

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY  
MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER  
THE LATER OF (I) FEBRUARY 25, 2019, AND (II) THE DATE THE ISSUER BECAME A REPORTING  
ISSUER IN ANY PROVINCE OR TERRITORY**

**TIDAL ROYALTY CORP.**

(the "Creditor")

- and -

**MICHICANN MEDICAL INC.**

(the "Corporation")

**AS OF FEBRUARY 25, 2019**

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**SENIOR SECURED CONVERTIBLE DEBENTURE  
DUE ON AUGUST 25, 2019**

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## CONVERTIBLE DEBENTURE

\$15,000,000

Effective as of February 25, 2019 (the “**Effective Date**”)

### ARTICLE ONE INTERPRETATION

#### 1.1 Definitions.

As used in this Debenture, including the Schedules hereto (if any), unless otherwise defined or unless the context otherwise requires the following terms have the following respective meanings:

- (a) “**Affiliates**” has the meaning set out in the *Business Corporations Act* (Ontario).
- (b) “**Applicable Law**” means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation or by-law (zoning or otherwise) other than the Controlled Substances Act (CSA) (21 U.S.C. 811) and other federal laws in the United States that make cannabis illegal; (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, protocol, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority and having the force of law, binding on or affecting the Party referred to in the context in which the term is used or binding on or affecting the property of such Party, all of the foregoing as may exist as of the Effective Date or as may be implemented, revised or modified from time to time after the Effective Date;
- (c) “**Business Day**” means any day of the year, other than a Saturday, Sunday, legal holiday or any day on which banking institutions are closed in Toronto, Ontario and Vancouver, British Columbia;
- (d) “**Change of Control**” means (i) the acquisition, whether by way of sale, merger, reorganization, amalgamation, arrangement, combination or other similar transaction, directly or indirectly, by any Person or group of Persons acting jointly or in concert (within the meaning of National Instrument 62-104 – *Take-Over Bids and Issuer Bids*) of voting control or direction of more than 50% of the outstanding Common Shares, but shall not include a sale, merger, reorganization, amalgamation, arrangement, combination or other similar transaction if the previous holders of Common Shares hold at least 50% of the voting control or direction in such acquired, merged, reorganized, amalgamated, arranged, combined or other continuing entity immediately following completion of such transaction; or (ii) the sale, conveyance, transfer, lease or other disposition of all or substantially all of the consolidated assets and properties of the Corporation to an arm’s length Person. For greater clarity, for the purposes of this Debenture a “Change of Control” does not include the Liquidity Event;

- (e) **“Claim”** means any claim or liability of any nature whatsoever, including any demand, obligation, liability, debt, cause of action, suit, proceeding, judgment, award, assessment or reassessment;
- (f) **“Collateral”** is collectively all ‘Collateral’ as that term is defined in the Security Agreement;
- (g) **“Common Shares”** means the common shares in the capital of the Corporation, as such shares exist at the close of business on the date of execution and delivery of this Debenture; provided that, in the event of a subdivision, redivision, reduction, combination, consolidation or reclassification of the capital of the Corporation or such successive subdivisions, redivisions, reductions, combinations, consolidations or reclassifications **“Common Shares”** shall thereafter mean the shares corresponding to the Common Shares resulting from such subdivision, redivision, reduction, combination, consolidation or reclassification;
- (h) **“Confidential Information”** means the terms of this Debenture and any other proprietary and non-public information and intellectual property concerning any matters affecting or relating to the business, operations, assets, results or prospects of the Parties, including information regarding plans, budgets, costs, processes, results of experimentation and other data, except to the extent that such information has already been publicly released by a Party as allowed herein or that the Party providing such information can demonstrate was previously publicly released by a Person who did not do so in violation or contravention of any duty or agreement;
- (i) **“Corporate Records”** means the corporate records of the Corporation and any of its subsidiaries, including in each case (i) all constating documents, articles, by-laws, notice of articles, any shareholders’ agreements and any amendments thereto, and (ii) all minutes of meetings and resolutions of shareholders and the board of directors (and any committee thereof);
- (j) **“Corporation”** means MichiCann Medical Inc., a corporation formed under the laws of the Province of Ontario, and its successors and permitted assigns (by amalgamation, merger or otherwise);
- (k) **“Corporation Intellectual Property”** has the meaning ascribed to such term in Section 3.3(v) hereof;
- (l) **“Creditor”** means Tidal Royalty Corp., a corporation formed under the laws of the Province of British Columbia, and its successors and assigns;
- (m) **“CSE”** means the Canadian Securities Exchange;
- (n) **“Date of Conversion”** means the date specified in the notice delivered to the Corporation pursuant to Section 5.1, such date being not less than 5 Business Days after receipt of same by the Corporation;

- (o) **“Default”** means any event which would, with the passage of time or the giving of notice, would constitute an Event of Default;
- (p) **“Debenture”** means this secured convertible debenture issued on the date hereof due on the Maturity Date in an aggregate principal amount of \$15,000,000, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (q) **“Effective Date”** has the meaning ascribed to such term on page 1 herein;
- (r) **“Encumbrance”** means any lien, charge, hypothec, pledge, mortgage, title retention agreement, covenant, condition, lease, license, security interest of any nature, claim, exception, reservation, easement, encroachment, right of occupation, right-of-way, right-of-entry, matter capable of registration against title, option, assignment, right of pre-emption, royalty, right, pledge, privilege or any other encumbrance or title defect of any nature whatsoever, and any other right of third parties relating to, attaching to or affecting any asset, regardless of form (excluding ordinary course payables), whether or not registered or registrable and whether or not consensual or arising by any Applicable Law, and includes any contract to create any of the foregoing;
- (s) **“Event of Default”** has the meaning ascribed to such term in Section 6.1 hereof;
- (t) **“Go Public Transaction”** means a transaction with a capital pool company or other company that is a reporting issuer in at least one jurisdiction of Canada, by way of plan of arrangement, amalgamation, reverse take-over, qualifying transaction, any other business combination or other similar transaction or an initial public offering, direct listing or other similar transaction pursuant to which the Common Shares (or the common shares of the resulting issuer) are listed on the TSX Venture Exchange, the CSE or any other exchange. For greater clarity, for the purposes of this Debenture a “Go Public Transaction” does not include the Liquidity Event;
- (u) **“Governmental Authorities”** means any municipal, regional, provincial or federal governments and their agencies, authorities, branches, departments, commissions or boards, having or claiming jurisdiction over the Corporation or any of the Corporation’s subsidiaries and/or the assets of the Corporation or any subsidiary of the Corporation, and **“Governmental Authority”** shall mean any one of the Governmental Authorities as the context requires;
- (v) **“Governmental Charges”** means all taxes, levies, duties, assessments, reassessments and other similar charges and impositions together with all related penalties, interest and fines, due and payable by the Corporation or any of its subsidiaries (as applicable) to any domestic or foreign government (federal, provincial, state, municipal or otherwise) or

to any regulatory authority, agency, commission, board or court of competent jurisdiction of any domestic or foreign government;

- (w) **"IFRS"** means International Financial Reporting Standards applicable as at the relevant date;
- (x) **"Intellectual Property"** means all intellectual property which is recognized under the law of any jurisdiction anywhere in the world, whether under common law, by statute or otherwise, whether registered or not, including the following:
  - (i) patents, reissues, divisions, continuations, continuations-in-part, re-examinations, renewals and substitutes thereof, foreign counterparts of the foregoing, term restorations or other extensions of the term of any issued or granted patents anywhere in the world and extensions of the monopoly right covering a product or service previously covered by any issued or granted patent anywhere in the world for the limited purpose of extending the holder's exclusive right to make, use or sell a particular product or service covered by such patent (such as supplemental protection certificates or the like);
  - (ii) trade names, trademarks, service names, service marks, business names, product names, brands, logos, and other distinctive indicia of origin, and the goodwill associated with any of the foregoing;
  - (iii) industrial designs and design patents;
  - (iv) copyright and copyrightable works of any nature, and any renewals, extensions and reversions of copyright;
  - (v) software and fixations thereof;
  - (vi) uniform resource locators, website addresses, and domain names;
  - (vii) database rights;
  - (viii) all Confidential Information;
  - (ix) any other intangible property and any other intellectual or industrial design or other intangible property rights, whether registered or not, anywhere in the world, and all derivatives of any of the foregoing; and

applications for registration, registrations and renewals of items (i) through (vii) and item (ix).

- (y) **"Letter of Intent"** means the letter of intent entered into between the Corporation and the Creditor, as amended and restated as of February

12, 2019, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;

- (z) **“Licensed Intellectual Property”** has the meaning ascribed to such term in Section 3.3(v) hereof;
- (aa) **“Liquidity Event”** means the business combination transaction to be completed between the Corporation and the Creditor, as contemplated by the Letter of Intent, the definitive terms and conditions of which shall be set out in one or more definitive agreements to be executed between the Parties, and pursuant to which the Creditor will acquire all of the issued and outstanding shares of the Corporation;
- (bb) **“Material Adverse Change”** means any change or event which constitutes or is reasonably likely to constitute a material adverse change in (i) the business, operations, condition (financial or otherwise), assets, properties, liabilities, capital or prospects of the Corporation and its subsidiaries, taken as a whole, (ii) the enforceability of this Debenture or any of the other Transaction Documents against the Corporation or any subsidiary of the Corporation, (iii) the Corporation or any subsidiary of the Corporation’s ability to timely and fully perform its obligations hereunder or under any of the other Transaction Documents to which they are party, or (iv) the ability of the Creditor to enforce its rights and remedies hereunder or under any of the other Transaction Documents;
- (cc) **“Material Contract”** means: (i) the Opco Put/Call Option Agreement; (ii) the Opco Debenture; (iii) the Opco Security Agreement; (iv) any other agreement to which the Corporation is a party the cancellation or termination of which would, in the Creditor’s opinion, result in a Material Adverse Change; and (v) a contract to which the Corporation is a party with a value in excess of \$150,000;
- (dd) **“Maturity Date”** means the earliest of: (i) August 25, 2019, subject to extension as provided for in Section 2.1 and Article Five, and (ii) the date that all amounts owing hereunder may become due and payable in accordance with the terms hereof, including following an Event of Default;
- (ee) **“Obligations”** means all monies and obligations now or at any time and from time to time hereafter owing or payable by the Corporation to the Creditor, including pursuant to this Debenture;

**[REDACTED – the name of the company in respect of the following four defined terms has been replaced with “Opco” and re-ordered alphabetically within this Section 1.1]**

- (ff) **“Opco”** means **[REDACTED – name of company]**, a Michigan corporation, and its successors and permitted assigns (by amalgamation, merger or otherwise);
- (gg) **“Opco Debenture”** means the debenture purchase agreement dated January 4, 2019 and made between Opco and the Corporation, as may

be amended, supplemented, otherwise modified, restated or replaced from time to time;

- (hh) **“Opco Put/Call Option Agreement”** means the put/call option agreement dated January 4, 2019 and made between, *inter alios*, the Corporation and the shareholders of Opco, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (ii) **“Opco Security Agreement”** means the security agreement dated January 4, 2019 and made between the Corporation as the secured party and Opco as the debtor, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (jj) **“Parties”** means the Corporation and the Creditor; and **“Party”** means any one of them;
- (kk) **“Permit”** has the meaning assigned to such term in Section 3.3(o);
- (ll) **“Permitted Encumbrances”** means:
  - (i) statutory encumbrances not at the time overdue, or which are overdue but the validity of which is being contested in good faith and in respect of which appropriate reserves have been established;
  - (ii) Encumbrances for taxes, duties and assessments which may be overdue but the validity of which is being contested in good faith and in respect of which appropriate reserves have been established;
  - (iii) Encumbrances or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Encumbrances or rights as a permitted encumbrance shall not prejudice the priority of the Creditor’s security over such Encumbrances or rights as determined in accordance with applicable law);
  - (iv) any obligations or duties affecting any lands due to any public utility or Governmental Authority with respect to any franchise, grant, licence or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands under government permits, leases or other grants; which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held;
  - (v) Encumbrances incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers’ compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation

when required by law, public and statutory obligations, warehousemen's, carriers' and other similar Encumbrances and deposits;

- (vi) Encumbrances given to a public utility or Governmental Authority to secure obligations incurred to such utility, municipality, government or other authority in the ordinary course of business;
- (vii) Encumbrances and privileges arising out of judgments or awards in respect of which: an appeal or proceeding for review has been commenced; a stay of execution pending such appeal or proceedings for review has been obtained; and appropriate reserves have been established;
- (viii) any mechanic's, labourer's, materialman's statutory or other similar Encumbrance arising in the ordinary course of business or out of the construction or improvement of any lands or arising out of the furnishing of materials or supplies therefor, the action to enforce which has not proceeded to a final judgment;
- (ix) undetermined or inchoate Encumbrances incidental to the normal business operations of a company not at the time overdue, or which are overdue but have not been filed against such company or any of its properties pursuant to applicable law and the validity of which is being contested in good faith and appropriate reserves have been established;
- (x) PMSIs and capital leases up to the maximum aggregate amount of \$100,000 incurred in connection with the purchase or leasing of capital equipment;
- (xi) Encumbrances in favour of the Creditor; and
- (xii) Encumbrances consented to in writing by the Creditor,

provided that the use of the term "**Permitted Encumbrances**" to describe such interests and Encumbrances shall mean that they are permitted to exist (whether in priority to or subsequent in priority to the Creditor's security, as determined by applicable law), and shall not be interpreted as meaning that such interests and Encumbrances are entitled to priority over the Creditor's security;

- (mm) "**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership or other entity;
- (nn) "**PMSI**" means purchase-money security interests as defined in the PPSA;

- (oo) **“PPSA”** means *the Personal Property Security Act (Ontario)*, as amended from time to time and any legislation substituted therefor and any amendments thereto;
- (pp) **“Security Agreement”** means the general security and pledge agreement dated on or about the date hereof by the Corporation in favour of the Creditor, as may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (qq) **“Security Interest”** means the pledges, assignments, mortgages, charges, and hypothecations of and the security interests in the Collateral created in favour of the Creditor under the Security Agreement;
- (rr) **“Subscription Agreement”** means the subscription agreement dated on or about the date hereof between the Corporation and the Creditor, as may be amended, supplemented, otherwise modified, restated or replaced from time to time; and
- (ss) **“Transaction Documents”** includes this Debenture, the Security Agreement and the Subscription Agreement and each document, agreement, notice, consent, waiver or certificate delivered in connection with, or pursuant to, such documents.

## **1.2 Gender and Number.**

Any reference in this Debenture to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

## **1.3 Headings, Etc.**

The division of this Debenture into Articles, Sections, Subsections, and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Debenture.

## **1.4 Currency.**

All references in this Debenture to dollars, unless otherwise specifically indicated, are expressed in the currency of Canada.

## **1.5 Severability.**

Any article, section, subsection or other subdivision of this Debenture or any other provision of this Debenture which is, or becomes, illegal, invalid or unenforceable shall be severed from this Debenture and be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof or thereof.

## **1.6 Governing Law.**

This Debenture shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. For the purpose of legal proceedings, this Debenture shall be deemed to have been made in the said Province and to be performed therein and the courts of that Province shall have jurisdiction over all disputes which may arise under this Debenture. The Parties hereby irrevocably and unconditionally submit to the non-exclusive jurisdiction of such courts.

## **1.7 Interpretation.**

Unless otherwise expressly provided in this Debenture, if any matter in this Debenture is subject to the determination, consent or approval of the Creditor or is to be acceptable to the Creditor, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Creditor, which means the Creditor shall have sole and unfettered discretion, without any obligation to act reasonably. If any provision in this Debenture refers to any action taken or to be taken by the Corporation, or which the Corporation is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation". Where any representation, warranty, or other statement in this Debenture, or in any other Transaction Documents, is expressed by a party to be "to its knowledge," or otherwise express to be limited in scope to facts or matters known to the Party or of which the Party is aware, it means: (i) the current, actual knowledge of directors and officers of that Party; and (ii) the knowledge that would have come to the attention of any of them had they duly and carefully investigated the facts related to that statement and made reasonable inquiries of the directors and officers of the Corporation and Opco reasonably likely to have knowledge of facts related to that statement.

## **ARTICLE TWO** **PROMISE TO PAY**

### **2.1 Principal Sum.**

For value received, subject to the exercise by the Creditor of its right to convert as set out herein and to the Corporation's voluntary prepayment right set forth in Section 2.5, the Corporation hereby promises to pay to or to the order of the Creditor at the address of the Creditor set forth in Section 7.8(a) hereof (or such other address of the Creditor as may be indicated by the Creditor pursuant to Section 7.8(a) hereof), the principal sum of \$15,000,000 on the Maturity Date.

The Corporation and the Creditor hereby agree that the date set out in subsection (i) of the definition of "Maturity Date" may be extended (i) by mutual agreement of the Parties in writing; (ii) by the Creditor pursuant to Article Five; and (iii) automatically without any further action of either Party, in the event the Liquidity Event has not occurred by August 25, 2019 as a result of either Party

not being able to satisfy one or more applicable conditions precedent to the completion of the Liquidity Event directly or indirectly as a result of a delay in obtaining the approval of the CSE for the Liquidity Event or any associated material documentation pursuant to the rules and policies of the CSE, in which case such date shall be automatically extended to the date that is 10 Business Days following the receipt of CSE approval for the Liquidity Event and any associated material documentation pursuant to the rules and policies of the CSE.

The foregoing automatic extension shall not apply (i) if, in the reasonable opinion of the Creditor, the delay was or continues to be within the control of the Corporation or is a result of a delay or failure on the part of the Corporation to take any necessary actions in order to obtain such CSE approval in a timely manner, which shall be deemed to include, without limitation, the Corporation not having caused the submission to the CSE by the Creditor of a draft management information circular of the Creditor for a Creditor's shareholder meeting to approve the Liquidity Event and the other applicable documentation required by CSE Policies 8 – Fundamental Changes and 2 – Qualification for Listing prior to May 25, 2019; or (ii) to the extent the Creditor does not as of August 25, 2019 reasonably expect that that the Corporation and the Creditor, each using commercially reasonable efforts, will be able to meet any of the conditions precedent to securing such CSE approval prior to October 25, 2019.

Save as set out in Section 2.3 hereof, the principal amounts owing under this Debenture are non-interest bearing.

## **2.2 Advances.**

The Corporation shall drawdown the full amount available under this Debenture, being \$15,000,000 on the Effective Date subject to the satisfaction of the conditions precedent set forth in Section 4.1 herein.

## **2.3 Default Interest.**

- (a) Upon the occurrence of an Event of Default and for so long as such Event of Default shall be continuing, interest shall accrue on the principal sum outstanding at a rate per annum equal to 12% calculated and payable as aforesaid. For greater certainty, to the extent interest has accrued under this Section, such interest will be due and payable at the same time as any payment of principal pursuant to this Debenture; and
- (b) In the event that a court of competent jurisdiction determines that any provision of this Debenture obligates the Corporation to make any payment of interest, or other amount payable to the Creditor, in an amount, or calculated at a rate, which would be prohibited by Applicable Law or would result in receipt by the Creditor of interest at a rate in excess of the maximum rate permissible under Applicable Law then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted, with retroactive effect, to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in receipt by the Creditor of interest at a rate in excess of the maximum rate permissible. Any amount or rate of

interest referred to in this Section 2.3 shall be determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term that the Debenture remains outstanding, on the assumption that any charges, fees or expenses that fall within the meaning of interest shall, if they relate to a specific period of time, be pro-rated over that period of time and otherwise be pro-rated over the period from the date hereof to the Maturity Date, and, in the event of a dispute, a certificate of an accredited actuary appointed by the Creditor shall be conclusive for the purposes of such determination.

**2.4 Use of Funds.**

The Creditor has agreed to advance to the Corporation the principal sum hereunder on the express condition that such amount be used by the Corporation solely to advance to Opco pursuant to the Opco Debenture for the purposes of Opco's acquisition of any three (3) of the licensed cannabis dispensaries in Michigan, USA as set out in Schedule 3.33.3(p) hereto and for general working capital purposes, and the Corporation covenants to use commercially reasonable efforts to use, and to cause Opco to use, the applicable funds as set forth therein.

**2.5 Prepayment**

Prior to the Maturity Date, the Corporation shall not be permitted to repay to the Creditor the whole or any part of any principal sum owing by it from time to time hereunder without the prior written consent of the Creditor in its sole discretion.

Notwithstanding the foregoing, provided that this Debenture is not converted by the Creditor in accordance with Article Five in connection with a Change of Control transaction or Go Public Transaction, the Corporation shall be permitted to repay to the Creditor the whole of any principal sum and any accrued interest owing by it hereunder as part of and at the time of completion of such Change of Control transaction or Go Public Transaction.

Furthermore, the Corporation may repay this Debenture prior to the Maturity Date at a price equal to 110% of the principal amount and any accrued interest owing by it hereunder without the prior written consent of the Creditor if: (i) the Liquidity Event is not capable of being completed prior to October 25, 2019; and (ii) the Parties have both acted in good faith and have used all commercially reasonable efforts to complete the Liquidity Event.

**ARTICLE THREE**  
**COVENANTS AND REPRESENTATIONS OF THE CORPORATION**

**3.1 Positive Covenants.**

So long as this Debenture remains outstanding, the Corporation covenants and agrees that it will and cause each of its subsidiaries to:

- (a) **Payment and Performance of Obligations.** Duly and punctually pay all sums of money due by it under the terms of this Debenture at the times

and places and in the manner provided for by this Debenture and shall duly and punctually perform and observe all other obligations on its part to be performed or observed hereunder at the times and in the manner provided for herein;

- (b) **Common Shares.** At all times reserve and keep available a sufficient number of Common Shares for the purpose of effecting any conversion pursuant to ARTICLE Five;
- (c) **Observation of Covenants.** Duly observe and perform each and every of its covenants and agreements set forth in this Debenture;
- (d) **Maintenance of Existence & Business Practices.** Do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises. Without limiting the generality of the foregoing, the Corporation and its subsidiaries shall (i) use, operate and maintain all of their property and assets in a good and workman like manner and in accordance with good business practice and in a manner which does not impair the Security Interests of the Creditor in such property and assets; and (ii) continue to collect all accounts receivable in the ordinary course of their business consistent with past practice;
- (e) **Compliance with Laws.** Comply with all Applicable Laws, save and except when non-compliance with such laws would not result in a Material Adverse Change;
- (f) **Approvals.** Use commercially reasonable efforts to obtain all necessary waivers, consents, Permits and approvals required to be obtained by the Corporation and its subsidiaries to operate their business, own their assets, and to complete the transactions contemplated by each of the Transaction Documents;
- (g) **Taxes.** Pay all taxes imposed on it, or on its income or profits or its assets, when due and payable, except for any taxes assessed against the Corporation or its subsidiaries which they are in good faith contesting pursuant to a *bona fide* dispute process;
- (h) **Insurance.** Upon obtaining any insurance coverage: (i) maintain such insurance coverage with responsible insurers, in amounts and against risks normally insured by owners of similar businesses or assets; and (ii) promptly on the happening of any loss or damage, the Corporation will furnish or cause to be furnished at its own expense all necessary proofs and will do all necessary acts to enable the Creditor to obtain payment of the insurance monies, which, in the sole discretion of the Creditor, may be applied in reinstating the insured property or be paid to the Corporation or the subsidiaries or be applied in payment of the Obligations, whether due or not then due, or paid partly in one way and partly in another;

- (i) **Financial Statements.** Deliver to the Creditor: (i) consolidated quarterly unaudited financial statements, in accordance with IFRS within 60 days of the end of each fiscal quarter; (ii) annual audited financial statements within 120 days of the end of each fiscal year and (iii) any other documents, financial statements or other information as may be reasonably requested by the Creditor in connection with its public disclosure or accounting obligations;
- (j) **Carry on Business.** Continue to carry on and conduct their business in a proper and efficient manner, maintain proper books and records (in which full and correct entries shall be made of all financial transactions and the assets and the business of the Corporation in accordance with IFRS);
- (k) **Provision of Further Information.** Provide to the Creditor:
  - (i) notice of the occurrence of any Default or Event of Default setting out the details of any event so disclosed and the steps (if any) taken by it to remedy or cure the same;
  - (ii) notice of the commencement by or against the Corporation of any material impending or current litigation, arbitration, criminal or administrative proceeding, tax claim or labour dispute or other proceeding relating to the Corporation or its property, assets or revenues, or its outstanding share capital;
  - (iii) a copy of (i) notice received from the counterparty of any Material Contract, consent, Permit or approval and (ii) notice of any event which may result in the termination of, or the ability of any party to terminate, any authorization, Material Contract, Permit or approval;
  - (iv) the receipt of any notice given or sent to or served upon the Corporation which would constitute, or would be reasonably expected to constitute, a Material Adverse Change;
  - (v) all information as may from time to time be required by the Creditor under or in connection with compliance with any Applicable Laws; and
  - (vi) such other information as the Creditor may request, acting reasonably, from time to time;
- (l) **Ownership.** Defend their right, title and interest in and to their respective material property and assets, against the claims of all other Persons, at their own expense, as well as maintain corporate ownership, direct or indirect, of all of its subsidiaries;
- (m) **Good Accounting Practice.** At all times keep proper books of record and account which, in all material respects, are kept, where applicable, in accordance with IFRS, consistently applied;

- (n) **Payment and Performance of Third Party Obligations.** Duly and punctually pay all material sums of money due by them to any party other than the Creditor, other than amounts that are disputed by the Corporation in good faith and for which the Corporation has retained adequate reserves, as and when such payments shall become due and shall maintain in good standing and observe and perform in all material respects all material contracts to which they are a party except for any contracts that are terminated by the Corporation in the ordinary course of business; and
- (o) **Further Assurances.** Use reasonable efforts to provide the Creditor with such other documents, opinions, consents, acknowledgements and agreements as are reasonably necessary to implement this Debenture and perfect and maintain any of the security interests granted to the Creditor pursuant to the security contemplated herein.

### 3.2 Negative Covenants.

At all times, for so long as this Debenture remains outstanding, the Corporation hereby covenants and agrees, that, without the prior written consent of the Creditor, the Corporation shall not, and shall ensure that each of its subsidiaries shall not:

- (a) **Amalgamations etc.** Directly or indirectly, by operation of law or otherwise, amalgamate with, merge with, consolidate with or otherwise combine with, any Person, other than pursuant to the Liquidity Event, a Change of Control transaction, a Go Public Transaction or pursuant to the Opco Put/Call Option Agreement;
- (b) **Indebtedness.**
  - (i) Create, incur, assume or permit to exist any indebtedness, except:
    - A. trade debt incurred in the ordinary course of business;
    - B. indebtedness secured by PMSIs permitted hereunder; or
    - C. debt under the Debenture; or
  - (ii) Other than as permitted under the Opco Debenture, guarantee, give financial assistance to, or render itself liable in any manner whatsoever, directly or indirectly, for any debt or obligation whatsoever, of any other Person;
- (c) **Encumbrances.** Create, incur, assume or permit to exist any Encumbrance on or with respect to any of their properties or assets (whether now owned or hereafter acquired) except for Permitted Encumbrances;
- (d) **Non-Arm's Length Transactions.** Enter into, amend or be a party to any agreement or transaction with, or make any payment to, any Person not

acting at arm's length (as defined in the *Income Tax Act* (Canada)) (other than its wholly-owned subsidiaries);

(e) **Restricted Payments.**

- (i) Declare or pay any dividend or incur any liability to make any other payment or distribution of cash, other property or other assets in respect of any class of its capital stock, warrants, options or other rights with respect to any shares of any class of its capital stock;
- (ii) Make any payment or distribution, or apply any of its funds, property or assets on account of the purchase, redemption, defeasance, sinking fund, retirement, or any other reduction of any class of its capital stock, warrants, options or other rights with respect to any shares of any class of its capital stock;
- (iii) Make any repayment, redemption, purchase or other defeasance or discharge of any indebtedness owing to, or make any other payment to, any affiliate (including payments of principal, interest or otherwise on account of in reduction of inter-corporate debt); or
- (iv) Make any deposit for any of the foregoing purposes or other discharge of any indebtedness incurred by an affiliate;

provided however that the Corporation's wholly-owned subsidiaries are not prohibited from taking the above actions if the above actions only involve such subsidiaries;

- (f) **Change of Corporate Name or Location.** Change its corporate name or change or move its chief executive office, jurisdiction of incorporation, principal place of business, corporate offices, warehouses or other locations at which Collateral is held or stored outside of Ontario and/or the location of its principal records concerning the Collateral, without providing the Creditor with notice not more than fifteen (15) days following such change;
- (g) **Change of Year-End.** Change its fiscal year-end at the time of entering into this Debenture;
- (h) **No Sale of Assets.** Directly or indirectly sell, lease, assign, transfer, convey or otherwise dispose of (whether in one or a series of transactions) its property and assets except for sales (i) of equipment, fixtures or materials that are worn-out or obsolete or have been replaced and are not required for the conduct by the Corporation or any of its subsidiaries of its business, (ii) of inventory made in the ordinary course and as part of the normal operation of its business, or (iii) otherwise with the prior written consent of the Creditor;
- (i) **Employment Agreements.** Amend any employment agreements or consulting agreements with any Person not acting at arms-length;

- (j) **Constating Documents.** Amend their articles in any manner which is reasonably likely to result in a Material Adverse Change;
- (k) **Nature of Business.** Carry on any business other than the business presently carried on by the Corporation and its subsidiaries which for greater certainty is the business of cannabis and/or hemp in the United States of America;
- (l) **Financial Assistance.** Lend money to or guarantee the indebtedness of any Person other than pursuant to the Opco Debenture or granting credit to trade creditors in the ordinary course of its business and consistent with past practice;
- (m) **Dissolution.** Liquidate, wind-up, dissolve themselves (or suffer any liquidation or dissolution), reorganize, make an assignment for the benefit of their creditors or file a petition, answer or consent to seeking a reorganization, take part in a plan of arrangement, other than in connection with the Liquidity Event, or Change of Control or similar transaction to any of the foregoing;
- (n) **No Sale-Leasebacks.** Directly, or indirectly, enter into any arrangement providing for the sale, assignment, transfer or disposition of any property used in the ordinary course of its business and thereafter rent or lease such property; and
- (o) **Investments.** Make any investments other than: (i) in the Corporation's business (which for greater certainty is the business of cannabis and/or hemp in the United States of America); (ii) in cash equivalents; or (iii) pursuant to the Opco Debenture.

### 3.3 Representations and Warranties

The Corporation, for and on behalf of itself, and on behalf of each of its subsidiaries, hereby represents and warrants to the Creditor that:

- (a) **No Subsidiaries or investments.** As at the date hereof, the Corporation has: (i) no subsidiaries; and (ii) no material investments other than the Corporation's investments arising pursuant to the Opco Debenture and the Opco Put/Call Option Agreement;
- (b) **No Default.** No default has occurred and is continuing under any material agreement to which the Corporation is a party or by which its properties are bound;
- (c) **Location.** The chief executive office and principal place of business of the Corporation and its subsidiaries is located at Vaughan, Ontario and all Collateral is located in the Province of Ontario;

- (d) **Status; Corporate Power and Qualification.** The Corporation:
- (i) is a corporation duly incorporated, organized, validly existing and in good standing under the laws of its jurisdiction of incorporation;
  - (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification;
  - (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage, hypothecate or otherwise encumber and operate its properties and assets, to lease the property it operates under lease and to conduct its business as presently conducted in the jurisdictions in which it currently carries on business;
  - (iv) is in compliance with its constating documents and by-laws; and
  - (v) is in compliance with all applicable provisions of Applicable Law;
- (e) **Authorization; Execution and Delivery; Approval and Conflict.** The execution, delivery and performance by the Corporation of this Debenture and the other Transaction Documents and the creation of the Encumbrances in favour of the Creditor:
- (i) are within the Corporation's corporate power;
  - (ii) have been duly authorized by all necessary or proper corporate and shareholder action;
  - (iii) do not contravene any provision of the Corporation's constating documents or bylaws or any resolutions passed by the directors (or any committee thereof) or shareholders of the Corporation;
  - (iv) do not result in any breach or violation of any statute or any judgment, decree, order, rule, policy or regulation of any court, governmental authority, arbitrator, stock exchange or securities regulatory authority applicable to the Corporation or any of its subsidiaries or any of their respective properties or assets;
  - (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which the Corporation is a party or by which the Corporation, or any of its property or assets is bound; and
  - (vi) do not require the consent, approval, authorization, order or agreement of, or registrations or qualification with any Governmental Authority or any other Person;

- (f) **Validity of Agreements.** Each of the Debenture and the other Transaction Documents has been duly executed and delivered by the Corporation and constitutes a legal, valid and binding obligation of the Corporation enforceable against it in accordance with its terms, subject only to:
- (i) applicable bankruptcy, insolvency, liquidation, reorganization, reconstruction, moratorium laws or similar laws affecting creditors' rights generally; and
  - (ii) the fact that the availability of equitable remedies, such as specific performance and injunctive relief, are in the discretion of a court and may not be available where damages are considered an equitable remedy;
- (g) **Authorized Capital.** The authorized capital of the Corporation consists of an unlimited number of Common Shares, of which 80,962,182 Common Shares are issued and outstanding as of the date hereof. Other than 37,000,000 Common Shares (subject to adjustment as set forth in the Opco Put/Call Option Agreement) to be issued to the shareholders of Opco pursuant to the exercise of the call rights under the Opco Put/Call Option Agreement, 6,500,000 employee stock options and 595,340 compensation warrants, the Corporation does not have any: (i) outstanding agreement, subscription, warrant, option or commitment (nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue or sell any Common Shares or other securities, including any Common Shares or other security and (ii) outstanding stock option plan, share or stock appreciation right, phantom equity, preference shares, restricted share unit, deferred share unit or similar right, agreement, arrangement or commitment based on the market price of the Common Shares or the income or any other attribute of the Corporation. There is no outstanding shareholder agreement, proxy, voting trust, right to require registration under any applicable securities legislation or any other arrangement or commitment to which the Corporation is a party or bound, with respect to the voting, disposition or registration of any outstanding securities of the Corporation;
- (h) **Valid Issuance of Debenture and Common Shares.** This Debenture will be duly and validly created and issued, and will be free of restrictions on transfer other than pursuant to the constating documents of the Corporation and the restrictions on transfer set forth in the Debenture and under applicable securities laws. The Common Shares issuable upon the conversion of the Debenture will be duly and validly authorized, allotted and reserved for issuance upon such conversion and will, upon the conversion of the Debenture in accordance with its terms, be validly issued as fully paid and non-assessable shares in the capital of the Corporation;
- (i) **Corporate Records.** The Corporate Records of the Corporation are complete and accurate in all material respects and all corporate

proceedings and actions reflected therein have been conducted or taken in material compliance with all Applicable Laws and with the constating documents of the Corporation. Without limiting the generality of the foregoing: (i) the minute books contain, in all material respects, complete and accurate minutes (or drafts thereof) of all meetings of the directors and shareholders of the Corporation and all such meetings were duly called and held; (ii) the minute books contain all written resolutions passed by the directors and shareholders of the Corporation and all such resolutions were duly passed; and (iii) the registers of directors and officers of the Corporation are complete and accurate and all former and present directors and officers of the Corporation were duly elected or appointed, as the case may be;

- (j) **Restrictive Agreements.** The Corporation is not subject to any restriction under its constating documents or is party or subject to any Claim, Encumbrance or contract, instrument or other agreement which would prevent (i) the consummation of the transactions contemplated by this Debenture or the other Transaction Documents, (ii) compliance by the Corporation with the terms, conditions and provisions of this Debenture or the other Transaction Documents, as applicable, (iii) the Corporation from carrying on its business as currently conducted after the date hereof, or (iv) or purport to limit the ability of the Corporation to compete in any line of business or in any geographic area or during any period of time;
- (k) **No Material Adverse Change.** Since December 31, 2017, there has been no change in the affairs, assets, liabilities, business, prospects, operations or conditions (financial or otherwise) of the Corporation, which had or would reasonably be expected to have a Material Adverse Change;
- (l) **Financial Statements and Financial Report.** The Corporation does not have financial statements as at the date hereof. The management prepared financial statements relating to the Corporation for the year ended December 31, 2018 have been prepared in accordance with IFRS and present fairly and correctly in all material respects the financial condition and position and results of operations and cash flows of the Corporation as at the dates thereof;
- (m) **Undisclosed Liabilities.** The Corporation has no liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise, except those that have been incurred in the ordinary course consistent with past practice since December 31, 2017 and that are not, individually or in the aggregate, material in amount.
- (n) **Compliance with Contracts.** Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change, (i) neither the Corporation nor, to the knowledge of the Corporation, any third party is in breach or default of any contract, instrument or other agreement to which it is a party and (ii)

no event has occurred which, with notice or lapse of time or both, would constitute such a default or breach;

- (o) **Compliance with Laws, Licenses and Permits.** Each of the Corporation and, to the knowledge of the Corporation, Opco, (i) 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 (ii) possesses or will possess all material approvals, consents, certificates, registrations, authorizations, permits and licenses issued by the appropriate provincial, state, municipal, federal or other regulatory agency or body necessary to carry on its business as currently conducted or contemplated to be conducted (collectively, the “**Permits**”). The Corporation is in compliance in all material respects with the terms and conditions of all such Permits and the Corporation has not received any notice of the material modification, revocation or cancellation of, or any intention to materially modify, revoke or cancel or any proceeding relating to the modification, revocation or cancellation of any such Permit;
- (p) **Assets.** (i) The Corporation owns or otherwise hold good and valid legal title to, or hold a valid leasehold interest in, all material assets and properties that are required to conduct the business and operations of the Corporation as presently conducted; and (ii) to the knowledge of the Corporation, Opco owns or otherwise has executed and delivered binding purchase agreements for at least 15 licensed provisioning centres, 3 licensed cultivation facilities, and 2 licensed processing facilities in the State of Michigan, USA (collectively, the “**Opco Assets**”) as further described in, and the purchase price for which, is as set out in Schedule 3.3(p) hereto, and, in either case, there are no Encumbrances on any such assets or properties that would, individually or in the aggregate, materially detract from the value of any such assets (including, to the knowledge of the Corporation, the Opco Assets) or properties or materially and adversely impact the normal use and operation thereof by the Corporation or, to the knowledge of the Corporation, Opco, in the ordinary course of business;
- (q) **Employment and Labour Matters.**
  - (i) The Corporation is not a party to or bound or governed by, or subject to, or has any liability with respect to (i) any collective bargaining or union agreement or other similar arrangement with any labour union or employee associate, or any actual or, to the knowledge of the Corporation, threatened application for certification or bargaining rights in respect of the Corporation or (ii) any labour dispute, work stoppage or slowdown, strike or lock-out relating to or involving any employees of the Corporation;
  - (ii) The Corporation has operated in material compliance with all Applicable Laws with respect to employment and labour in all material respects, including employment and labour standards, occupational health and safety, employment equity, pay equity, workers’ compensation, human rights, labour relations and privacy

and, except for proceedings that would not reasonably be expected to have a Material Adverse Change, there are no current, pending or, to the knowledge of the Corporation, threatened proceedings by or before any Governmental Authority with respect to any such matters;

- (iii) Each material plan for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, pension, incentive or otherwise contributed to, or required to be contributed to, by the Corporation for the benefit of any current or former officer, director, employee or consultant of the Corporation or any of its subsidiaries has been maintained in material compliance with the terms thereof and with the requirements prescribed by any and all statutes, orders, rules, policies and regulations that are applicable to any such plan;
- (r) **Insolvency.** The Corporation has not admitted in writing that it is, or has been declared to be, insolvent or unable to pay its debts. The Corporation has not committed an act of bankruptcy or sought protection from its creditors before any court or pursuant to any legislation, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of its assets, had any Person holding any Encumbrance, charge, hypothec, pledge, mortgage, title retention agreement or other security interest or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any portion of its property or had any petition for a receiving order in bankruptcy filed against it;
- (s) **Legal Proceedings.** There is no material action, suit or proceeding, at law or in equity, by any Person, nor any arbitration, administrative or other proceeding by or before (or, to the knowledge of the Corporation, any investigation by) any Governmental Authority pending, or, to the knowledge of the Corporation, threatened against or affecting the Corporation, or any of its properties or rights and, to the knowledge of the Corporation, there is no valid basis which would reasonably be expected to result in any such action, suit, proceeding, arbitration or investigation or which would reasonably be expected to prevent or delay the issuance of this Debenture, the execution and delivery of any of the other Transaction Documents, or have a Material Adverse Change on the Corporation or its assets. The Corporation is not subject to any judgment, order or decree entered in any lawsuit or proceeding;
- (t) **Taxes.** The Corporation has duly and timely filed all material returns required to be filed by it prior to the date hereof, other than those which have been administratively waived, and all such returns are or will be upon filing, true, complete and correct in all material respects. The Corporation has paid or has collected, withheld and remitted to the

appropriate Governmental Authority on a timely basis all material Governmental Charges which are due and payable, other than those which are being or have been contested in good faith and, where payment is not yet due. No audit, action, investigation, deficiencies, litigation, proposed adjustments or other matters in controversy exist or have been asserted or threatened with respect to Governmental Charges of the Corporation, and the Corporation is not a party to any action or proceeding for assessment or collection of Governmental Charges and no such event has been asserted or, to the knowledge of the Corporation, threatened against the Corporation or any of its assets, except where such deficiencies or other matters, actions or proceedings would not reasonably be expected to have a Material Adverse Change. There are no currently effective material elections, agreements or waivers extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of any Governmental Charges, or of the filing of any return or any payment of Governmental Charges by the Corporation;

(u) **No Withholding of Information.** The Corporation has not withheld from the Creditor any fact or information relating to the Corporation or to the transactions contemplated by this Debenture or the other Transaction Documents that would, in the reasonable opinion of the Corporation, be material to the Creditor in deciding whether to enter into this Debenture and the other Transaction Documents;

(v) **Intellectual Property.**

(i) **Ownership.** Other than Licensed Intellectual Property, the Corporation owns all right, title and interest in and to all material Intellectual Property used in and necessary to conduct the business of the Corporation as currently conducted or contemplated to be conducted by the Corporation as of the date hereof (the "**Corporation Intellectual Property**"), free and clear of any Encumbrances (other than Permitted Encumbrances). The Corporation Intellectual Property is fully transferable, alienable and licensable by the Corporation without restriction. No Person, including any employee, former employee or current or former consultant of the Corporation has an interest in or right to use any portion of the Corporation Intellectual Property. Other than Licensed Intellectual Property, the Corporation's products and services contain no Intellectual Property in which any third party may claim superior, joint or common ownership. The Corporation does not have an obligation to grant any Person any licenses or other rights in or to the Corporation Intellectual Property. All Persons who have created Corporation Intellectual Property in which copyright subsists have waived their moral rights in favour of the Corporation;

(ii) **Registration and Use.** All registered Intellectual Property owned by the Corporation is, to the Corporation's knowledge, valid, subsisting, enforceable and in full force and effect. To the

Corporation's knowledge, the Corporation has not used or enforced, or failed to use or enforce, or taken any other action with respect to any Corporation Intellectual Property that could limit its validity or enforceability or result in its invalidity or full or partial cancellation;

- (iii) **Licences.** The Corporation has a licence to use any material Intellectual Property used in its business that is not Corporation Intellectual Property (the "**Licensed Intellectual Property**"). All Licensed Intellectual Property is valid, subsisting and enforceable. All contracts under which the Licensed Intellectual Property is licensed to the Corporation are in full force and effect and the Corporation is not in breach of any provision of any such contract;
- (iv) **Oppositions, etc.** There is no interference, opposition, cancellation, re-examination or other contest, proceeding, hearing, investigation, charge, complaint, demand, or dispute pending, threatened or previously threatened against the Corporation Intellectual Property. No Governmental Authority has disputed the Corporation's right to register or maintain registration of any Corporation Intellectual Property where the Corporation has applied for such registration, except where such dispute has been resolved in favour of issuing or continuing such registration;
- (v) **No infringement.** The Corporation has not received notice of any claim or allegation by any Person that the Corporation has infringed, or that the operation of the business (including the use of the Corporation Intellectual Property and Licensed Intellectual Property), infringes upon, misappropriates, depreciates, or violates, any Intellectual Property or other rights (including privacy and publicity rights) of any other Person or constitutes unfair competition or trade practices under the laws of Canada or the United States and the Corporation is not aware of any facts that would be a reasonable basis therefor. No Person has questioned the right of the Corporation to unconditionally use, possess, transfer, distribute or otherwise dispose of any Corporation Intellectual Property;
- (vi) **No infringement by Third Parties.** To the Corporation's knowledge, no Person has infringed, misappropriated, depreciated, violated or made unauthorized use of the Corporation Intellectual Property or the Corporation's Confidential Information;
- (vii) **Full Rights and Effect of Transactions.** The Corporation's rights in the Corporation Intellectual Property and the Licensed Intellectual Property will not be adversely affected as a result of or in connection with the execution and delivery of this Debenture or any of the other Transaction Documents;
- (viii) **Unregistered rights.** To the Corporation's knowledge, there is no fact or circumstance which would prevent the Corporation's

unregistered copyrights, trade-marks or other source identifiers as currently being used from being registered in Canada or the United States;

- (ix) **Viruses, etc.** The Corporation has taken commercially reasonable measures to protect against the existence of any so-called computer viruses, worms, trap or back doors, Trojan horses or other instructions, codes, programs, data or materials which could improperly, wrongfully and/or without the authorization of the Corporation, interfere with the operation or use of the Corporation's computer systems; and
- (w) **Confidentiality.** To the Corporation's knowledge, all material Confidential Information used in the business of the Corporation has remained confidential. The Corporation has taken commercially reasonable measures to maintain any material Confidential Information as confidential and proprietary and to protect against its loss, theft or unauthorized use;
- (x) **Privacy.** The Corporation is in material compliance with all Applicable Laws relating to the privacy of individuals and the protection and disclosure of personal information; and
- (y) **Accuracy of Disclosure.** All written and factual information previously or contemporaneously furnished to the Creditor by or on behalf of the Corporation in the data room for this transaction for purposes of or in connection with the Letter of Intent and this Debenture, the other Transaction Documents or any transaction contemplated hereby or thereby, is: (i) as it relates to the Corporation, true and accurate; and (ii) as it relates to Opco, to the best of the Corporation's knowledge and belief, true and accurate, in either case, in every material respect and such information is not incomplete by the omission of any material fact necessary to make such information not misleading.

### 3.4 **Survival of Representations and Warranties**

The representations and warranties of the Corporation contained in this Debenture and in all certificates delivered pursuant to or contemplated by this Debenture will survive the execution of this Debenture. Each representation and warranty will be deemed to repeat on the date that funds are advanced pursuant to this Debenture and on the first day of each quarter preceding the Maturity Date, with reference to the facts and circumstances then subsisting, as if made at such time, except for matters that would not reasonably be expected to have a Material Adverse Change.

**ARTICLE FOUR**  
**CONDITIONS PRECEDENT**

**4.1 Conditions Precedent to Advance**

The obligation of the Creditor to make the advance under this Debenture will be subject to the completion of each of the following conditions precedent to the satisfaction of the Creditor:

- (a) the execution and delivery of the Security Agreement in form and substance satisfactory to the Creditor;
- (b) the execution and delivery of each of the other Transaction Documents by the Corporation in form and substance satisfactory to the Creditor;
- (c) the Creditor shall have completed and be satisfied with all financial, regulatory and legal due diligence;
- (d) the Corporation shall have obtained and provided satisfactory (in the opinion of the Creditor) evidence to the Creditor of all necessary corporate, third party and regulatory approvals;
- (e) the Corporation shall have delivered an officer's certificate attaching certified copies of their constating documents, the shareholders' register, a certificate of incumbency and certified directors' resolutions of the Corporation authorizing the transactions contemplated hereby;
- (f) the Creditor shall be in receipt of all customary legal opinions in form and substance satisfactory to the Creditor;
- (g) confirmation that no default or event of default exists under any of the Transaction Documents;
- (h) all required filings and registrations shall have been made which, in the reasonable opinion of the Creditor's counsel, are desirable or required to make effective the Security Interest created or intended to be created by the Corporation in favour of the Creditor and to ensure the perfection and first ranking priority of the Security Interest; and
- (i) such other documents, information and deliveries as may be reasonably required by the Creditor.

**ARTICLE FIVE**  
**CONVERSION OF CONVERTIBLE DEBENTURE**

**5.1 Conversion of Debenture into Shares.**

- (a) **Conversion on or prior to the Maturity Date.** The Creditor shall not have the right to convert the whole or any part of the amount then outstanding hereunder (including any accrued but unpaid interest) at any time prior to the Maturity Date without the prior written consent of the Corporation in its sole discretion, other than pursuant to this Article Five.

- (b) **Conversion on Failure of Liquidity Event.** In the event that the Liquidity Event is not completed prior to the Maturity Date as a result of the Corporation's failure to (i) use good faith to negotiate and execute definitive agreements governing the Liquidity Event during the Exclusivity Period (as defined in the Letter of Intent), (ii) otherwise satisfy its obligations under the Letter of Intent (prior to it being superseded by such definitive agreements), or (iii) upon execution of such definitive agreements, meet or satisfy the terms, conditions or obligations applicable to it thereunder, as a result of which the Creditor terminates such definitive agreements to which it is a party in accordance with the terms thereof, and provided there is a Change of Control of the Corporation or its subsidiaries or a Go Public Transaction completed or any letters of intent or definitive agreements are executed in respect thereof prior to the Maturity Date, the Creditor shall have the right to convert the principal amount under this Debenture and any accrued interest, in whole or in part, into Common Shares at a price per Common Share equal to the lesser of (i) \$2.50 per Common Share, and (ii) a 20% discount to the issue price or effective price per Common Share for any financing completed as a part of or concurrently with the Go Public Transaction, if applicable, or the effective purchase price per Common Share, in the case of a Change of Control transaction.
- (c) **Notice of Change of Control transaction or Go Public Transaction.** The Corporation shall give notice to the Creditor, in the manner provided in Section 7.8(a), of its execution of any letters of intent or definitive agreements in respect of a Change of Control transaction or a Go Public Transaction within five (5) Business Days of execution thereof and keep the Creditor reasonably apprised of the status of completion of any such transaction. In the event such notice is provided by the Corporation within the period that is five (5) Business Days prior to the then current Maturity Date, the Maturity Date shall automatically be extended by an additional seven (7) Business Days.
- (d) **Conversion Mechanism.** The Creditor may exercise its rights to convert herein by (i) delivering to the Corporation a written notice exercising its right to convert in accordance with the provisions hereof, designating such part of the principal sum and any interest to be converted at such time, and (ii) surrendering this Debenture to the Corporation at its principal office. Thereupon, the Creditor shall be entered in the books of the Corporation as at the Date of Conversion as the holder of the number of fully paid and non-assessable Common Shares into which the designated principal sum and any interest is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Corporation shall deliver a certificate or certificates representing such Common Shares to the Creditor.
- (e) **Extension of Maturity Date.** In the event that the Corporation enters into any letter of intent or definitive agreement in respect of a Change or Control transaction or a Go Public Transaction prior to the Maturity Date, the Creditor shall have the right, in its sole discretion, to extend the Maturity Date at any time prior to the Maturity Date and from time to time

thereafter up to the completion of a Change or Control transaction or a Go Public Transaction, by way of notice to the Corporation, in the manner provided in Section 7.8(b).

## **5.2 Date of Conversion.**

For the purposes hereof, this Debenture (or such part thereof, if applicable) shall be deemed to be converted on the Date of Conversion. As of and from the Date of Conversion, the Common Shares so issued shall for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares in the name of the Creditor. Upon the issue by the Corporation of the said certificate or certificates, the principal amount of this Debenture, as the case may be, shall be automatically reduced by such principal amount.

## **5.3 No Fractional Shares.**

Notwithstanding anything contained herein, the Corporation shall in no case be required to issue fractional Common Shares upon the conversion of this Debenture. If any fractional interest in the Common Shares would, except for the provisions of this Section, be deliverable upon the conversion of this Debenture, the Corporation shall, in lieu of delivering any certificate of fractional interest, satisfy the fractional interest by paying to the Creditor an amount of lawful money of Canada equal (computed to the nearest whole cent, with one-half of a cent being rounded up) to the principal amount of the Debenture and any applicable interest outstanding after so much of the principal amount and any applicable interest as may be converted into a whole number of Common Shares has been so converted.

## **5.4 Reservation of Common Shares.**

The Corporation covenants and agrees that so long as any part of the principal sum outstanding hereunder or interest under this Debenture remains outstanding it will at all times reserve out of its unissued Common Shares against the conversion rights conferred on the Creditor herein a sufficient number of unissued Common Shares so as to entitle all of such principal sum and any applicable interest outstanding hereunder at any time to be converted upon the basis and upon the terms and conditions provided for in this ARTICLE Five.

## **5.5 Reclassification of Shares of the Corporation.**

In the event of any reclassification or change of the Common Shares (including a subdivision or consolidation) or in the case of any stock dividend or distribution payable on the Common Shares or any amalgamation or merger of the Corporation with or into any other corporation (other than an amalgamation or merger which does not result in any reclassification or change of the shares), the Creditor shall be entitled to receive, and shall accept in the event of conversion, in lieu of the number of shares to which it was theretofore entitled upon such conversion, the kind and amount of shares and other securities or property which the Creditor would have been entitled to receive as a result of such reclassification, change, dividend payment, distribution, amalgamation or merger if, on the record or effective date thereof, as applicable, the Creditor had been a

registered holder of the respective number of shares to which it was theretofore entitled upon conversion.

## **5.6 Notice of Special Matters**

The Corporation shall give notice to the Creditor, in the manner provided in Section 7.8(a), of its intention to fix a record date or of any effective date for any event mentioned in Section 5.5 which may give rise to an adjustment in the Common Shares which may be acquired pursuant to this ARTICLE Five, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days prior to such applicable record date or effective date.

## **5.7 Partial Conversion**

Upon the Creditor exercising the right of conversion in respect of only a part of the Debenture and surrendering such Debenture to the Corporation, the Corporation shall cancel the same and shall without charge forthwith certify and deliver to the Creditor a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered.

## **ARTICLE SIX** **EVENTS OF DEFAULT**

### **6.1 Events of Default.**

The occurrence of any of the following events shall constitute an “**Event of Default**” under this Debenture:

- (a) if default occurs in payment when due of any principal payable under this Debenture and such amount remains unpaid for a period of two (2) Business Days;
- (b) other than a payment of principal, if default occurs in payment of any default interest, fees or any other amounts payable under this Debenture and such amount remains unpaid for a period of ten (10) Business Days;
- (c) if default occurs in observance of Section 3.2 (excluding Section 3.2(b) and Section 3.2(o), which shall be a default if the same remain unremedied for a period of five (5) days or is not otherwise waived) of this Debenture;
- (d) if default occurs in performance of any other covenant of the Corporation in favour of the Creditor under this Debenture, and remains unremedied for a period of ten (10) days or is not otherwise waived;
- (e) if any representation or warranty contained in this Debenture or any other Transaction Document is false or incorrect in any material respect, and

such breach remains uncured within thirty (30) days following receipt of written notice from the Creditor of such breach;

- (f) if a default or event of default, or other event which with passage of time would constitute a default or event of default, occurs in any loan document or other agreement for borrowed money to which the Corporation or any subsidiary is a party with a value in excess of \$150,000;
- (g) if the Corporation or any of its subsidiaries commits an act of bankruptcy or a petition or other process for the bankruptcy of the Corporation or any of its subsidiaries is filed or instituted and remains undismissed or unstayed for a period of thirty (30) days or any of the relief sought in such proceeding (including the appointment of a receiver, trustee, custodian or other similar official for it or any substantial part of its property) shall occur;
- (h) if any action or proceeding is launched or taken to terminate the corporate existence of the Corporation or any of its subsidiaries, whether by winding-up, surrender of charter or otherwise;
- (i) if the Corporation or any of its subsidiaries ceases, or threatens to cease to, carry on its business or makes or proposes to make any sale of its assets in bulk or any sale of its assets out of the usual course of its business;
- (j) if any proposal is made or any petition is filed by or against the Corporation or any of its subsidiaries under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Corporation or any of its subsidiaries or other reorganization or arrangement respecting its liabilities and such proposal or petition is not stayed or dismissed within fifteen (15) days or if the Corporation or any of its subsidiaries gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (k) if any receiver, administrator, or manager of the property, assets or undertaking of the Corporation or any of its subsidiaries or a substantial part thereof is appointed, whether privately, pursuant to any statute, or by or under any judgment or order of any court;
- (l) if any proceedings are taken to enforce any Encumbrance affecting the assets of the Corporation or any of its subsidiaries or if a distress or any similar process be levied or enforced against such assets and such proceedings are not dismissed or stayed within fifteen (15) days after the commencement thereof;
- (m) the admission in writing by the Corporation or any of its subsidiaries of its inability to pay its debts generally as they become due;

- (n) the making by Corporation or any of its subsidiaries of a general assignment for the benefit of its creditors;
- (o) if any judgement or judgements for payment of money in excess of \$350,000 in the aggregate is obtained or entered against the Corporation or any of its subsidiaries and remains undischarged for twenty (20) days; or
- (p) if the Corporation fails to provide the Creditor with notice as required under Section 5.1(c) of this Debenture.

Upon the occurrence and during the continuance of an Event of Default all Obligations shall become forthwith due and payable.

## **6.2 Rights of the Creditor**

The Creditor, without exonerating in whole or in part the Corporation, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Corporation and all other Persons and securities as the Creditor may see fit.

Nothing herein shall obligate the Creditor to extend or amend any credit to the Corporation or to any other Person.

## **ARTICLE SEVEN** **GENERAL**

### **7.1 Indemnity**

The Corporation shall indemnify the Creditor, any receiver appointed by the Creditor, and their respective officers, directors, advisors, legal counsel, employees and representatives (each, an "**Indemnified Party**") in connection with all claims, losses, and expenses that an Indemnified Party may suffer or incur in connection with (a) the exercise by the Creditor or any receiver of any of its rights under this Debenture, (b) any breach by the Corporation of the representations or warranties of the Corporation contained in this Debenture, or (c) any breach by the Corporation of, or any failure by the Corporation to observe or perform, any of the Obligations or other covenants, except that the Corporation will not be obliged to indemnify any Indemnified Party to the extent those claims, losses, and expenses are determined by a final judgment to have directly resulted from the wilful misconduct or gross negligence of the Indemnified Party.

The Creditor will be constituted as the trustee of each Indemnified Party, other than itself, and shall hold and enforce each of the rights of the other Indemnified Parties under this section for their respective benefits.

**7.2 Waiver.**

No act or omission by the Creditor in any manner whatever shall extend to or be taken to affect any provision hereof or any subsequent breach or default or the rights resulting therefrom save only an express waiver in writing. No waiver of any of the provisions of this Debenture shall be deemed to constitute a waiver of any other provisions (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless expressly provided in writing duly executed by the party to be bound thereby. A waiver of default shall not extend to, or be taken in any manner whatsoever to affect the rights of the Creditor with respect to any subsequent default, whether similar or not. The Corporation waives every defence based upon any or all indulgences that may be granted to the Creditor.

**7.3 No Merger or Novation.**

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Corporation to pay the moneys owing hereby nor shall the same operate as a merger of any covenant herein contained or of any other Obligation, nor shall the acceptance of any payment or security constitute or create any novation.

**7.4 Confidentiality.**

- (a) All Confidential Information shall be treated as confidential by the Parties and shall not be disclosed to any other Person other than in circumstances where a Party has an obligation to disclose such information in accordance with Applicable Law, in which case, such disclosure shall only be made after consultation with the other Party (if reasonably practicable and permitted by Applicable Law) and, in the case of a public announcement required by Applicable Law, shall only be made in form and substance acceptable to the Creditor, acting reasonably.
- (b) Notwithstanding the foregoing, each of the Parties acknowledges and agrees that:
  - (i) each of the Creditor and the Corporation may disclose Confidential Information to:
    - A. a Person providing financing or funding to the Corporation or the Creditor, as applicable, in respect of its obligations hereunder,
    - B. any prospective purchaser of the Creditor's interest under this Debenture, together with such prospective purchaser's financiers, consultants and advisors (financial and legal),
    - C. so long as, in each case, prior to receiving any such information the recipient enters into a confidentiality agreement with the disclosing Party pursuant to which the recipient provides a confidentiality undertaking in favour of the Corporation and the Creditor to maintain the

confidentiality of the Confidential Information in a manner consistent with this Debenture;

- (ii) each of the Parties may disclose Confidential Information to their respective directors, officers and employees (and the directors, officers and employees of their respective Affiliates) and the directors, officers, partners or employees of any financial, accounting, legal and professional advisors of such Party and its Affiliates, as well as any contractors and subcontractors of such Party, provided that each of such individuals to whom Confidential Information is disclosed is advised of the confidentiality of such information and is directed to abide by the terms and conditions of this Section 7.4;

The provisions of this Section 7.4 shall apply indefinitely.

#### **7.5 Amalgamation.**

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

#### **7.6 Creditor May Remedy Default.**

If the Corporation fails to do anything hereby required to be done by it, the Creditor may, but shall not be obliged to, do all or any such things, and all sums thereby expended by the Creditor shall be payable forthwith by the Corporation, shall be secured by the Security Agreement and shall have the benefit of the lien created thereby, but no such performance by the Creditor shall be deemed to relieve the Corporation from any default or Event of Default hereunder.

#### **7.7 Discharge and Satisfaction.**

Upon payment or satisfaction in full by the Corporation to the Creditor of all moneys owing hereunder, these presents shall cease and become null and void, but the Creditor shall upon the request of the Corporation, execute and deliver to the Corporation a full release and discharge.

#### **7.8 Notices.**

All notices, requests, demands or other communications (collectively, "**Notices**") by the terms hereof required or permitted to be given by one Party to the other Party, or to any other Person shall be given by e-mail as the primary and required form of notice with return receipt confirmed and, as a supplemental form of notice only, in writing by personal delivery or by registered mail, postage prepaid, or by facsimile transmission to such other party at:

(a) to the Creditor at:

Tidal Royalty Corp.  
789 West Pender Street Suite 810  
Vancouver, British Columbia  
V6C 1H2

Attention: Theo Van Der Linde  
Email: **[REDACTED – personal information]**

- with a copy to -

Cassels Brock & Blackwell LLP  
40 King Street West, Suite 2100  
Toronto, Ontario  
M5H 3C2

Attention: **[REDACTED – personal information]**  
Email: **[REDACTED – personal information]**

(b) to the Corporation at:

MichiCann Medical Inc.  
8820 Jane Street  
Concord, Ontario  
L4K 2M9

Attention: Brad Rogers, Chief Executive Officer  
Email: **[REDACTED – personal information]**

- with a copy to -

Gowling WLG (Canada) LLP  
1 First Canadian Place  
Suite 1600 – 100 King Street West  
Toronto, Ontario M5X 1G5

Attention: **[REDACTED – personal information]**  
Email: **[REDACTED – personal information]**

or at such other address as may be given by such Party to the other Party hereto in writing from time to time. All such Notices shall be deemed to have been received when delivered or transmitted, or, if mailed, seventy-two (72) hours after 12:01 a.m. on the day following the day of the mailing thereof. If any Notice shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such Notice shall be deemed to have been received seventy-two (72) hours after 12:01 a.m. on the day following the resumption of normal mail service, provided that during the period that regular mail service shall be interrupted, all Notices shall be given by Personal delivery, by facsimile transmission or by e-mail.

**7.9 Invalidity of any Provisions.**

Any provision of this Debenture which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining terms and provisions hereof and no such invalidity shall affect the obligation of the Corporation to repay the Obligations. This Debenture and all its provisions shall enure to the benefit of the Creditor, its successors and assigns and shall be binding upon the Corporation, its successors and assigns. Presentment, notice of dishonour, protest and notice of protest hereof are hereby waived.

**7.10 Amendments.**

This Debenture may only be amended by written agreement signed by each of the Parties hereto.

**7.11 Entire Agreement.**

This Debenture and each of the other Transaction Documents sets forth the entire understanding of the Parties with respect to the subject matter hereof and supersedes all other existing agreements (including the references in the Letter of Intent to the Tidal Advance (as defined therein) but excluding the other provisions of the Letter of Intent) or communications between them concerning such subject matter.

**7.12 Assignments.**

The Corporation may not assign, transfer or deliver all or any part of its rights or obligations hereunder without the prior written consent of the Creditor. The Creditor may not assign, transfer or deliver all or any part of its rights and obligations hereunder, other than to a subsidiary or to an entity of which the Creditor is a subsidiary, without the prior written consent of the Corporation. Notwithstanding the foregoing, following an Event of Default, the Creditor may, without the consent of the Corporation, assign, transfer or deliver all or any part of its rights and obligations hereunder.

**7.13 No Notice of Trust.**

The Creditor or its legal representative will be regarded as exclusively entitled to the benefit of this Debenture and all Persons may act accordingly and the Corporation shall not be bound to enter in the register notice of any trust or, except as by some court of competent jurisdiction ordered, to recognize any trust or equity affecting the title to this Debenture.

**7.14 Further Assurances.**

The Corporation shall, and shall cause each of its subsidiaries to, at the Corporation's expense and upon request of the Creditor, duly execute and deliver, or cause to be duly executed and delivered, to the Creditor such further instruments and do and cause to be done such further acts as may be necessary

or proper in the reasonable opinion of the Creditor to carry out more effectively the provisions and purposes of this Debenture.

**7.15 Expenses.**

Each Party shall pay its own costs and expenses (including all legal, accounting and financial advisory fees and expenses) in connection with the preparation, execution and delivery of this Debenture and the other Transaction Documents.

**7.16 Payments without Deduction.**

All payments to be made by the Corporation under this Debenture (whether on account of principal, interest, fees, costs or any other amount) shall be made in Canadian dollars and shall be made in freely transferable, immediately available funds and without set-off, withholding or deduction of any kind whatsoever, except to the extent required by applicable law.

**7.17 Counterparts.**

This Debenture may be signed in any number of counterparts, each of which is an original, and all of which taken together constitute one single document.

[Signature Page to Follow]

**IN WITNESS WHEREOF** this Debenture shall be effective as of the date first written above and executed as of the 25th day of February, 2019.

**MICHICANN MEDICAL INC.**

Per: “Michael Marchese”

Name: Michael Marchese

Title: President

I have authority to bind the corporation.

Acknowledged and agreed by:

**TIDAL ROYALTY CORP. , as Creditor**

Per: “Theo van der Linde”

Name: Theo van der Linde

Title: Chief Financial Officer and Director

I have authority to bind the corporation.

**SCHEDULE 3.3(p)**  
**PURCHASE PRICE FOR OPCO ASSETS**  
**[REDACTED]**