, upon the Administrative Agent's reasonable request and at the expense of 1233, 1233 shall furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, its Accounts.

- (d) Use of Agents. The Administrative Agent may perform any of its rights or duties under this Agreement by or through agents and is entitled to retain counsel and to act in reliance on the advice of such counsel concerning all matters pertaining to its rights and duties under this Agreement.

22. **Dealings by Administrative Agent.** The Administrative Agent shall not be obliged to exhaust its recourse against 1233 or any other Person or against any other security it may hold with respect to the Secured Liabilities or any part thereof before realizing upon or otherwise dealing with the Collateral in such manner as the Administrative Agent may consider desirable. The Administrative Agent may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with 1233 and any other Person, and with any or all of the Collateral, and with other security and sureties, as the Administrative Agent may see fit, all without prejudice to the Secured Liabilities or to the rights and remedies of the Administrative Agent or the Finance Parties under this Agreement or the Loan Agreement. The powers and rights conferred on the Administrative Agent under this Agreement are granted to the Administrative Agent, acting for and on behalf of the Finance Parties, solely to protect the interests of the Administrative Agent and the Finance Parties in the Collateral and shall not impose any duty upon the Administrative Agent to exercise any such powers or rights.

23. **Communication.** Any notice or other communication required or permitted to be given under this Agreement shall be made in accordance with the terms of the Loan Agreement.

24. **Release of Information.** 1233 authorizes the Administrative Agent and each Finance Party to provide a copy of this Agreement and such other information as may be requested of the Administrative Agent (i) to the extent necessary to enforce the Administrative Agent's rights, remedies and entitlements under this Agreement, (ii) to any assignee or prospective assignee of all or any part of the Secured Liabilities, and (iii) as required by applicable Law.

25. **Expenses; Indemnity; Waiver.**

- (a) 1233 shall pay all out-of-pocket expenses incurred by the Administrative Agent, including the fees, charges and disbursements of any counsel for the Administrative Agent and all applicable taxes, in connection with the assessment, enforcement or protection of their rights in connection with this Agreement (including its rights under this Section) including all such out-of-pocket expenses incurred (i) during any workout, restructuring or negotiations with respect to the Secured Liabilities, (ii) in taking and maintaining custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral, and (iii) in enforcing or collecting indebtedness.
- (b) 1233 shall indemnify the Administrative Agent and each Finance Party against, and hold the Administrative Agent and each Finance Party harmless from, any and all losses, claims, cost recovery actions, damages, expenses and liabilities of whatsoever nature or kind and all reasonable out-of-pocket expenses and all applicable taxes to which the Administrative Agent or any Finance Party may become subject arising out of or in connection with (i) the breach by 1233 of its obligations hereunder, (ii) any actual or prospective claim, litigation, investigation or proceeding relating to this Agreement or the Secured Liabilities, whether based on contract, tort or any other theory and regardless of

whether the Administrative Agent or any Finance Party is a party thereto, (iii) any other aspect of this Agreement, or (iv) the enforcement of Administrative Agent's rights hereunder and any related investigation, defence, preparation of defence, litigation and enquiries; provided that such indemnity shall not, as to the Administrative Agent or any Finance Party, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct (it being acknowledged that ordinary negligence does not necessarily constitute gross negligence) or wilful misconduct of or material breach of this Agreement by the Administrative Agent.

- (c) 1233 shall not assert, and hereby waives (to the fullest extent permitted by applicable Law), (i) any claim against the Administrative Agent or any Finance Party (or any director, officer or employee thereof), on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, and (ii) all of the rights, benefits and protections given by any present or future statute that imposes limitations on the rights, powers or remedies of a secured party or on the methods of, or procedures for, realization of security, including any "seize or sue" or "anti-deficiency" statute or any similar provision of any other statute; provided that such waiver does not apply to any claim arising out of the fraud, wilful misconduct or gross negligence of the Administrative Agent or any Finance Party.
- (d) All amounts due under this Section shall (i) be payable not later than 10 Business Days after written demand therefor, and (ii) shall form part of the Secured Liabilities and shall be secured by the Security Interests.
- (e) The indemnifications set out in this Section shall survive the Release Date and the release or extinguishment of the Security Interests for a period of three years.

26. **Release of 1233.** Upon the written request of 1233 given at any time on or after the Release Date, the Administrative Agent shall, at the expense of 1233, release 1233 and the Collateral from the Security Interests and such release shall serve to terminate any licence granted in this Agreement. Upon such release, and at the request and expense of 1233, the Administrative Agent shall execute and deliver to 1233 such releases and discharges as 1233 may reasonably request.

27. **Additional Security.** This Agreement is in addition to, and not in substitution of, any and all other security previously or concurrently delivered by 1233 or any other Person to the Administrative Agent or any Finance Party, all of which other security shall remain in full force and effect.

28. **Alteration or Waiver.** None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Administrative Agent. The Administrative Agent shall not, by any act or delay, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent would otherwise have on any future occasion. Neither the taking of any judgment nor the exercise of any power of seizure or sale shall extinguish the liability of 1233 to pay the Secured Liabilities, nor shall the same operate as a merger of any covenant contained in

this Agreement or of any other liability, nor shall the acceptance of any payment or other security constitute or create any novation.

29. **Amalgamation.** If 1233 is a corporation, 1233 acknowledges that if it amalgamates or merges with any other corporation or corporations, then (i) the Collateral and the Security Interests shall extend to and include all the property and assets of the amalgamated corporation and to any property or assets of the amalgamated corporation thereafter owned or acquired, (ii) the term "1233", where used in this Agreement, shall extend to and include the amalgamated corporation, and (iii) the term "Secured Liabilities", where used in this Agreement, shall extend to and include the Secured Liabilities of the amalgamated corporation.

30. **Governing Law; Attornment.** This Agreement shall be governed by and construed in accordance with the Laws of the Province of British Columbia. Without prejudice to the ability of the Administrative Agent to enforce this Agreement in any other proper jurisdiction, 1233 irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of such province. To the extent permitted by applicable Law, 1233 irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Agreement in the courts of such Province.

31. **Interpretation.** The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "or" is disjunctive; the word "and" is conjunctive. The word "shall" is mandatory; the word "may" is permissive. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set out herein), (b) any reference herein to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time, (c) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (e) all references herein to Sections and Schedules shall be construed to refer to Sections and Schedules to, this Agreement, Section headings are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement. Any reference in this Agreement to a Permitted Liens is not intended to subordinate or postpone, and shall not be interpreted as subordinating or postponing, or as any agreement to subordinate or postpone, any Security Interest to any Permitted Liens. The doctrine of consolidation will apply to this Agreement and the Administrative Agent's rights of consolidation shall not be diminished in any way by Section 31 of the *Property Law Act* (British Columbia) and any amendments thereto. Whenever a representation or warranty is made on the basis of the knowledge or awareness of a party, such knowledge or awareness consists of the actual collective knowledge or awareness of the senior officers of such party, in their capacity as senior officers of such party; provided that the party making the representation and warranty shall have conducted a reasonable investigation as to the subject matter relating thereto and the level of such investigation shall be that of a reasonably prudent Person investigating a material consideration in the context of a material transaction.

32. **Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Loan Agreement then, notwithstanding anything contained in this Agreement, the provisions contained in the Loan Agreement shall prevail to the extent of such conflict or inconsistency and the provisions of this Agreement shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, it being understood that the purpose of this

Agreement is to add to, and not detract from, the rights granted to the Administrative Agent or any Finance Party under the Loan Agreement.

33. **Successors and Assigns.** This Agreement shall enure to the benefit of, and be binding on, 1233 and its successors and permitted assigns, and shall enure to the benefit of, and be binding on, the Administrative Agent and its successors and assigns. 1233 may not assign this Agreement, or any of its rights or obligations under this Agreement. The Administrative Agent may assign this Agreement and any of its rights and obligations hereunder to any Person.

34. **Acknowledgment of Receipt/Waiver.** 1233 acknowledges receipt of an executed copy of this Agreement and, to the extent permitted by applicable Law, waives the right to receive a copy of any financing statement or financing change statement registered in connection with this Agreement or any verification statement issued with respect to any such financing statement or financing change statement.

35. **Electronic Signature.** Delivery of an executed signature page to this Agreement by 1233 by facsimile or other electronic form of transmission shall be as effective as delivery by 1233 of a manually executed copy of this Agreement by 1233.

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF the undersigned has caused this Agreement to be duly executed as of the date first written above.

10161233 CANADA LIMITED

By: _____
Name:
Title:

BHAYANA VENTURES LTD.

By: _____
Name:
Title:

SCHEDULE A

1233 INFORMATION

Full legal name:

Prior names:

Predecessor companies:

Jurisdiction of incorporation or organization:

Address of chief executive office:

Addresses of all places where business is carried on or tangible Personal Property is kept:

Description of Crops, including description of Crops that are growing as well as a description of newly planted seedling and when such seedling is anticipated to grow into Crops:

Jurisdictions in which all material account debtors are located:

Addresses of all owned real property:

Addresses of all leased real property:

Description of all "serial number" goods (i.e. motor vehicles, trailers, aircraft, boats and outboard motors for boats):

Description of all material Permits:

Subsidiaries of 1233:

Instruments, Documents of Title and Chattel Paper of 1233:

Pledged Certificated Securities:

Pledged Issuer	Securities Owned	% of issued and outstanding Securities of Pledged Issuer	Security Certificate Numbers	Security Certificate Location

Pledged Securities Accounts:

Pledged Securities Intermediary	Securities Account Number	Pledged Securities Intermediary's Jurisdiction	Pledged Security Entitlements
[BROKERAGE HOUSE]	[NUMBER]	[Ontario]	[100 common shares of [COMPANY]]

Pledged Uncertificated Securities:

Pledged Issuer	Pledged Issuer's Jurisdiction	Securities Owned	% of issued and outstanding Securities of Pledged Issuer
[LIMITED PARTNERSHIP]	[Ontario]	[100 limited partnership units]	[50% of all limited partnership interests]

Pledged Futures Accounts:

Pledged Futures Intermediary	Futures Account Number	Pledged Futures Intermediary's Jurisdiction	Pledged Futures Contracts
[BROKERAGE HOUSE]	[NUMBER]	[Ontario]	[Brief description of Contract]

Registered trade-marks and applications for trademark registrations:

<i>Country</i>	<i>Trade-mark</i>	<i>Application No.</i>	<i>Application Date</i>	<i>Registration No.</i>	<i>Registration Date</i>	<i>Licensed to or by 1233</i>
						[Y/N]

Patents and patent applications:

<i>Country</i>	<i>Title</i>	<i>Patent No.</i>	<i>Application Date</i>	<i>Date of Grant</i>	<i>Licensed to or by 1233</i>
					[Y/N]

Copyright registrations and applications for copyright registrations:

<i>Country</i>	<i>Work</i>	<i>Application No.</i>	<i>Application Date</i>	<i>Registration No.</i>	<i>Licensed to or by 1233</i>
					[Y/N]

Industrial designs/registered designs and applications for registered designs:

<i>Country</i>	<i>Design</i>	<i>Application No.</i>	<i>Application Date</i>	<i>Registration No.</i>	<i>Issue Date</i>	<i>Licensed to or by 1233</i>
						[Y/N]

EXHIBIT "F"
Solvency Certificate

See attached.

SOLVENCY CERTIFICATE

TO: BHAYANA VENTURES LTD., as administrative agent for and on behalf of the Finance Parties (the "Administrative Agent")

AND TO: 1244726 B.C. Ltd. (the "Lender"), a party to the Loan Agreement (as defined below)

AND TO: 1193213 B.C. Ltd. (the "Finder"), a party to the Loan Agreement

Reference is made to that certain convertible loan agreement dated as of April 21, 2020 among SpeakEasy Cannabis Club Ltd. (the "**Borrower**"), 10161233 Canada Limited, the Lender, the Finder and the Administrative Agent (the "**Loan Agreement**"). Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed thereto in the Loan Agreement.

I, the undersigned, being the [**Interim**] Chief Financial Officer of the Borrower, certify, on behalf of the Borrower and not in the undersigned's individual capacity and without personal liability, to the Finance Parties and the Administrative Agent that, in relation to each Credit Party:

1. the aggregate of such Credit Party's property is, at a fair valuation, sufficient, or, if disposed of at a fairly conducted sale under legal process, would be sufficient, to enable payment of all its obligations and liabilities, due and accruing, subordinated, contingent or otherwise; and
2. such Credit Party:
 - (a) upon receipt of the Loan, is able to meet its obligations and liabilities, subordinated, contingent or otherwise, as they become due;
 - (b) except as set forth in Schedule 7.1(s) of the Loan Agreement, has not ceased paying any material amount (either individually or in the aggregate) of its current obligations and liabilities in the ordinary course of business generally as they become due;
 - (c) does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay such debts and liabilities as they mature;
 - (d) is not engaged, and is not about to engage, in business or a transaction for which its property would constitute an unreasonably small capital; and
 - (e) upon receipt of the Loan, is otherwise solvent under applicable law.

For purposes of this Solvency Certificate, the amount of any contingent liability at any time shall be computed as the amount that would reasonably be expected to become an actual and matured liability.

The undersigned is familiar with the business and financial position of each Credit Party. In reaching the conclusions set forth in this Solvency Certificate, the undersigned has made such investigations and inquiries as the undersigned has deemed appropriate, having taken into account the nature of the business proposed to be conducted by the Credit Parties after the advance of the Principal Amount.

I acknowledge and agree, on behalf of the Borrower and without personal liability, that this certificate constitutes a "Credit Document" for the purposes of the Loan Agreement.

DATED this _____ day of April, 2020.

SPEAKEASY CANNABIS CLUB LTD.

By: _____

Name: **[Patrick Geen]**

Title: **[Interim]** Chief Financial Officer

SCHEDULE 7.1(i)

Actions

- Borrower has been named as defendant in a Notice of Claim filed with the Supreme Court of British Columbia Vancouver Registry on July 11, 2019. The action was commenced by Michael Tietz and Duane Loewen and lists multiple defendants, including the Borrower. Details of this claim have been provided to the Administrative Agent and the Finance Parties.
- Borrower has been named in proceedings initiated by the British Columbia Securities Commission (the “**BCSC**”) concerning, among other things, the activities of the Borrower’s former Chief Financial Officer. Details of these proceedings have been provided to the Administrative Agent and the Finance Parties and additional reference should be made to BCSC publications: 2018 BCSECCOM 369, 2019 BCSECCOM 14 and BCSECCOM 191.

SCHEDULE 7.1(k)

Rock Creek Property Title and Rights

- The Borrower and its Subsidiaries, including 1233 may lease equipment from time to time.
- It is currently anticipated that the Credit Parties may enter into arrangements with other parties from time to time whereby such parties provide services to the Credit Parties (including growing services) in exchange for consideration that could include the receipt of a percentage or portion of Cannabis or revenue derived from the sale thereof.
- It is currently anticipated that the Credit Parties may enter into arrangements with other parties for the license of intellectual property, including genetic material. Without limiting the generality of the foregoing, this includes those genetic materials currently licensed from Phenome One Corp. (“**Phenome**”) pursuant to that certain license agreement between Phenome and the Borrower dated on or about June 24, 2019, as amended from time to time.
- Marc Geen has an interest in the Rock Creek Lands, as more particularly disclosed in a Property Purchase Agreement dated October 31, 2017 between M. & J. Orchards Ltd. and Hadley Mining Inc., as amended from time to time. A copy of the Property Purchase Agreement is available in the Public Record.
- It is currently anticipated that the Credit Parties may enter agreements from time to time for the provision of extraction services (including the supply of extraction equipment and related intellectual property), whether located on or off of the Rock Creek Lands.

SCHEDULE 7.1(o)

No Option, etc.

- Marc Geen has an interest in the Rock Creek Lands, as more particularly disclosed in a Property Purchase Agreement dated October 31, 2017 between M. & J. Orchards Ltd. and Hadley Mining Inc., as amended from time to time. A copy of the Property Purchase Agreement is available in the Public Record.
- It is currently anticipated that the Credit Parties may enter into arrangements with other parties from time to time whereby such parties provide services to the Credit Parties (including growing services) in exchange for consideration that could include the receipt of a percentage or portion of Cannabis or revenue derived from the sale thereof.
- It is currently anticipated that the Credit Parties may enter agreements from time to time for the provision of extraction services (including the supply of extraction equipment and related intellectual property), whether located on or off of the Rock Creek Lands.

SCHEDULE 7.1(p)

Compliance with Laws

- Borrower has been named in proceedings initiated by the BCSC concerning, among other things, the activities of the Borrower's former Chief Financial Officer. Details of these proceedings have been provided to the Administrative Agent and the Finance Parties and additional reference should be made to BCSC publications: 2018 BCSECCOM 369, 2019 BCSECCOM 14 and BCSECCOM 191.
- The Borrower's audit committee does not currently comply with independence requirements under Applicable Law or the policies of the Exchange.

SCHEDULE 7.1(q)
Health Canada Licence

None.

SCHEDULE 7.1(s)

Taxes

- [Redacted]

[Information concerning tax obligations redacted.]

SCHEDULE 7.1(y)

Loans

- Borrower has made loans to [REDACTED] in the aggregate amount of [REDACTED] and bearing interest at [REDACTED] per annum pursuant to a loan agreement dated December 4, 2017. The loans are payable on demand.

[Personal information and commercially sensitive information concerning loan terms redacted.]

SCHEDULE 7.1(z)

No Litigation

- Borrower has been named as defendant in a Notice of Claim filed with the Supreme Court of British Columbia Vancouver Registry on July 11, 2019. The action was commenced by Michael Tietz and Duane Loewen and lists multiple defendants, including the Borrower. Details of this claim have been provided to the Administrative Agent and the Finance Parties.
- Borrower has been named in proceedings initiated by the BCSC concerning, among other things, the activities of the Borrower's former Chief Financial Officer. Details of these proceedings have been provided to the Administrative Agent and the Finance Parties and additional reference should be made to BCSC publications: 2018 BCSECCOM 369, 2019 BCSECCOM 14 and BCSECCOM 191.
- Borrower received a demand letter dated April 3, 2020 from legal counsel to a former consultant to, and director of, the Borrower and 1223. As at the date hereof, no claim has been commenced in respect of the allegations set forth in the demand letter.

SCHEDULE 7.1(bb)

No Liabilities

- Marc Geen has loaned the Borrower an aggregate of [REDACTED] on an interest free basis. This loan is repayable within 10 days of demand by the lender.
- [REDACTED] has loaned the Borrower an aggregate of [REDACTED] on an interest free basis. This loan is repayable within 10 days of demand by the lender.
- [REDACTED] has loaned the Borrower an aggregate of [REDACTED] on an interest free basis. This loan is repayable within 10 days of demand by the lender. It is anticipated that [REDACTED] may loan additional funds to the Borrower on similar terms in the short term.

[Personal information and commercially sensitive information concerning loan terms redacted.]

SCHEDULE 7.1(ff)

Related Party Transactions

- The Borrower entered into a non-binding letter of intent with M. & J. Orchards Ltd. (“**M&J**”) dated January 27, 2020, pursuant to which the Borrower can plant 50 acres of hemp on M&J’s property. M&J is an entity controlled by Mervyn Geen, a founder of SpeakEasy and father to Marc Geen, an insider of the issuer.
- Marc Geen, an insider of the Borrower, has loaned the Borrower an aggregate of [REDACTED] on an interest free basis. This loan is repayable within 10 days of demand by the lender.
- [REDACTED], a private company of which Marc Geen is a shareholder, has loaned the Borrower an aggregate of [REDACTED] on an interest free basis. This loan is repayable within 10 days of demand by the lender.
- Marc Geen has an interest in the Rock Creek Lands, as more particularly disclosed in a Property Purchase Agreement dated October 31, 2017 between M. & J. Orchards Ltd. and Hadley Mining Inc., as amended from time to time. A copy of the Property Purchase Agreement is available in the Public Record.
- Borrower has made loans to [REDACTED] in the aggregate amount of [REDACTED] and bearing interest at [REDACTED]/annum pursuant to a Loan Agreement dated December 4, 2017. The loans are payable on demand.
- The Borrower anticipates entering into an agreement for extraction services (including the supply of extraction equipment, financing and related intellectual property), with [REDACTED], a company of which Marc Geen is a shareholder.

[Personal information and commercially sensitive information concerning loan terms redacted.]

SCHEDULE 8.2(f)

Affiliate Transactions

- Funds are typically raised into the Borrower and subsequently loaned to 1233. As at the date of this Agreement, approximately [REDACTED] was owed to the Borrower.

[Commercially sensitive information redacted.]