

CRESCO LABS INC.

as the Purchaser

and

CANNAROYALTY CORP. D/B/A ORIGIN HOUSE

as the Company

ARRANGEMENT AGREEMENT

April 1, 2019

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ARRANGEMENT AGREEMENT

THIS AGREEMENT is made as of the 1st day of April, 2019,

BETWEEN:

CRESCO LABS INC., a company existing under the laws of the Province of British Columbia (the "**Purchaser**")

- and -

CANNAROYALTY CORP. D/B/A ORIGIN HOUSE, a corporation existing under the laws of the Province of Ontario

(the "**Company**").

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms

As used in this Agreement, the following terms have the following meanings:

"**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement and other than any transaction involving only the Company and/or one or more of its wholly-owned Subsidiaries, any offer, proposal or inquiry (written or oral) from any Person or group of Persons other than the Purchaser (or any affiliate of the Purchaser) after the date of this Agreement relating to: (i) any sale, disposition, alliance or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as the foregoing), direct or indirect, in a single transaction or a series of related transactions, of assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Company and its Subsidiaries or of 20% or more of the voting or equity securities of the Company or any of its Subsidiaries (or rights or interests in such voting or equity securities); (ii) any direct or indirect take-over bid, exchange offer, treasury issuance or other transaction that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of any class of voting, equity or other securities of the Company or any of its Subsidiaries (including securities convertible or exercisable or exchangeable for voting, equity or other securities of the Company or any of its Subsidiaries); (iii) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license involving the Company or any of its Subsidiaries; or (iv) any other similar transaction or series of transactions involving the Company or any of its Subsidiaries.

"**affiliate**" has the meaning specified in National Instrument 45-106 – *Prospectus and Registration Exemptions*.

"**Agreement**" means this arrangement agreement.

"**Arrangement**" means an arrangement under Section 182(1) of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of this Agreement, the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Arrangement Issued Securities**" means all securities to be issued pursuant to the Arrangement, including the Consideration Shares and the Replacement Options.

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Company Meeting, substantially in the form of Schedule B.

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement required by the OBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably.

"**associate**" has the meaning specified in the *Securities Act* (Ontario).

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person, and includes the Company Licenses and the Purchaser Licenses.

"**Board**" means the board of directors of the Company as constituted from time to time.

"**Board Recommendation**" has the meaning specified in Section 2.4(2).

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are generally closed for business in Toronto, Ontario and Chicago, Illinois.

"**Certificate of Arrangement**" means the certificate of arrangement to be issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement.

"**Change in Recommendation**" has the meaning specified in Section 7.2(1)(d)(ii).

"**Class A Compressed Shares**" means the class A compressed shares in the capital of the Company.

"**Collective Agreement**" means a collective bargaining agreement or union agreement.

"**Common Shares**" means the common shares in the capital of the Company.

"**Company**" means CannaRoyalty Corp. d/b/a Origin House, a corporation existing under the laws of the Province of Ontario.

"**Company Business**" means the businesses carried on by the Company and its Subsidiaries, including (i) the manufacture and sale of its cannabis consumer products in the State of California,

(ii) material investments in companies it does not control that operate in the States of California, Arizona and Florida and (iii) immaterial investments or ancillary involvement in companies it does not control that operate in Oregon, Washington and Puerto Rico.

"Company Circular" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

"Company Data" means all confidential and proprietary data contained in the Company Systems and all other information and data compilations used by the Company or any of its Subsidiaries, whether or not in electronic form.

"Company Data Room" means the material contained in the virtual Company Data Room established by the Company as at 5:00 p.m. on March 31, 2019, the index of documents of which is appended to the Company Disclosure Letter.

"Company Disclosure Letter" means the disclosure letter dated the date of this Agreement and delivered by the Company to the Purchaser with this Agreement.

"Company Employees" means the employees of the Company and its Subsidiaries.

"Company Filings" means all documents publicly filed under the profile of the Company on the System for Electronic Document Analysis Retrieval (SEDAR) since January 1, 2017.

"Company Licenses" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Entities for the operation of the Company Business, including those set out in Section 1.1 of the Company Disclosure Letter.

"Company Locked-up Shareholders" means each of those persons set out in Section 1.1 of the Company Disclosure Letter.

"Company Material Adverse Effect" means any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances is or could reasonably be expected to be material and adverse to the current and future business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise) or liabilities (contingent or otherwise) of the Company and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstance resulting from:

- (a) any change affecting the cannabis industry as a whole;
- (b) any change in global, national or regional political conditions of Canada, the United States or U.S. states in which the Company has material operations or globally (including the outbreak or escalation of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or

global financial or capital markets of Canada, the United States or U.S. states in which the Company has material operations or globally;

- (c) any adoption, proposal, implementation or change in Law or any interpretation of Law by any Governmental Entity;
- (d) any change in GAAP applicable to the Company;
- (e) any natural disaster;
- (f) the failure by the Company to meet any internal, third party or public projections, forecasts, guidance or estimates of revenues or earnings (it being understood that the causes or facts underlying or contributing to any such failure may be taken into account in determining whether a Company Material Adverse Effect has occurred);
- (g) the announcement of this Agreement, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Company or its Subsidiaries with the Company's employees, customers, suppliers, partners and other Persons with which the Company or any of its Subsidiaries has business relations;
- (h) any action taken (or omitted to be taken) by the Company that is consented to by the Purchaser expressly in writing or required hereby;
- (i) any actions taken (or omitted to be taken) upon the written request of the Purchaser;
or
- (j) any change in the market price or trading volume of any securities of the Company (it being understood that the causes or facts underlying or contributing to such change in market price may be taken into account in determining whether a Company Material Adverse Effect has occurred);

provided, however, that with respect to clauses (a) through to and including (e), such matter does not have a materially disproportionate effect on the Company and its Subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the industry in which the Company and/or its Subsidiaries operate, and unless expressly provided in any particular section of this Agreement, references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Company Material Adverse Effect" has occurred.

"Company Meeting" means the special meeting of Company Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

"Company Optionholders" means the holders of Company Options.

"**Company Options**" means the outstanding options to purchase Common Shares issued pursuant to the Company's stock option plan, effective as of November 11, 2016, as listed in Section 1.1 of the Company Disclosure Letter.

"**Company Systems**" means all information technology and computer systems (including computer software, information technology and telecommunication hardware and other equipment) relating to the generation, transmission, storage, maintenance or processing of data and information, whether or not in electronic form, used in the conduct of the business of the Company or any of its Subsidiaries.

"**Company RSU Plan**" means the share unit plan of the Company, effective November 11, 2016.

"**Company RSUs**" means the outstanding restricted share units issued pursuant to the Company RSU Plan, as listed in Section 1.1 of the Company Disclosure Letter.

"**Company RSU Holders**" means the holders of Company RSUs.

"**Company Securityholders**" means, collectively, the Company Shareholders, the Company Optionholders, the Company RSU Holders and the Company Warranholders.

"**Company Shareholders**" means the registered or beneficial holders of the Common Shares and the Class A Compressed Shares, as the context requires.

"**Company Shares**" means the Common Shares and the Class A Compressed Shares.

"**Company Warranholders**" means the registered or beneficial holders of Company Warrants, as the context requires.

"**Company Warrants**" means the outstanding warrants to purchase Common Shares issued by the Company, as listed in Section 1.1 of the Company Disclosure Letter.

"**Confidentiality Agreement**" means the exclusivity, confidentiality and non-disclosure agreement between the Company and the Purchaser dated March 28, 2019.

"**Consideration**" means 0.8428 of a Purchaser Share for each Common Share and 84.28 Purchaser Shares for each Class A Compressed Share, in each case subject to adjustments in accordance with Section 2.12.

"**Consideration Shares**" means the Purchaser Shares to be issued in exchange for Company Shares pursuant to the Arrangement.

"**Constating Documents**" means articles of incorporation, amalgamation, or continuation, as applicable, by-laws and all amendments to such articles or by-laws.

"**Contract**" means any legally binding agreement, commitment, engagement, contract, franchise, licence, obligation or undertaking (written or oral) to which a Party or any of its respective

Subsidiaries is a party or by which it or any of its respective Subsidiaries is bound or affected or to which any of their respective properties or assets is subject.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**CSE**" means the Canadian Securities Exchange.

"**Depository**" means Odyssey Trust Company, or any other depository or trust company, bank or financial institution as the Purchaser may, with the consent of the Company, acting reasonably, appoint to act as depository with the approval of the Company, acting reasonably, for the purpose of, among other things, exchanging certificates representing Company Shares for Consideration Shares in connection with the Arrangement.

"**Director**" means the Director appointed pursuant to Section 278 of the OBCA.

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

"**Employee Plans**" means all health, welfare, supplemental unemployment benefit, change of control, bonus, profit sharing, option, insurance, compensation, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, pension, vacation, severance or termination pay, retirement or retirement savings plans, or other employee benefit plans, policies, trusts, funds, agreements, or arrangements for the benefit of employees, former employees, directors or former directors of a Party or any of its subsidiaries, which are maintained by or binding upon such Party or any of its subsidiaries or in respect of which such Party or any of its subsidiaries has an actual or contingent liability excluding all obligations for severance and termination pursuant to a statute.

"**Environmental Laws**" means all Laws and agreements with Governmental Entities and all other statutory requirements relating to public health or the protection of the environment and all Authorizations issued pursuant to such Laws, agreements or other statutory requirements.

"**Fairness Opinion**" means an opinion of Cormark Securities Inc. to the effect that, as of the date hereof, the Consideration to be received by the Company Shareholders (other than the Purchaser and its affiliates) is fair, from a financial point of view, to such holders.

"**Final Order**" means the final order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal.

"**GAAP**" means generally accepted accounting principles as set-out in the *CPA Canada Handbook – Accounting* for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

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

"**HSR Act**" means the *United States Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended.

"**Intellectual Property**" means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and nonpublic business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) designs, design registrations, design registration applications and integrated circuit topographies; (vi) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing; (vii) Software; and (viii) any other intellectual property and industrial property.

"**Interim Order**" means the interim order of the Court, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

"**Key Regulatory Approvals**" means (i) the Stock Exchange Approval, (ii) receipt of required authorizations under the HSR Act, and (iii) the approvals required under the Company Licenses in the State of California listed in Section 1.1 of the Company Disclosure Letter in connection with the consummation of the Arrangement.

"**Law**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

"**Lien**" means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment,

lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

"Matching Period" has the meaning specified in Section 5.4(1)(e).

"Material Contract" means any Contract:

- (a) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Company Material Adverse Effect;
- (b) relating directly or indirectly to the guarantee of any material liabilities or material obligations or to indebtedness for borrowed money;
- (c) restricting the incurrence of indebtedness by the Company or any of its Subsidiaries (including by requiring the granting of an equal and rateable Lien) or the incurrence of any Liens on any properties or assets of the Company or any of its Subsidiaries, or restricting the payment of dividends by the Company in each case, in any material respect;
- (d) under which a Person made payments to the Company and its Subsidiaries in excess of \$250,000 during the calendar year ended December 31, 2018;
- (e) under which the Company and/or its Subsidiaries made payments to any Person in excess of \$250,000 during the calendar year ended December 31, 2018;
- (f) under which the Company or any of its Subsidiaries is obligated to make or expects to receive payments in excess of \$250,000 over the remaining term;
- (g) providing for the establishment, investment in, organization or formation of any joint venture, limited liability company, partnership or similar entity;
- (h) that creates an exclusive dealing arrangement or right of first offer or refusal that materially limits the Company's business;
- (i) with a Governmental Entity for a value in excess of \$100,000;
- (j) that contains any material exclusivity or non-solicitation obligations of the Company or any of its Subsidiaries;
- (k) providing for severance or change in control payments in excess of \$100,000;
- (l) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset where the purchase or sale price or agreed value or fair market value of such property or asset exceeds \$1 million;
- (m) that limits or restricts in any material respect (A) the ability of the Company or any Subsidiary to engage in any line of business or carry on business in any geographic

area, or (B) the scope of Persons to whom the Company or any of its Subsidiaries may sell products or deliver services; or

- (n) that is otherwise material to the Company and its Subsidiaries, taken as a whole.

"**MD&A**" means management's discussion and analysis.

"**MI 61-101**" means Multilateral Instrument 61-101 *Protection of Minority Shareholders in Special Transactions*.

"**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact required or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**officer**" has the meaning specified in the *Securities Act* (Ontario).

"**Ordinary Course**" means, with respect to an action taken by a Party, that such action is consistent with the past practices of such Party and is taken in the ordinary course of the normal day-to-day operations of the business of such Party.

"**Outside Date**" means July 31, 2019 or such later date as may be agreed to in writing by the Parties, subject to: (i) the right of any Party to extend the Outside Date for up to an additional 60 days if the condition in Section 6.1(3) has not been satisfied; (ii) the right of any party to extend the Outside Date to a date that is ten (10) Business Days following the Company Meeting if the Company Meeting is postponed or adjourned in accordance with the terms hereof; and (iii) the right of the Purchaser to extend the Outside Date for up to an additional 90 days if the condition in Section 6.2(4) has not been satisfied; provided that (x) notwithstanding the foregoing, no Party shall be permitted to extend the Outside Date if the failure of the applicable condition to be satisfied is primarily the result of such Party's failure to comply with its covenants herein and (y) in no event shall the Outside Date be extended by more than 60 days in the aggregate without the written consent of both Parties.

"**Parties**" means the Company and the Purchaser and "**Party**" means any one of them.

"**Permitted Liens**" means, in respect of a Party or any of its Subsidiaries, any one or more of the following:

- (a) Liens for Taxes which are not yet due or delinquent or that are being properly contested in good faith by appropriate proceedings and in respect of which reserves have been provided in the most recent publicly filed financial statements;
- (b) inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of the construction, maintenance, repair or operation of assets, provided that such Liens are related to obligations not due or delinquent, are not registered against title to any assets and

in respect of which adequate holdbacks are being maintained as required by applicable Law;

- (c) the right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of a Party or any of its Subsidiaries, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition of their continuance;
- (d) easements, servitudes, restrictions, restrictive covenants, rights of way, licenses, permits and other similar rights in real or immovable property that in each case do not materially detract from the value or materially interfere with the use of the real or immovable property subject thereto;
- (e) zoning and building by-laws and ordinances, regulations made by public authorities that in each case do not materially detract from the value or materially interfere with the use of the real or immovable property subject thereto;
- (f) such other imperfections or irregularities of title or Lien that, in each case, do not materially adversely affect the use of the properties or assets subject thereto or otherwise materially adversely impair business operations of such properties;
- (g) agreements with any Governmental Entity and any public utilities or private suppliers of services that in each case do not materially detract from the value or materially interfere with the use of the real or immovable property subject thereto; and
- (h) Liens listed in Section 4.1(2)(n) of the Company Disclosure Letter.

"Person" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"Personal Data" means any information that, alone or in combination with other information, allows the identification of a natural person, including name, street address, telephone number, e-mail address, photograph, social security number, driver's license number, passport number or customer or account number, IP address, and any persistent identifier or any other information that is otherwise considered personal information, personal data, protected health information, or other personally identifiable information under applicable Law.

"Plan of Arrangement" means the plan of arrangement, substantially in the form of Schedule "A", subject to any amendments or variations to such plan made in accordance with Section 8.1 hereof, the Plan of Arrangement itself or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"Pre-Acquisition Reorganization" has the meaning specified in Section 4.6.

"Privacy and Information Security Requirements" means (i) all Laws that govern Processing of Personal Data, data privacy or information security in the United States and Canada; (ii) all

Laws applicable to the information security of Company Systems; (iii) all Contracts that relate to the Processing of Personal Data and/or protecting the security or privacy of personally identifiable information or personal data as such terms are defined under applicable Laws; (iv) all Privacy Notices; (v) all requirements of the *Personal Information Protection and Electronic Documents Act* (Canada); and (vi) the Payment Card Information Data Security Standards.

"Products" means any product or item manufactured, produced, distributed, and/or sold by the Company or by any Subsidiary (during the period in which the Company owned the applicable Subsidiary or manufactured, produced, distributed, and/or sold such Product).

"Process" or **"Processing"** shall mean the collection, use, storage, processing, distribution, transfer, import, export, protection (including security measures), disposal or disclosure or other activity regarding data (whether electronically or in any other form or medium).

"Purchaser" means Cresco Labs Inc., a corporation existing under the laws of the Province of British Columbia.

"Purchaser Disclosure Letter" means the disclosure letter dated the date of this Agreement and delivered by the Purchaser to the Company with this Agreement.

"Purchaser Filings" means all documents publicly filed under the profile of the Purchaser on the System for Electronic Document Analysis Retrieval (SEDAR) since November 30, 2018.

"Purchaser Licenses" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Entities for the operation of the business of the Purchaser and its Subsidiaries.

"Purchaser Material Adverse Effect" means any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances is or could reasonably be expected to be material and adverse to the current and future business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise) or liabilities (contingent or otherwise) of the Purchaser and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstance resulting from:

- (a) any change affecting the cannabis industry as a whole;
- (b) any change in global, national or regional political conditions of Canada, the United States or U.S. states in which the Company has material operations or globally (including the outbreak or escalation of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or global financial or capital markets of Canada, the United States or U.S. states in which the Company has material operations or globally;
- (c) any adoption, proposal, implementation or change in Law or any interpretation of Law by any Governmental Entity;
- (d) any change in GAAP applicable to the Purchaser;

- (e) any natural disaster;
- (f) the failure by the Purchaser to meet any internal, third party or public projections, forecasts, guidance or estimates of revenues or earnings (it being understood that the causes or facts underlying or contributing to any such failure may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred);
- (g) the announcement of this Agreement, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of the Purchaser or its Subsidiaries with the Purchaser's employees, customers, suppliers partners and other Persons with which the Purchaser or any of its Subsidiaries has business relations;
- (h) any action taken (or omitted to be taken) by the Purchaser that is consented to by the Company expressly in writing or required hereby;
- (i) any actions taken (or omitted to be taken) upon the written request of the Company;
or
- (j) any change in the market price or trading volume of any securities of the Purchaser (it being understood that the causes or facts underlying or contributing to such change in market price may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred);

provided, however, that with respect to clauses (a) through to and including (e), such matter does not have a materially disproportionate effect on the Purchaser and its Subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the industry in which the Purchaser and/or its Subsidiaries operate, and unless expressly provided in any particular section of this Agreement, references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Purchaser Material Adverse Effect" has occurred.

"Purchaser Shares" means the subordinate voting shares in the capital of the Purchaser.

"Regulatory Approval" means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case in connection with the Arrangement, and includes the Key Regulatory Approvals.

"Replacement Option" means an option or right to purchase Purchaser Shares granted by the Purchaser in replacement of Company Options pursuant to the Arrangement.

"Representative" has the meaning specified in Section 5.1(1).

"Required Approval" has the meaning specified in Section 2.2(1)(b).

"Sale Entity" has the meaning specified in the Company Disclosure Letter.

"**Securities Authority**" means the Ontario Securities Commission, the British Columbia Securities Commission, and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada.

"**Securities Laws**" means the *Securities Act* (Ontario), the *Securities Act* (British Columbia), and any other applicable provincial securities Laws.

"**Software**" means computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs.

"**Stock Exchange Approval**" means the conditional approval of the CSE to list the Purchaser Shares to be issued pursuant to the Arrangement, subject only to conditions to be satisfied in connection with the completion of the Arrangement and/or following the completion of the Arrangement.

"**Subject Securities**" has the meaning specified in Section 2.2(2).

"**Subject Shares**" has the meaning specified in Section 4.3(6)(a).

"**Subsidiary**" has the meaning specified in National Instrument 45-106 – *Prospectus and Registration Exemptions* as in effect on the date of this Agreement.

"**Superior Proposal**" means any *bona fide* written Acquisition Proposal from Person(s) who are an arm's length third party or parties, made after the date of this Agreement, to acquire not less than all of the outstanding Company Shares or all or substantially all of the assets of the Company on a consolidated basis that:

- (a) complies with Securities Laws and did not result from or involve a breach of this Agreement (including Article 5), the Confidentiality Agreement or any other agreement between the Person making the Acquisition Proposal and the Company or any of its Subsidiaries;
- (b) is reasonably capable of being completed without undue delay relative to the Arrangement, taking into account, all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal but for this purpose of determining if there is a Superior Proposal, the existence of the Support and Voting Agreements shall be disregarded;
- (c) is not subject to any financing contingency and in respect of which adequate arrangements have been made to ensure that the required consideration will be available to effect payment in full for all of the Company Shares or assets, as the case may be;
- (d) is not subject to any due diligence or access condition;
- (e) the Board determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and

conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal, would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial point of view, to the Company Shareholders, than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 5.4(2)); and

- (f) in the event that the Company does not have the financial resources to pay the Termination Fee, the terms of such Acquisition Proposal provide that the person making such Superior Proposal shall advance or otherwise provide the Company the cash required for the Company to pay the Termination Fee and such amount shall be advanced or provided on or before the date such Termination Fee becomes payable.

"Superior Proposal Notice" has the meaning specified in Section 5.4(1)(c).

"Support and Voting Agreements" means, collectively, the support and voting agreements dated on or before the date hereof between the Purchaser and each of the Company Locked-up Shareholders, substantially in the form of Schedule "E", which, *inter alia*, may not be terminated by the Company Locked-up Shareholders in the event of a Superior Proposal.

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

"Tax Returns" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"Taxes" means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

"**Terminating Party**" has the meaning specified in Section 4.8(3).

"**Termination Fee**" has the meaning specified in Section 8.2.

"**Termination Fee Event**" has the meaning specified in Section 8.2.

"**Termination Notice**" has the meaning specified in Section 4.8(3).

"**Trichome**" means Trichome Financial Corp.

"**United States**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as the same has been, and hereafter from time to time may be, amended.

1.2 Certain Rules of Interpretation

In this Agreement, unless otherwise specified:

- (1) **Headings, etc.** The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Agreement.
- (2) **Currency.** All references to dollars or to \$ are references to Canadian dollars.
- (3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) **Certain Phrases and References, etc.** The words "including", "includes" and "include" mean "including (or includes or include) without limitation," and "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of." Unless stated otherwise, "Article", "Section", and "Schedule" followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Agreement. The term "Agreement" and any reference in this Agreement to this Agreement or any other agreement or document includes, and is a reference to, this Agreement or such other agreement or document as it may have been, or may from time to time be, amended, restated, replaced, supplemented or novated and includes all schedules to it. The term "made available to the Purchaser" means copies of the subject materials were included in the Company Data Room or otherwise provided in writing in the manner expressly set forth in the Company Disclosure Letter.
- (5) **Capitalized Terms.** All capitalized terms used in any Schedule, the Company Disclosure Letter or the Purchaser Disclosure Letter have the meanings ascribed to them in this Agreement.
- (6) **Knowledge.** Where any representation or warranty is expressly qualified by reference to the knowledge of the Company, it is deemed to refer to the knowledge of *[REDACTED – personal identifying information]* after due and diligent inquiry.

Where any representation or warranty is expressly qualified by reference to the knowledge of the Purchaser, it is deemed to refer to the knowledge of *[REDACTED – personal identifying information]*, after due and diligent inquiry.

- (7) **Accounting Terms.** All accounting terms are to be interpreted in accordance with GAAP and all determinations of an accounting nature in respect of the Company required to be made shall be made in a manner consistent with GAAP.
- (8) **Statutes.** Any reference to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.
- (9) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.
- (10) **Time References.** References to time are to local time, Toronto, Ontario.
- (11) **Subsidiaries.** To the extent any covenants or agreements relate, directly or indirectly, to a Subsidiary of the Company, each such provision shall be construed as a covenant by the Company to cause (to the fullest extent to which it is legally capable) such Subsidiary to perform the required action.

1.3 Schedules

The schedules attached to this Agreement form an integral part of this Agreement for all purposes of it.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

The Company and the Purchaser agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement.

2.2 Interim Order

- (1) As soon as reasonably practicable after the date of this Agreement, but in any event at a time so as to permit the Company Meeting to be held on or before the date specified in Section 2.3(a), the Company shall apply in a manner reasonably acceptable to the Purchaser pursuant to Section 182 of the OBCA and, in cooperation with the Purchaser, prepare, file and diligently pursue an application for the Interim Order, which must provide, among other things:

- (a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;
 - (b) that the required level of approval (the "**Required Approval**") for the Arrangement Resolution shall be not less than (i) 66 2/3% of the votes cast on the Arrangement Resolution by Company Shareholders voting as a single class present in person or represented by proxy and entitled to vote at the Company Meeting; and (ii) if required under Securities Laws, a simple majority of the votes attached to Company Shares voting as a single class held by Company Shareholders present in person or represented by proxy and entitled to vote at the Company Meeting excluding for this purpose votes attached to Company Shares held by persons described in items (a) through (d) of section 8.1(2) of MI 61-101;
 - (c) that the terms, restrictions and conditions of the Company's Constatng Documents relating to the holding of a meeting of Company Shareholders, including quorum requirements and all other matters, shall, unless varied by the Interim Order, apply in respect of the Company Meeting;
 - (d) for the grant of the Dissent Rights to those Company Shareholders who are registered Company Shareholders;
 - (e) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
 - (f) that the Company Meeting may be adjourned or postponed from time to time by the Company in accordance with the terms of this Agreement without the need for additional approval of the Court;
 - (g) confirmation of the record date for the purposes of determining the Company Shareholders entitled to notice of and to vote at the Company Meeting in accordance with the Interim Order;
 - (h) that the record date for the Company Shareholders entitled to notice of and to vote at the Company Meeting will not change in respect of any adjournment(s) of the Company Meeting, unless required by Securities Laws; and
 - (i) for such other matters as the Purchaser may reasonably require, subject to obtaining the prior consent of the Company, such consent not to be unreasonably withheld or delayed.
- (2) In seeking the Interim Order, the Company shall advise the Court that it is the Purchaser's intention to rely upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act with respect to the issuance of all Arrangement Issued Securities to be issued pursuant to the Arrangement, based and conditioned on the Court's approval of the Arrangement and its determination that the Arrangement is fair and reasonable to holders of Company securities whose rights are affected by the Arrangement (collectively, the "**Subject Securities**") to whom will be issued Arrangement Issued Securities pursuant to

the Arrangement, following a hearing and after considering of the substantive and procedural terms and conditions thereof.

2.3 The Company Meeting

The Company shall:

- (a) convene and conduct the Company Meeting in accordance with the Interim Order, the Company's Constatng Documents and Law as soon as practical and, in any event but subject to compliance by the Purchaser with its obligations in Section 2.4, on or before June 11, 2019 (or such later date as may be agreed to by the Parties in writing or required as a result of a delay by the Purchaser in providing the information required pursuant to Section 2.4) and not adjourn, postpone or cancel (or propose the adjournment, postponement or cancellation of) the Company Meeting without the prior written consent of the Purchaser, except:
 - (i) in the case of an adjournment, as required for quorum purposes (in which case the Company Meeting shall be adjourned and not cancelled);
 - (ii) as required or permitted under, Section 5.4(5) or Section 4.8(3); or
 - (iii) for an adjournment for the purpose of attempting to obtain the Required Approval.
- (b) solicit proxies in favour of the approval of the Arrangement Resolution and against any resolution submitted by any Company Shareholder that is inconsistent with the Arrangement Resolution and the completion of any of the transactions contemplated by this Agreement, including, if so requested by the Purchaser, at the Purchaser's expense, using dealer and proxy solicitation services firms and cooperating with any Persons engaged, with the consent of the Company, by the Purchaser to solicit proxies in favour of the approval of the Arrangement Resolution;
- (c) provide the Purchaser with copies of or access to information regarding the Company Meeting generated by any transfer agent, dealer or proxy solicitation services firm, as reasonably requested in writing from time to time by the Purchaser;
- (d) permit the Purchaser at its expense to, on behalf of the management of the Company, directly or through a soliciting dealer approved in writing by the Company, actively solicit proxies in favour of the Arrangement on behalf of management of the Company in compliance with Law and disclose in the Company Circular that the Purchaser may make such solicitations;
- (e) consult with the Purchaser in fixing the record date for the Company Meeting and the date of the Company Meeting, give notice to the Purchaser of the Company Meeting and allow the Purchaser's representatives and legal counsel to attend the Company Meeting;

- (f) promptly advise the Purchaser, at such times as the Purchaser may reasonably request in writing and at least on a daily basis on each of the last five (5) Business Days prior to the date of the Company Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution;
- (g) promptly advise the Purchaser of any communication (written or oral) from any Person in opposition to the Arrangement, written notice of dissent, purported exercise or withdrawal of Dissent Rights, and provide the Purchaser with an opportunity to review and comment upon any written communications sent by or on behalf of the Company to any such Person and to participate in any discussions, negotiations or proceedings involving any such Person;
- (h) not make any payment or settlement offer, or agree to any payment or settlement prior to the Effective Time with respect to any claims regarding the Arrangement or Dissent Rights without the prior written consent of the Purchaser, not to be unreasonably withheld;
- (i) not change the record date for the Company Shareholders entitled to vote at the Company Meeting in connection with any adjournment or postponement of the Company Meeting, unless required by Law;
- (j) at the reasonable written request of the Purchaser from time to time, provide the Purchaser with a list (in both written and electronic form) of (i) the registered Company Shareholders, together with their addresses and respective holdings of Company Shares, (ii) the names, addresses and holdings of all Persons having rights issued by the Company to acquire Company Shares (including holders of Company Options, Company RSUs and Company Warrants), and (iii) participants and book-based nominee registrants such as CDS & Co., CEDE & Co. and DTC, and non-objecting beneficial owners of Company Shares, together with their addresses and respective holdings of Company Shares;
- (k) notwithstanding the receipt by the Company of a Superior Proposal in accordance with Article 5, unless otherwise agreed to in writing by the Purchaser, continue to take all reasonable steps necessary to hold the Company Meeting and to cause the Arrangement to be voted on at the Company Meeting and not propose to adjourn or postpone the Company Meeting other than as permitted or required by Section 2.3(a); and
- (l) provide prior notice to the Purchaser of the Company Meeting and permit all Purchaser and Purchaser's Representatives to attend the Company meeting (including any legal advisor).

2.4 The Company Circular

- (1) The Company shall promptly prepare and complete, in consultation with the Purchaser, the Company Circular together with any other documents required by Law in connection with the Company Meeting and the Arrangement, and the Company shall, promptly after obtaining the Interim Order, cause the Company Circular and such other documents to be

filed and sent to each Company Shareholder and other Person as required by the Interim Order and Law, in each case so as to permit the Company Meeting to be held by the date specified in Section 2.3(a).

- (2) The Company shall ensure that the Company Circular complies in all material respects with Law, does not contain any Misrepresentation (other than in respect to any written information with respect to the Purchaser that is furnished in writing by or on behalf of the Purchaser for inclusion in the Company Circular) and provides the Company Shareholders with sufficient information to permit them to form a reasoned judgement concerning the matters to be placed before the Company Meeting. Without limiting the generality of the foregoing, the Company Circular must include: (i) a copy of the Fairness Opinion; (ii) a statement that the Board has received the Fairness Opinion, and has unanimously determined (with directors abstaining or recusing themselves as required by Law or the Company's Constating Documents), after receiving legal and financial advice: (A) that the Arrangement is fair to the Company Shareholders; (B) that the Arrangement and the entering into of this Agreement is in the best interests of the Company; and (C) that the Board (with directors abstaining or recusing themselves as required by Law or the Company's Constating Documents) recommends that the Company Shareholders vote in favour of the Arrangement Resolution (collectively, the "**Board Recommendation**"), and (iii) a statement that each of the Company Locked-up Shareholders have entered into Support and Voting Agreements pursuant to which they intend to vote all of their Company Shares in favour of the Arrangement Resolution and against any resolution submitted by any Company Shareholder that is inconsistent therewith, and which cannot be terminated in the event of a Superior Proposal.
- (3) The Company shall give the Purchaser and its legal counsel a reasonable opportunity to review and comment on drafts of the Company Circular and other related documents, and shall give reasonable consideration to any comments made by the Purchaser and its counsel, and agrees that all information relating solely to the Purchaser for inclusion in the Company Circular and any information describing the terms of the Arrangement and/or the Plan of Arrangement must be in a form and content satisfactory to the Purchaser, acting reasonably. The Company shall provide the Purchaser with a final copy of the Company Circular prior to its mailing to the Company Shareholders.
- (4) The Purchaser shall, in the form required by applicable law, as soon as reasonably practicable after the date hereof, and in any event within twenty (20) days of the date hereof, provide the Company with all information regarding the Purchaser, its affiliates and the Purchaser Shares, including any pro forma financial statements, as required by Law and reasonably requested by the Company in writing for inclusion in the Company Circular or in any amendments or supplements to such Company Circular. The Purchaser and not the Company shall be responsible for such information and shall ensure that such information does not include any Misrepresentation concerning the Purchaser, its affiliates and the Consideration Shares.
- (5) The Purchaser shall indemnify and save harmless the Company and its representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to

which they may be subject or may suffer, in any way caused by, or arising, directly or indirectly, from or in consequence of:

- (a) any Misrepresentation or alleged Misrepresentation in any information included in the Company Circular regarding the Purchaser, its affiliates or the Consideration Shares furnished to the Company in writing by the Purchaser for inclusion in the Company Circular pursuant to Section 2.4(4); and
 - (b) any order made, or any inquiry, investigation or proceeding by any securities regulatory authority or other Governmental Entity, to the extent based on any Misrepresentation or any alleged Misrepresentation in any information included in the Company Circular regarding the Purchaser, its affiliates or the Consideration Shares furnished to the Company in writing by the Purchaser for inclusion in the Company Circular pursuant to Section 2.4(4).
- (6) Each Party shall promptly notify the other Party if it becomes aware that the Company Circular contains a Misrepresentation, or otherwise requires an amendment or supplement. The Parties shall, in a manner consistent with this Section 2.4, co-operate in the preparation of any such amendment or supplement as required or appropriate, and the Company shall, in a manner provided in the Interim Order, promptly mail, file or otherwise publicly disseminate any such amendment or supplement to the Company Shareholders and, if required by the Court or by Law, file the same with the Securities Authorities or any other Governmental Entity as required.

2.5 Final Order

Following approval of the Arrangement Resolution, the Company shall take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to Section 182 of the OBCA, as soon as reasonably practicable, but in any event not later than three Business Days after the Arrangement Resolution is passed at the Company Meeting.

2.6 Court Proceedings

The Purchaser shall cooperate with and assist the Company in seeking the Interim Order and the Final Order, including by providing to the Company on a timely basis any information required by applicable Law to be supplied by the Purchaser in connection therewith as requested by the Company in writing. In connection with all Court proceedings relating to obtaining the Interim Order and the Final Order, the Company shall:

- (a) diligently pursue, and cooperate with the Purchaser in diligently pursuing, the Interim Order and the Final Order;
- (b) provide legal counsel to the Purchaser with a reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and give reasonable consideration to all such comments;

- (c) provide copies of any notice of appearance, evidence or other documents served on the Company or its legal counsel in respect of the application for the Interim Order or the Final Order or any appeal from them, and any notice, written or oral, indicating the intention of any Person to appeal, or oppose the granting of, the Interim Order or the Final Order;
- (d) ensure that all material filed with the Court in connection with the Arrangement is consistent with this Agreement and the Plan of Arrangement;
- (e) not file any material with the Court in connection with the Arrangement or serve any such material, or agree to modify or amend any material so filed or served, except as contemplated by this Agreement or with the Purchaser's prior written consent not to be unreasonably withheld, conditioned or delayed, provided the Purchaser is not required to agree or consent to any increase in the Consideration or other modification or amendment to such filed or served materials that expands or increases the Purchaser's obligations, or diminishes or limits the Purchaser's rights, set forth in any such filed or served materials or under this Agreement;
- (f) oppose any proposal from any Person that the Final Order contain any provision inconsistent with this Agreement, and if required by the terms of the Final Order or by Law to return to Court with respect to the Final Order do so only after notice to, and in consultation and cooperation with, the Purchaser; and
- (g) not object to legal counsel to the Purchaser making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided the Purchaser advises the Company of the nature of any such submissions prior to the hearing and such submissions are consistent with this Agreement and the Plan of Arrangement.

2.7 Options, Warrants and RSUs

The Parties acknowledge and agree that:

- (a) All Company Options that are not exercised, whether conditionally or otherwise, prior to the Effective Time shall be treated in accordance with the provisions of the Plan of Arrangement such that each outstanding Company Option will be exchanged for a Replacement Option exercisable at the same exercise price for such Company Option, subject to adjustments, for 0.8428 Purchaser Shares and all other terms and conditions of any Replacement Option, including term to expiry, vesting and conditions to and manner of exercise, shall be the same as the Company Option so exchanged (as may have been amended from time to time), except that the terms and conditions of each Replacement Option shall be amended to provide that the vesting of each Replacement Option held by any Person whose employment with the Company or its Subsidiaries is terminated or constructively dismissed by the Company or such Subsidiary other than for "cause" on the Effective Date or within 180 days following the Effective Date shall be accelerated, and the Company shall

take all such reasonable steps as may be necessary or desirable to give effect to the foregoing;

- (b) each holder of a Company Warrant outstanding immediately prior to the Effective Time shall receive upon the subsequent exercise of such holder's Company Warrant on or after the Effective Time, in accordance with its terms, and shall accept in lieu of each Common Share to which such holder was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the Consideration; and
- (c) (i) the vesting of all outstanding Company RSUs will be accelerated pursuant to the Plan of Arrangement and in accordance with the terms of the Company RSU Plan; and (ii) all Company RSUs will be exchanged for Common Shares and the former holders of such Company RSUs will, following such exchange, participate in the Arrangement as Company Shareholders, all in accordance with and subject to the provisions of the Plan of Arrangement,

and the Company shall take all such actions as may be necessary or desirable to give effect to the foregoing.

2.8 Articles of Arrangement and Effective Date

- (1) The Company shall amend the Plan of Arrangement from time to time at the reasonable request of the Purchaser, provided that no such amendment is inconsistent with the Interim Order or the Final Order, is prejudicial to the Company or the Company Securityholders or would reasonably be expected to delay, impair or impede the Arrangement.
- (2) The Company shall send the Articles of Arrangement to the Director within 2 (two) Business Days of the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of the conditions set out in Article 6 (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of those conditions as of the Effective Date), unless another time or date is agreed to in writing by the Parties provided that the Company shall not be required to file the Articles of Arrangement with the Director unless the Company has received written confirmation, in form satisfactory to it, acting reasonably, from the Depositary that it has received the consideration referred to in Section 2.9.
- (3) The closing of the Arrangement will take place at the offices of Bennett Jones LLP, Suite 3400, 1 First Canadian Place, 100 King Street West, Toronto, ON M5X 1A4, or at such other location as may be agreed upon by the Parties.

2.9 Payment of Consideration

The Purchaser will, following receipt of the Final Order and prior to the sending by the Company of the Articles of Arrangement to the Director, deliver or cause to be delivered to the Depositary in escrow (the terms of such escrow to be satisfactory to the Company and the Purchaser, each acting reasonably) pending the Effective Time, sufficient Purchaser Shares (and any treasury

directions addressed to the Purchaser's transfer agent as may be necessary) to satisfy the aggregate Consideration to be paid to Company Shareholders (other than dissenting Company Shareholders who have not withdrawn their notice of dissent) under the Arrangement.

2.10 Withholding Taxes

- (1) The Purchaser, the Depositary and the Company shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Company Securityholder such amounts as the Purchaser, the Depositary and the Company (as applicable), acting reasonably, may be permitted or required to deduct and withhold therefrom under any provision of applicable Laws in respect of Taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.
- (2) Each of the Purchaser, the Company and the Depositary shall be permitted to sell or otherwise dispose of, on behalf of a Company Securityholder, such portion of the consideration deliverable under the Arrangement to such Company Securityholder as is necessary to provide sufficient funds to enable the Purchaser, the Company or the Depositary to deduct, withhold or remit any amount for the purposes of Section 2.10(1) and such party shall notify the applicable Company Securityholder of the details of such disposition, including the gross and net proceeds and any adjustments thereto, and remit any unapplied balance of the net proceeds of such sale to the Company Securityholder.

2.11 U.S. Securities Law Matters

The Parties agree that the Arrangement will be carried out with the intention that all Arrangement Issued Securities will be issued by the Purchaser in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereunder. In order to ensure the availability of the exemption under Section 3(a)(10) of the U.S. Securities Act and to facilitate the Purchaser's compliance with other United States securities Laws, the Parties agree that the Arrangement will be carried out on the following basis:

- (a) pursuant to Section 2.2(2), prior to the issuance of the Interim Order, the Court will be advised as to the intention of the Parties to rely on the exemption provided by Section 3(a)(10) of the U.S. Securities Act with respect to the issuance of all Arrangement Issued Securities pursuant to the Arrangement, based on the Court's approval of the Arrangement;
- (b) prior to the issuance of the Interim Order, the Company will file with the Court a copy of the proposed text of the Company Circular together with any other documents required by Law in connection with the Company Meeting;
- (c) the Court will be required to satisfy itself as to the substantive and procedural fairness of the Arrangement to the holders of Subject Securities to whom will be issued Arrangement Issued Securities pursuant to the Arrangement;

- (d) the Company will ensure that each Company Shareholder and any other Person entitled to receive Consideration Shares pursuant to the Arrangement will be given adequate and appropriate notice advising them of their right to attend the hearing of the Court to give approval to the Arrangement and providing them with sufficient information necessary for them to exercise that right;
- (e) all Persons entitled to receive Consideration Shares pursuant to the Arrangement will be advised that Consideration Shares issued pursuant to the Arrangement have not been registered under the U.S. Securities Act and will be issued by the Purchaser in reliance on the exemption provided by Section 3(a)(10) of the U.S. Securities Act, and shall be without trading restrictions under the U.S. Securities Act (other than those that would apply under the U.S. Securities Act to Persons who are, have been within 90 days of the Effective Time, or, at the Effective Time, become affiliates (as defined by Rule 144 of the U.S. Securities Act) of the Purchaser);
- (f) the Final Order approving the terms and conditions of the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as fair and reasonable to all Persons entitled to receive Arrangement Issued Securities pursuant to the Arrangement;
- (g) the Interim Order approving the Company Meeting will specify that each Person entitled to receive Arrangement Issued Securities pursuant to the Arrangement will have the right to appear before the Court at the hearing of the Court to give approval of the Arrangement so long as they enter an appearance within a reasonable time;
- (h) holders of Company Options entitled to receive Replacement Options pursuant to the Arrangement will be advised that the Replacement Options issued pursuant to the Arrangement (and underlying Purchaser Shares) have not been registered under the U.S. Securities Act and will be issued and exchanged by Purchaser in reliance on the exemption provided under Section 3(a)(10) under the U.S. Securities Act, but that such exemption does not exempt the issuance of securities upon the exercise of such Replacement Options; therefore, the Purchaser Shares issuable upon exercise of the Replacement Options cannot be issued in the U.S. or to a person in the U.S. in reliance on the exemption under Section 3(a)(10) thereof and the Replacement Options may only be exercised pursuant to a then-available exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws;
- (i) each holder of Subject Securities will be advised that with respect to Arrangement Issued Securities issued to persons who are, have been within 90 days of the Effective Time, or, at the Effective Time become, affiliates (as defined by Rule 144 of the U.S. Securities Act) of the Purchaser, such securities will be subject to restrictions on resale under U.S. Securities Laws, including Rule 144 under the U.S. Securities Act;

- (j) the Court will hold a hearing before approving the fairness of the terms and conditions of the Arrangement and issuing the Final Order; and
- (k) the Company shall request that the Final Order shall include a statement to substantially the following effect:

"This Order will serve as a basis of a claim to an exemption, pursuant to section 3(a)(10) of the United States Securities Act of 1933, as amended, from the registration requirements otherwise imposed by that act, regarding the distribution of securities of the Purchaser pursuant to the Plan of Arrangement."

2.12 Adjustment of Consideration

Notwithstanding any restriction or any other matter in this Agreement to the contrary, if, between the date of this Agreement and the Effective Time, the issued and outstanding Purchaser Shares shall have been changed into a different number of shares by reason of any split, consolidation or stock dividend of the issued and outstanding Purchaser Shares or similar event, then the Consideration to be paid per Common Share shall be appropriately adjusted to provide to Company Shareholders the same economic effect as contemplated by this Agreement and the Arrangement prior to such action and as so adjusted shall, from and after the date of such event, be the Consideration to be paid per Common Share.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company

- (1) Except as set forth in the correspondingly numbered paragraph of the Company Disclosure Letter, the Company represents and warrants to the Purchaser as set forth in Schedule "C" and acknowledges and agrees that the Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement.
- (2) The representations and warranties of the Company contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

3.2 Representations and Warranties of the Purchaser

- (1) Except as set forth in the correspondingly numbered paragraph of the Purchaser Disclosure Letter, the Purchaser represents and warrants to the Company as set forth in Schedule "D" and acknowledges and agrees that the Company is relying upon the representations and warranties in connection with the entering into of this Agreement.
- (2) The representations and warranties of the Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 4 COVENANTS

4.1 Conduct of Business of the Company

- (1) The Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of the Purchaser not to be unreasonably withheld; (ii) as required or permitted by this Agreement; (iii) as required by Law; or (iv) as expressly contemplated by the Company Disclosure Letter, the Company shall, and shall cause each of its Subsidiaries to, conduct its business in the Ordinary Course and in accordance with Laws, and the Company shall use commercially reasonable efforts to maintain and preserve its and its Subsidiaries' business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which the Company or any of its Subsidiaries has material business relations.

- (2) Without limiting the generality of Section 4.1(1), the Company covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of the Purchaser not to be unreasonably withheld; (ii) as required or permitted by this Agreement; (iii) as required by Law; or (iv) as expressly contemplated in the correspondingly numbered paragraph in the Company Disclosure Letter, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:
 - (a) except as disclosed in the Company Disclosure Letter, and provided the articles of amendment giving effect to the amendment disclosed in the Company Disclosure Letter are in a form satisfactory to the Purchaser, acting reasonably, amend its Constatng Documents or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;
 - (b) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) or amend any term of any outstanding debt security;
 - (c) redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any shares of its capital stock or the capital stock of its Subsidiaries, except as disclosed in the Company Disclosure Letter;
 - (d) except as disclosed in the Company Disclosure Letter, issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of any shares of its capital stock or other equity or voting interests, including the capital stock of its Subsidiaries, or any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock or other equity or voting interests, or other rights that are linked to the price or the value of Company Shares or other share capital of the Company or any Subsidiary except for (i) the issuance of Company Shares issuable upon the exercise of the currently

outstanding Company Options; (ii) in connection with internal funding exclusively among the Company and its wholly-owned Subsidiaries; (iii) the issuance of Company Shares issuable in connection with the exercise of any of the outstanding Company Warrants; and (iv) the issuance of Company Shares in connection with the vesting of Company RSUs;

- (e) except as disclosed in the Company Disclosure Letter, amend, modify or waive the terms of any of its securities;
- (f) except as disclosed in the Company Disclosure Letter, acquire or agree to acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses or make any investment either by the purchase of securities, contribution of capital, property transfer, or purchase of any other property or assets of any other Person, or acquire any license rights, other than (i) pursuant to a Contract in existence on the date hereof or (ii) pursuant to acquisitions in the Ordinary Course not in excess of \$1,000,000 in purchase price;
- (g) sell, pledge, lease, transfer, license, mortgage, encumber or otherwise transfer or dispose of any of its assets which in the aggregate exceed \$250,000 except for (i) assets which are obsolete and which individually or in the aggregate do not exceed \$250,000, or (ii) inventory sold in the Ordinary Course;
- (h) except as disclosed in the Company Disclosure Letter, enter into any joint venture or similar agreement, arrangement or relationship;
- (i) except as disclosed in the Company Disclosure Letter, make any capital expenditure or commitment to do so which individually or in the aggregate exceeds \$250,000;
- (j) notwithstanding the summary of anticipated Company expenditures prior to Closing set forth at schedule 4.1(2) of the Company Disclosure Letter, prepay any obligation outside of the Ordinary Course or prepay long-term indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantees thereof in excess of \$250,000 without the Purchaser's prior written consent, not to be unreasonably conditioned, withheld or delayed, provided that in determining what is reasonable, consideration shall be given to the disclosure in schedule 4.1(2) of the Company Disclosure Letter;
- (k) except as disclosed in the Company Disclosure Letter, make any loan or advance to, or any capital contribution or investment in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person other than a wholly-owned Subsidiary of the Company other than in the Ordinary Course;
- (l) reduce the stated capital of any of its securities;

- (m) reorganize, amalgamate or merge the Company or any Subsidiary or adopt a plan of liquidation or resolution providing for the liquidation or dissolution of the Company or any of its Subsidiaries;
- (n) except as disclosed in the Company Disclosure Letter, grant any Lien (other than Permitted Liens) on any assets of the Company or its Subsidiaries;
- (o) (A) make or rescind any material Tax election, amend, in any manner adverse to the Company, any Tax Return, settle or compromise any material liability for Taxes or change or revoke any of its methods of Tax accounting, or (B) take any action with respect to the computation of Taxes or the preparation of Tax Returns that is in any material respect inconsistent with past practice;
- (p) except as disclosed in the Company Disclosure Letter, enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;
- (q) except as disclosed in the Company Disclosure Letter, make any bonus or profit sharing distribution or similar payment of any kind;
- (r) make any change in the Company's accounting methods, principles or practices, except as required by concurrent changes in GAAP or as required by a Governmental Entity;
- (s) except as disclosed in the Company Disclosure Letter, grant any general increase in the rate of wages in excess of three percent (3%), salaries, bonuses or other remuneration of any employees, or accelerate the vesting of any Company Options;
- (t) except as required by Law: (i) increase any severance, change of control or termination pay (or improvements to notice or pay in lieu of notice) to (or amend any existing arrangement with) any current or former Company Employee or any current or former director of the Company or any of its Subsidiaries; (ii) increase the benefits payable under any existing severance or termination pay policies with any current or former Company Employee or any current or former director of the Company or any of its Subsidiaries; (iii) except as disclosed in the Company Disclosure Letter, increase the benefits payable under any employment agreements with any current or former Company Employee or any current or former director of the Company or any of its Subsidiaries; (iv) except as disclosed in the Company Disclosure Letter, enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement) with any current or former Company Employee or any current or former director of the Company or any of its Subsidiaries; (v) except as disclosed in the Company Disclosure Letter, increase compensation, bonus levels or other benefits payable to any current or former Company Employee or any current or former director of the Company or any of its Subsidiaries; (vi) adopt any new Employee Plan or any amendment or modification of an existing Employee Plan; (vii) increase or agree to increase, any funding obligation or accelerate, or agree to accelerate, the timing of any funding

contribution under any Employee Plan; (viii) except as disclosed in the Company Disclosure Letter, grant any equity, equity-based or similar awards; or (ix) reduce the Company's or its Subsidiaries work force except in the Ordinary Course;

- (u) enter into any agreement or arrangement that limits or otherwise restricts in any material respect the Company or any successor thereto, or that would, after the Effective Time, limit or restrict in any material respect the Company or any of its affiliates from competing in any manner;
- (v) enter into or amend any Contract with any broker, finder or investment banker;
- (w) cancel, waive, release, assign, settle or compromise any material claims or rights of the Company or its Subsidiaries;
- (x) compromise or settle any litigation, proceeding or governmental investigation relating to the assets or the business of the Company in excess of an aggregate amount of \$250,000;
- (y) except as disclosed in the Company Disclosure Letter, amend or modify, or terminate or waive any right under, any Material Contract or enter into any contract or agreement that would be a Material Contract if in effect on the date hereof;
- (z) knowingly take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorizations necessary to conduct its businesses as now conducted or as proposed to be conducted, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material Authorizations;
- (aa) except as disclosed in the Company Disclosure Letter, enter into, amend or modify any union recognition agreement, Collective Agreement or similar agreement with any trade union or representative body other than in the Ordinary Course and upon reasonable consultation with the Purchaser;
- (bb) except as contemplated in Section 4.9 [*Director & Officer Insurance*] amend, modify or terminate any material insurance policy of the Company or any Subsidiary in effect on the date of this Agreement;
- (cc) abandon or fail to diligently pursue any ongoing application for any material licences, permits, Authorizations or registrations;
- (dd) except as disclosed in the Company Disclosure Letter, grant or commit to grant an exclusive licence or otherwise transfer any Intellectual Property or exclusive rights in or in respect thereto that is material to the Company and its Subsidiaries taken as a whole, other than in the Ordinary Course or to wholly-owned Subsidiaries;

- (ee) materially change its business or regulatory strategy;
 - (ff) knowingly take any action or knowingly enter into any transaction (other than a transaction undertaken in the ordinary course of business or a transaction contemplated by this Agreement (including the Pre-Acquisition Reorganization)) that could reasonably be expected to have the effect of materially reducing or eliminating the amount of the tax cost "bump" pursuant to paragraphs 88(1)(c) and 88(1)(d) of the Tax Act in respect of the securities of any affiliates or Subsidiaries and other non-depreciable capital property owned by the Company or any of its Subsidiaries on the date hereof, upon an amalgamation or winding-up of the Company or any of its Subsidiaries (or any of their respective successors); or
 - (gg) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.
- (3) The Company shall use all commercially reasonable efforts to cause its current insurance (or re-insurance) policies maintained by the Company or any of its Subsidiaries not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and reinsurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect; provided that, neither the Company nor any of its Subsidiaries shall obtain or renew any insurance (or re-insurance) policy for a term exceeding 12 months.

4.2 Conduct of Business of the Purchaser

The Purchaser covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, the Purchaser shall use commercially reasonable efforts to maintain and preserve its and its Subsidiaries' business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which the Purchaser or any of its Subsidiaries has material business relations, and shall not, directly or indirectly:

- (a) split, combine, reclassify or amend the terms of the Purchaser Shares;
- (b) amend its articles of amalgamation, by-laws or other Constatng Documents in any manner that would have a material and adverse impact on the value of the Purchaser Shares;
- (c) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any Purchaser Shares;
- (d) redeem, purchase or otherwise acquire or offer to redeem, purchase or otherwise acquire any Purchaser Shares, other than purchases of Purchaser Shares made in the public markets or off-market at then prevailing market price and other than

redemptions or repurchases of Purchaser Shares in connection with the administration of equity or employee incentive plans;

- (e) take any action that would result in the need for stockholder approval of the Purchaser of the transactions contemplated by this Agreement;
- (f) issue, deliver or sell, or authorize the issuance, delivery or sale, of any shares of its capital stock or other equity or voting interests which exceed 20% of the Corporation's existing voting securities, other than the issuance of awards under the Purchaser's stock option plan, and other than in connection with an arm's length acquisition by the Purchaser or prospectus offering;
- (g) adopt a plan of liquidation or resolutions providing for the liquidation or dissolution of the Purchaser; or
- (h) authorize, agree, resolve or otherwise commit to do any of the foregoing.

4.3 Covenants Regarding the Arrangement

- (1) Subject to Section 4.4, each of the Company and the Purchaser shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do or cause to be done all things required or advisable under Law to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement, including:
 - (a) using commercially reasonable efforts to satisfy, or cause the satisfaction of, all conditions precedent in this Agreement and take all steps set forth in the Interim Order and Final Order applicable to it and comply promptly with all requirements imposed by Law on it or its Subsidiaries with respect to this Agreement or the Arrangement;
 - (b) using commercially reasonable efforts to obtain, as soon as practicable following execution of this Agreement, and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (i) necessary to be obtained under the Material Contracts in connection with the Arrangement or this Agreement, or (ii) required in order to maintain the Material Contracts in full force and effect following completion of the Arrangement, in each case, on terms that are reasonably satisfactory to the Purchaser;
 - (c) using commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or delay or otherwise adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement; and
 - (d) not taking any action, or refrain from taking any commercially reasonable action, or permitting any action to be taken or not taken, which would reasonably be

expected to prevent, materially delay or otherwise impede the consummation of the Arrangement or the transactions contemplated by this Agreement.

- (2) The Purchaser shall use its commercially reasonable efforts to obtain and maintain in force the Stock Exchange Approval.
- (3) The Company shall promptly notify the Purchaser of:
 - (a) any Company Material Adverse Effect;
 - (b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with this Agreement or the Arrangement;
 - (c) any notice or other communication from any Person to the effect that such Person is terminating or otherwise materially adversely modifying its relationship with the Company or any of its Subsidiaries as a result of this Agreement or the Arrangement;
 - (d) any notice or other communication from any Governmental Entity in connection with this Agreement (and the Company shall contemporaneously provide a copy of any such written notice or communication to the Purchaser); or
 - (e) any filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company or any of its Subsidiaries.
- (4) The Company will, in all material respects, conduct itself so as to keep the Purchaser fully informed as to the material decisions required to be made or actions required to be taken with respect to the operation of its business, provided that such disclosure is not otherwise prohibited by reason of confidentiality obligation owed to a third party for which a waiver could not be obtained.
- (5) The Purchaser shall promptly notify the Company in writing of:
 - (a) any Purchaser Material Adverse Effect;
 - (b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with this Agreement or the Arrangement;
 - (c) any filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Purchaser or any of its Subsidiaries; or

- (d) any notice or other communication from any Governmental Entity in connection with this Agreement (and the Company shall contemporaneously provide a copy of any such written notice or communication to the Purchaser).
- (6) The Purchaser hereby covenants and agrees during the term of this Agreement:
- (a) not to, other than as set forth herein, grant or agree to grant any proxies or powers of attorney, deposit any of the Company Common Shares it currently owns or acquires after the date hereof (such securities, the “**Subject Shares**”) into a voting trust or pooling agreement, or enter into a voting agreement, commitment, understanding or arrangement, oral or written, with respect to the voting of any Subject Shares;
 - (b) cause the Subject Shares to be counted as present for purposes of establishing quorum and to vote (or cause to be voted) all of the Subject Shares at the Company Meeting; and
 - (c) to vote the Subject Shares in favour of the approval, consent, ratification and adoption of the Arrangement Resolution and the transactions contemplated hereby.

4.4 Regulatory Approvals

- (1) As soon as reasonably practicable after the date hereof, each Party, or where appropriate, both Parties jointly, shall make all notifications, filings, applications and submissions with Governmental Entities required or advisable, and shall use commercially reasonable efforts to obtain and maintain, the Key Regulatory Approvals and such other Regulatory Approvals reasonably deemed by any of the Parties to be necessary to discharge their respective obligations under this Agreement or otherwise advisable under Laws in connection with the Arrangement and this Agreement. It being acknowledged and agreed that the Purchaser shall pay all filing fees in respect of the Key Regulatory Approvals.
- (2) The Parties shall cooperate with one another in connection with obtaining the Regulatory Approvals required or desirable in connection herewith including by providing or submitting on a timely basis all documentation and information that is required, or in the opinion of the Purchaser, advisable, in connection with obtaining the Regulatory Approvals and using their commercially reasonable efforts to ensure that such information does not contain a Misrepresentation.
- (3) The Parties shall cooperate with and keep one another fully informed as to the status of and the processes and proceedings relating to obtaining the Regulatory Approvals, and shall promptly notify each other of any communication from any Governmental Entity in respect of the Arrangement or this Agreement, and shall not make any submissions or filings, participate in any meetings or any material conversations with any Governmental Entity in respect of any filings, investigations or other inquiries related to the Arrangement or this Agreement unless it consults with the other Party in advance and, to the extent not precluded by such Governmental Entity, gives the other Party the opportunity to review drafts of any submissions or filings, or attend and participate in any communications or meetings. Despite the foregoing, submissions, filings or other written communications with

any Governmental Entity may be redacted as necessary before sharing with the other Party to address reasonable attorney-client or other privilege or confidentiality concerns, provided that a Party must provide external legal counsel to the other Party non-redacted versions of drafts or final submissions, filings or other written communications with any Governmental Entity on the basis that the redacted information will not be shared with its clients.

- (4) Each Party shall promptly notify the other Party if it becomes aware that any (i) application, filing, document or other submission for a Regulatory Approval contains a Misrepresentation, or (ii) any Regulatory Approval contains, reflects or was obtained following the submission of any application, filing, document or other submission containing a Misrepresentation, such that an amendment or supplement may be necessary or advisable. In such case, the Company shall, in consultation with and subject to the prior approval of the Purchaser, co-operate in the preparation, filing and dissemination, as applicable, of any such amendment or supplement.
- (5) The Parties shall request that the Regulatory Approvals be processed by the applicable Governmental Entity on an expedited basis and, to the extent that a public hearing is held, the Parties shall request the earliest possible hearing date for the consideration of the Regulatory Approvals.
- (6) If any objections are asserted with respect to the transactions contemplated by this Agreement under any Law, or if any proceeding is instituted or threatened by any Governmental Entity challenging or which could lead to a challenge of any of the transactions contemplated by this Agreement as not in compliance with Law, the Parties shall use their commercially reasonable efforts consistent with the terms of this Agreement to resolve such proceeding so as to allow the Effective Time to occur on or prior to the Outside Date.

4.5 Access to Information; Confidentiality

- (1) The Company shall give the Purchaser and its Representatives (a) upon reasonable notice, reasonable access during normal business hours to its and its Subsidiaries' (i) premises, (ii) property and assets (including all books and records, whether retained internally or otherwise), (iii) Contracts and Company Lease Documents, and (iv) senior personnel, so long as the access does not unduly interfere with the Ordinary Course conduct of the business of the Company; and (b) such financial and operating data or other information with respect to the assets or business of the Company as the Purchaser from time to time reasonably requests. The Company shall continue to afford the Purchaser and its Representatives access to the Company Data Room. Without limiting the foregoing, and subject to the terms of any existing Contracts, the Company shall, upon the Purchaser's request, facilitate discussions between the Purchaser and any third party from whom consent may be required.
- (2) Investigations made by or on behalf of the Purchaser, whether under this Section 4.5 or otherwise, will not waive, diminish the scope of, or otherwise affect any representation or warranty made by the Company in this Agreement.

- (3) The Purchaser acknowledges that the Confidentiality Agreement continues to apply and that any information provided under Section 4.5(1) above that is non-public and/or proprietary in nature shall be subject to the terms of the Confidentiality Agreement.
- (4) The Company acknowledges that it has reviewed the terms of the Support and Voting Agreements, and in particular the provisions in section 3.2 thereof. The Company further acknowledges and agrees that if this Agreement is terminated for any reason, then no provisions in the Confidentiality Agreement (including any "standstill" or "use" provisions) or any other agreement between the Parties will prohibit or restrict the Purchaser from directly or indirectly commencing a take-over bid for the Company Shares. The Company further agrees that in connection with any such take-over bid by the Purchaser, whether direct or indirect, the Company will issue a "deposit period news release" to shorten the initial deposit period to 35 days from the date of the take-over bid.

4.6 Pre-Acquisition Reorganization

- (1) The Company agrees that, upon request of the Purchaser and at the Purchaser's expense, the Company shall (i) perform such reorganizations of its corporate structure, capital structure, business, operations and assets or such other transactions as the Purchaser may request, acting reasonably (each a "**Pre-Acquisition Reorganization**"), and (ii) cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they would most effectively be undertaken.
- (2) Without limiting the generality of the foregoing, the Company acknowledges that the Purchaser may enter into transactions designed to step up the tax basis in certain capital property of the Company and/or its affiliates for purposes of the Tax Act and agrees to use commercially reasonable efforts to provide information reasonably requested and required by the Purchaser in this regard on a timely basis and to assist in the obtaining of any such information.
- (3) The Company will not be obligated to participate in any Pre-Acquisition Reorganization under Section 4.6(1) unless such Pre-Acquisition Reorganization:
 - (a) can be implemented immediately prior to the Effective Date;
 - (b) is not prejudicial to the Company or the Company Shareholders, as a whole, in any material respect;
 - (c) does not unreasonably interfere with the ongoing operations of the Company or any of its Subsidiaries;
 - (d) does not result in (i) any material breach by the Company of any existing contract or commitment of the Company; or (ii) a breach of any Law;
 - (e) does not require the approval of the Company Shareholders;

- (f) would not reasonably be expected to impede or delay the completion of the Arrangement in any material respect; and
 - (g) would not result in any Taxes being imposed on, or any adverse Tax or other consequences to, any securityholder of the Company incrementally greater than the Taxes or other consequences to such party in connection with the Arrangement in the absence of any Pre-Acquisition Reorganization.
- (4) The Purchaser must provide written notice to the Company of any proposed Pre-Acquisition Reorganization at least 10 Business Days prior to the Effective Date. Upon receipt of such notice, if the conditions in Section 4.6(2) are satisfied the Company and the Purchaser shall work cooperatively and use commercial reasonable efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization, including any amendment to this Agreement or the Plan of Arrangement and shall seek to have any such Pre-Acquisition Reorganization made effective as of the last moment of the Business Day ending immediately prior to the Effective Date (but after the Purchaser has waived or confirmed in writing that all of the conditions set out in Section 6.1 and Section 6.2 have been satisfied and that it is prepared to promptly without condition proceed to effect the Arrangement).
- (5) The Purchaser agrees that it will be responsible for all costs and expenses (including professional fees and expenses) associated with any Pre-Acquisition Reorganization to be carried out at its request and that any Pre-Acquisition Reorganization will not be considered in determining whether a representation, warranty or covenant of the Company under this Agreement has been breached (including where any such Pre-Acquisition Reorganization requires the consent of any third party under a Contract) or if a condition for the benefit of the Purchaser has been satisfied.
- (6) The Purchaser shall indemnify the Company, its Subsidiaries and their respective officers, directors and employees (to the extent that such persons are assessed with statutory liability thereto) for all direct and indirect costs or losses, liabilities, damages, claims, costs, expenses, interest awards, judgments and penalties, including any adverse Tax consequences, out-of-pocket costs and expenses, including out-of-pocket legal fees and disbursements, suffered or incurred in connection with or as a result of any proposed Pre-Acquisition Reorganization or the unwinding of any Pre-Acquisition Reorganization.

4.7 Public Communications

- (1) The Company and the Purchaser shall agree on the text of joint press releases by which the Company and the Purchaser will announce (i) the execution of this Agreement and (ii) the completion of the Arrangement. The Parties shall co-operate in the preparation of presentations, if any, to Company Shareholders regarding the Arrangement. A Party must not issue any press release or make any other public statement or disclosure with respect to this Agreement or the Arrangement without the consent of the other Party (which consent shall not be unreasonably withheld, conditioned or delayed), and the Company must not make any filing with any Governmental Entity (except as contemplated by this

Article 4) with respect to this Agreement or the Arrangement without the consent of the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed); provided that any Party that is required to make disclosure by Law shall use its commercially reasonable efforts to give the other Party prior oral or written notice and a reasonable opportunity to review or comment on the disclosure or filing (other than with respect to confidential information contained in such disclosure or filing). The Party making such disclosure shall give reasonable consideration to any comments made by the other Party or its counsel, and if such prior notice is not possible, shall give such notice immediately following the making of such disclosure or filing.

- (2) Without limiting the generality of the foregoing and for greater certainty, each Party acknowledges and agrees that the other Party shall file, in accordance with Securities Laws, this Agreement, together with a material change report related thereto, under such Party's profile on SEDAR.

4.8 Notice and Cure Provisions

- (1) Each Party shall promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to:
 - (a) cause any of the representations or warranties of such Party contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time; or
 - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under this Agreement.
- (2) Notification provided under this Section 4.8 will not affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Agreement.
- (3) The Purchaser may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(d)(i) or Section 7.2(1)(d)(iv) and the Company may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(c)(i) or Section 7.2(1)(c)(ii), unless the Party seeking to terminate the Agreement (the "**Terminating Party**") has delivered a written notice ("**Termination Notice**") to the other Party (the "**Breaching Party**") specifying in reasonable detail all breaches of covenants, or incorrect representations and warranties or other matters which the Terminating Party asserts as the basis for termination. After delivering a Termination Notice, provided the Breaching Party is proceeding diligently to cure such matter and such matter is capable of being cured prior to the Outside Date (with any intentional breach being deemed to be incurable), the Terminating Party may not exercise such termination right until the earlier of (a) the Outside Date, and (b) if such matter has not been cured by the date that is 10 Business Days following receipt of such Termination Notice by the Breaching Party. If the Terminating Party delivers a Termination Notice prior to the date of the Company Meeting, unless the Parties agree otherwise, the Company shall postpone or adjourn the Company Meeting to

the earlier of (a) 10 Business Days prior to the Outside Date and (b) the date that is 10 Business Days following receipt of such Termination Notice by the Breaching Party.

4.9 Insurance and Indemnification

- (1) Prior to the Effective Date, the Company shall purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Company and its Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years from the Effective Date; provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 300% of the Company's current annual aggregate premium for policies currently maintained by the Company or its Subsidiaries.
- (2) The Purchaser shall, from and after the Effective Time, honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of the Company and its Subsidiaries to the extent that they are contained in the Constatng Documents of the Company or disclosed in the Company Disclosure Letter, and acknowledges that such rights, to the extent that they are disclosed in the Company Data Room, shall survive unamended the completion of the Plan of Arrangement and shall continue in full force and effect in accordance with their terms for a period of not less than six (6) years from the Effective Date.
- (3) This Section 4.9 shall survive the consummation of the Arrangement and is intended to be for the benefit of, and shall be enforceable by, the present and former directors and officers of the Company, its Subsidiaries and their respective heirs, executors, administrators and personal representatives (the Indemnified Persons) and shall be binding on the Purchaser, the Company, its Subsidiaries and their respective successors and assigns, and, for such purpose, the Company hereby confirms that it is acting as agent on behalf of the Indemnified Persons.

4.10 CSE Delisting

Subject to Laws, the Purchaser and the Company shall use their commercially reasonable efforts to cause the Common Shares to be de-listed from the CSE and OTCQX with effect promptly following the acquisition by Purchaser of the Company Shares pursuant to the Arrangement.

4.11 Board of Directors

Contemporaneously with the Effective Time, the board of directors of the Purchaser shall appoint Marc Lustig to the board of directors of the Purchaser.

4.12 Divestiture

As soon as reasonably practicable after the date hereof and in any event no later than the Effective Date, the Company shall divest of all of its direct or indirect equity or other interests in the Sale Entity and any affiliates thereof.

ARTICLE 5 ADDITIONAL COVENANTS REGARDING NON-SOLICITATION

5.1 Non-Solicitation

- (1) Except as expressly provided in this Article 5, the Company and its Subsidiaries shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other adviser) or agent of the Company or of any of its Subsidiaries (collectively "**Representatives**"), or otherwise, and shall not permit any such Person to:
 - (a) solicit, assist, initiate, encourage or otherwise facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
 - (b) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than the Purchaser) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal; or
 - (c) make a Change in Recommendation.
- (2) The Company shall, and shall cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced on or prior to the date of this Agreement with any Person (other than the Purchaser) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection therewith the Company shall:
 - (a) discontinue access to and disclosure of all information, including the Company Data Room and any confidential information, properties, facilities, books and records of the Company or any Subsidiary; and
 - (b) within two Business Days of the date hereof, to the extent it is permitted to do so, request, and exercise all rights it has to require (i) the return or destruction of all copies of any confidential information regarding the Company or any Subsidiary provided to any such Person other than the Purchaser; and (ii) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the Company or any Subsidiary, to the extent that such information has not previously been returned or destroyed, using its commercially

reasonable efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.

- (3) The Company represents and warrants that, in the twelve months prior to the date hereof, the Company has not waived any confidentiality, standstill, non-disclosure, business purposes or similar agreement or restriction to which the Company or any Subsidiary is a party relating to an Acquisition Proposal, and covenants and agrees that (i) the Company shall take all necessary action to enforce each confidentiality, standstill, use, business purpose or similar agreement or restriction to which the Company or any Subsidiary is a party in connection with a potential or actual Acquisition Proposal, and (ii) neither the Company, nor any Subsidiary nor any of their respective Representatives will, without the prior written consent of the Purchaser (which may be withheld or delayed in the Purchaser's sole and absolute discretion), release any Person from, or waive, amend, suspend or otherwise modify such Person's obligations respecting the Company, or any of its Subsidiaries, under any confidentiality, standstill, use, business purpose or similar agreement or restriction to which the Company or any Subsidiary is a party in connection with a potential or actual Acquisition Proposal, it being acknowledged and agreed that the automatic termination of any standstill provisions of any such agreement or restriction as a result of entering into and announcement of this Agreement by the Company pursuant to the express terms of any such agreement or restriction, shall not be a violation of this Section 5.1 and that the Company shall not be prohibited from considering a Superior Proposal from a party whose obligations so terminated automatically upon the entering into and announcement of this Agreement.

5.2 Notification of Acquisition Proposals

- (1) If after the date of this Agreement, the Company or any of its Subsidiaries or any of their respective Representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any Subsidiary, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any Subsidiary, the Company (a) shall promptly notify the Purchaser, at first orally, and then, and in any event within 24 hours in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its material terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and shall provide the Purchaser with copies of all documents, correspondence or other material received in respect of, from or on behalf of any such Person and such other details of such Acquisition Proposal, inquiry, proposal, offer or request as the Purchaser may reasonably request in writing; and (b) may contact the Person making such Acquisition Proposal, inquiry, proposal, offer or request and its Representatives solely for the purpose of clarifying the terms and conditions of such Acquisition Proposal, inquiry, proposal, offer or request so as to determine whether such Acquisition Proposal, inquiry, proposal, offer or request is, or would reasonably be expected to lead to, a Superior Proposal.

- (2) The Company shall keep the Purchaser reasonably informed on a current basis of the status of developments and negotiations with respect to any Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request and shall provide to the Purchaser copies of all material or substantive correspondence and documents if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence and documents sent or communicated to the Company by or on behalf of any Person making such Acquisition Proposal, inquiry, proposal, offer or request, including the providing the identity of the Person making such Acquisition Proposal, inquiry, proposal or offer and the material terms and conditions thereof and copies of all material or substantive documents received in respect of, from or on behalf of any such Person.

5.3 Responding to an Acquisition Proposal

- (1) Notwithstanding Section 5.1, if at any time, prior to obtaining the Required Approval, the Company receives an unsolicited written Acquisition Proposal, the Company may engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal and may provide copies of, access to or disclosure of confidential information, properties, facilities, books or records of the Company or its Subsidiaries, if and only if:
- (a) the Board first determines in good faith, after consultation with its financial advisors and its outside counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal, and, after consultation with its outside counsel, that the failure to engage in such discussions or negotiations would be inconsistent with its fiduciary duties;
 - (b) such Person was not restricted from making such Acquisition Proposal pursuant to an existing confidentiality, standstill, non-disclosure, use, business purpose or similar restriction with the Company or its Subsidiaries;
 - (c) the Acquisition Proposal did not arise, directly or indirectly, as a result of a violation by the Company of this Article 5 or the Exclusivity Agreement;
 - (d) the Company enters into a confidentiality and standstill agreement with such Person on customary terms, provided that such confidentiality and standstill agreement may allow such Person to make an Acquisition Proposal confidentially to the Board that constitutes, or could reasonably be expected to constitute or lead to, a Superior Proposal; and
 - (e) the Company promptly provides the Purchaser with:
 - (i) prior written notice stating the Company's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure;
 - (ii) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality and standstill agreement referred to in Section 5.3(1)(d); and

- (iii) any non-public information concerning the Company and its Subsidiaries provided to such other Person which was not previously provided to the Purchaser.

5.4 Right to Match

- (1) If the Company receives an Acquisition Proposal that constitutes a Superior Proposal prior to obtaining the Required Approval, the Board may make a Change in Recommendation and approve, recommend or enter into a definitive agreement with respect to such Superior Proposal, if and only if:
 - (a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill use, business purpose or similar restriction;
 - (b) the Acquisition Proposal, inquiry, proposal, offer or request did not arise, directly or indirectly, as a result of a violation by the Company of this Article 5 or the Exclusivity Agreement;
 - (c) the Company has delivered to the Purchaser a written notice of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board enter into such definitive agreement, together with a written notice from the Board regarding the value and financial terms that the Board, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Acquisition Proposal (the "**Superior Proposal Notice**") together with all documentation related to and detailing the Superior Proposal;
 - (d) the Company or its Representatives has provided the Purchaser a copy of the proposed definitive agreement for the Superior Proposal at the time it delivered the Superior Proposal Notice;
 - (e) at least five (5) Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice and a copy of the proposed definitive agreement for the Superior Proposal from the Company;
 - (f) during any Matching Period, the Purchaser has had the opportunity (but not the obligation), in accordance with Section 5.4(2), to offer to amend this Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;
 - (g) after the Matching Period, the Board has determined in good faith, after consultation with its legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (and, if applicable, compared to the terms of the Arrangement as proposed to be amended by the Purchaser under Section 5.4(2));

- (h) the Board has determined, in good faith, after consultation with the Company's outside legal counsel that it is necessary for the Board to enter into a definitive agreement with respect to such Superior Proposal in order to satisfy their fiduciary duties to the Company; and
 - (i) such Superior Proposal does not require the Company or any other Person to seek to interfere with the attempted successful completion of the Arrangement or any alternative transaction pursued by the Purchaser pursuant to the terms of the Support and Voting Agreements (including requiring the Company to delay, adjourn, postpone or cancel the Company Meeting) or provide for the payment of any break, termination or other fees or expenses or confer any rights or options to acquire assets or securities of the Company or any of its Subsidiaries to any Person in the event that the Company or any of its Subsidiaries completes the Arrangement or any other similar transaction with the Purchaser agreed to prior to the termination of this Agreement or pursuant to the Support and Voting Agreements.
- (2) During the Matching Period, or such longer period as the Company may approve in writing for such purpose: (a) the Board shall review any offer made by the Purchaser under Section 5.4(1)(f) to amend the terms of this Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the Company shall, and shall cause its Representatives to, negotiate in good faith with the Purchaser to make such amendments to the terms of this Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by this Agreement on such amended terms. If the Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the Company shall promptly so advise the Purchaser and the Company and the Purchaser shall amend this Agreement to reflect such offer made by the Purchaser, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.
- (3) Each successive amendment or modification to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Company Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of this Section 5.4, and the Purchaser shall be afforded a new five (5) Business Day Matching Period from the later of the date on which the Purchaser received the Superior Proposal Notice and a copy of the proposed definitive agreement for the new Superior Proposal from the Company.
- (4) The Board shall promptly reaffirm the Board Recommendation by press release after any Acquisition Proposal which is not determined to be a Superior Proposal is publicly announced or the Board determines that a proposed amendment to the terms of this Agreement as contemplated under Section 5.4(2) would result in an Acquisition Proposal no longer being a Superior Proposal. The Company shall provide the Purchaser and its outside legal with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its counsel.

- (5) If the Company provides a Superior Proposal Notice to the Purchaser after a date that is less than 10 Business Days before the Company Meeting, the Company shall either proceed with or shall postpone or adjourn the Company Meeting, as directed by the Purchaser acting reasonably, to a date that is not more than 10 Business Days after the scheduled date of the Company Meeting, but in any event to a date that is not less than five Business Days prior to the Outside Date.
- (6) Nothing contained in this Section 5.4 shall limit in any way the obligation of the Company to convene and hold the Company Meeting in accordance with Section 2.3 of this Agreement while this Agreement remains in force.
- (7) Nothing contained in this Agreement shall prevent the Board from complying with section 2.17 of National Instrument 62-104 – *Takeover Bids and Issuer Bids* and similar provisions under Securities Laws relating to the provision of a directors' circular in respect of an Acquisition Proposal that is not a Superior Proposal or other disclosure or filings required under applicable securities laws.

5.5 Breach by Subsidiaries and Representatives

Without limiting the generality of the foregoing, the Company shall advise its Subsidiaries and their respective Representatives of the prohibitions set out in this Article 5 and any violation of the restrictions set forth in this Article 5 by the Company, its Subsidiaries or their respective Representatives is deemed to be a breach of this Article 5 by the Company.

ARTICLE 6 CONDITIONS

6.1 Mutual Conditions Precedent

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:

- (1) **Arrangement Resolution.** The Arrangement Resolution has been approved and adopted by the Company Shareholders at the Company Meeting in accordance with the Interim Order and applicable law.
- (2) **Interim and Final Order.** The Interim Order and the Final Order have each been obtained on terms consistent with this Agreement, and have not been set aside or modified in a manner unacceptable to either the Company or the Purchaser, each acting reasonably, on appeal or otherwise.
- (3) **Key Regulatory Approvals.** Each of the Key Regulatory Approvals has been made, given or obtained on terms acceptable to the Purchaser and the Company, each acting reasonably, and each such Key Regulatory Approval is in force and has not been modified or rescinded.
- (4) **Illegality.** No Law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company or the Purchaser from consummating the

Arrangement, with the exception of the Controlled Substances Act, 21 USC 801 et seq., as it applies to marijuana.

- (5) the Consideration Shares and Replacement Options to be issued pursuant to the Arrangement shall be exempt from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof.

6.2 Additional Conditions Precedent to the Obligations of the Purchaser

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of the Purchaser and may only be waived, in whole or in part, by the Purchaser in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Company set forth in Section (b) [*Organization and Qualification*], Section (c) [*Authority Relative to this Agreement*], Section (f) [*Capitalization*], Section (w) [*Authorizations*], and Section (dd) [*Brokers*] of Schedule "C" were true and correct as of the date of this Agreement and are true and correct as of the Effective Time other than for *de minimis* inaccuracies, and all other representations and warranties of the Company set forth in this Agreement were true and correct as of the date of this Agreement and are true and correct as of the Effective Time in all respects, except where any failure or failures of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect (disregarding any materiality or "Company Material Adverse Effect" qualification contained in any such representation and warranty for the purpose of determining whether any such failure or failures would not, individually or in the aggregate, reasonably be expected to result in such a Company Material Adverse Effect), in each case except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date, and the Company has delivered a certificate confirming same to the Purchaser, executed by two senior officers of the Company (in each case without personal liability) addressed to the Purchaser and dated the Effective Date.
- (2) **Performance of Covenants.** The Company has fulfilled or complied in all material respects with each of the covenants of the Company contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and has delivered a certificate confirming same to the Purchaser, executed by two (2) senior officers of the Company (in each case without personal liability) addressed to the Purchaser and dated the Effective Date.
- (3) **No Legal Action.** There is no action or proceeding (whether, for greater certainty, by a Governmental Entity or any other Person other than the Purchaser or its Subsidiaries) pending or threatened in any jurisdiction to:
 - (a) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, the Purchaser's ability to acquire, hold, or exercise full rights of ownership over, any Company Shares, including the right to vote the Company Shares;

- (b) prohibit or restrict the Arrangement, or the ownership or operation by the Purchaser or its Subsidiaries of a material portion of the business or assets of the Purchaser and its Subsidiaries, the Company or any of its Subsidiaries, or compel the Purchaser or its Subsidiaries to dispose of or hold separate any material portion of the business or assets of the Purchaser and its Subsidiaries, the Company or any of its Subsidiaries as a result of the Arrangement or the transactions contemplated by this Agreement; or
 - (c) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have a Company Material Adverse Effect or a material and adverse effect on the Purchaser.
- (4) **Approvals.** All Regulatory Approvals and all other third party consents, waivers, permits, orders and approvals that are necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including any consents, waivers, permits, orders or approvals required under the Company Licenses, and the failure of which to obtain individually or in the aggregate, would be reasonably expected to be material and adverse to the Company or the Purchaser, shall have been obtained or received on terms that are acceptable to the Purchaser, acting reasonably.
 - (5) **Dissent Rights.** Dissent Rights have not been exercised with respect to more than 5.0% of the issued and outstanding Company Shares.
 - (6) **Company Material Adverse Effect.** Since the date of this Agreement, there shall have not occurred or have been disclosed to the public (if previously undisclosed to the public) a Company Material Adverse Effect.
 - (7) **Employment Agreement.** Marc Lustig shall have entered into an employment agreement in form and substance satisfactory to the Purchaser, acting reasonably.
 - (8) **Divestiture.** The Company shall have divested of all of its direct or indirect equity or other interests in the Sale Entity and any affiliates thereof in accordance with the terms of this Agreement.
 - (9) **Regulatory Opinion:** Delivery of state regulatory legal opinions addressed to the Purchaser, in form and substance satisfactory to the Purchaser, acting reasonably, dated on or before the Effective Date, from counsel in the designated jurisdictions where the Company has material operations, which counsel in turn may rely, as to matters of fact, on certificates of public officials and officers of the Company, as appropriate.

6.3 Additional Conditions Precedent to the Obligations of the Company

The Company is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of the Company and may only be waived, in whole or in part, by the Company in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Purchaser were true and correct as of the date of this Agreement and are true and correct as of the

Effective Time in all respects, except where any failure or failures of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to result in a Purchaser Material Adverse Effect (disregarding any materiality or "Purchaser Material Adverse Effect" qualification contained in any such representation and warranty for the purpose of determining whether any such failure or failures would not, individually or in the aggregate, reasonably be expected to result in such a Purchaser Material Adverse Effect), in each case except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date, and the Company has delivered a certificate confirming same to the Company, executed by two senior officers of the Purchaser (in each case without personal liability) addressed to the Company and dated the Effective Date.

- (2) **No Legal Action.** There is no action or proceeding pending by a Governmental Entity in any jurisdiction that is reasonably likely to :
 - (a) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, the Purchaser's ability to issue the Consideration Shares; or
 - (b) if the Arrangement is consummated, have or be reasonably expected to have a Purchaser Material Adverse Effect.
- (3) **Performance of Covenants.** The Purchaser has fulfilled or complied in all material respects with each of the covenants of the Purchaser contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and has delivered a certificate confirming same to the Company, executed by two (2) senior officers of the Purchaser (in each case without personal liability) addressed to the Company and dated the Effective Date.
- (4) **Purchaser Material Adverse Effect.** Since the date of this Agreement, there shall have not occurred or have been disclosed to the public (if previously undisclosed to the public) a Purchaser Material Adverse Effect.
- (5) **Deposit of Consideration.** Subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent contained herein in its favour (other than conditions which, by their nature, are only capable of being satisfied as of the Effective Time), the Purchaser has deposited or caused to be deposited with the Depository in escrow, the aggregate Consideration to be paid pursuant to the Arrangement.
- (6) **Director.** Provided that he satisfies the requirements at Law (including stock exchange requirements) for being a director of the Purchaser, Marc Lustig shall have been appointed to the board of directors of the Purchaser.

6.4 Satisfaction of Conditions

The conditions precedent set out in Section 6.1, Section 6.2 and Section 6.3 will be conclusively deemed to have been satisfied, waived or released when the Certificate of Arrangement is issued by the Director.

6.5 Frustration of Conditions

Neither the Purchaser nor the Company may rely on the failure of any condition set forth in Section 6.1, Section 6.2 or Section 6.3, as applicable, to be satisfied if such failure was caused by such Party's breach in any material respect of any provision of this Agreement or failure in any material respect to use the standard of efforts required from such Party to consummate the transactions contemplated hereby.

ARTICLE 7 TERM AND TERMINATION

7.1 Term

This Agreement shall be effective from the date hereof until the earlier of the Effective Date and the termination of this Agreement in accordance with its terms.

7.2 Termination

- (1) This Agreement may be terminated prior to the Effective Time by:
 - (a) the mutual written agreement of the Parties; or
 - (b) either the Company or the Purchaser:
 - (i) if the Required Approval is not obtained at the Company Meeting in accordance with the Interim Order, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(i) if the failure to obtain the Required Approval has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;
 - (ii) if, after the date of this Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Company or the Purchaser from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the Party seeking to terminate this Agreement pursuant to this Section 7.2(1)(b)(ii) has used its commercially reasonable efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or
 - (iii) if the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(iii) if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement; or

- (c) the Company if:
 - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser under this Agreement occurs that would cause any condition in Section 6.3(1) [*Purchaser Reps and Warranties Condition*] or Section 6.3(2) [*Purchaser Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of Section 4.8(3); provided that the Company is not then in breach of this Agreement so as to directly or indirectly cause any condition in Section 6.2(1) [*Company Reps and Warranties Condition*] or Section 6.2(2) [*Company Covenants Condition*] not to be satisfied; or
 - (ii) since the date of this Agreement, there has occurred and is continuing a Purchaser Material Adverse Effect;
- (d) the Purchaser if:
 - (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under this Agreement occurs that would cause any condition in Section 6.2(1) [*Company Reps and Warranties Condition*] or Section 6.2(2) [*Company Covenants Condition*] not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of Section 4.8(3); provided that the Purchaser is not then in breach of this Agreement so as to directly or indirectly cause any condition in Section 6.3(1) [*Purchaser Reps and Warranties Condition*] or Section 6.3(2) [*Purchaser Covenants Condition*] not to be satisfied;
 - (ii) the Board or any committee of the Board (A) fails to unanimously recommend or withdraws, amends, modifies or qualifies, or publicly proposes or states an intention to withdraw, amend, modify or qualify, the Board Recommendation, (B) accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend or takes no position or a neutral position, in each case with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for more than five Business Days (or beyond the third Business Day prior to the date of the Company Meeting, if sooner), (C) accepts, approves, endorses, recommends or executes or enters into (other than a confidentiality and standstill agreement permitted by and in accordance with Section 5.3) or publicly proposes to accept, approve, endorse, recommend or execute or enter into any agreement, letter of intent, understanding or arrangement relating to an Acquisition Proposal or any proposal or offer that could reasonably be expected to lead to an Acquisition Proposal; (D) fails to publicly reaffirm the Board Recommendation (without qualification) within five Business Days after having been requested in writing by the Purchaser

to do so (collectively, a "**Change in Recommendation**"), or (E) the Company breaches Article 5 in any material respect;

- (iii) any event occurs as a result of which the condition set forth in Section 6.2(5) [*Dissent Rights Condition*] is not capable of being satisfied by the Outside Date; or
- (iv) since the date of this Agreement, there has occurred and is continuing a Company Material Adverse Effect.

- (2) The Party desiring to terminate this Agreement pursuant to this Section 7.2 (other than pursuant to Section 7.2(1)(a)) shall give written notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

7.3 Effect of Termination/Survival

If this Agreement is terminated pursuant to Section 7.1 or Section 7.2, this Agreement shall become void and of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party to this Agreement, except that: (a) in the event of termination under Section 7.1 as a result of the Effective Time occurring, Section 4.9 shall survive for a period of six (6) years following such termination; and (b) in the event of termination under Section 7.2, this Section 7.3, Section 8.2 through to and including Section 8.15, Section 2.4(5), Section 4.5(4) and Section 4.6(6) shall survive, and provided further that no Party shall be relieved of any liability for any wilful and material breach by it of this Agreement.

ARTICLE 8 GENERAL PROVISIONS

8.1 Amendments

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Company Meeting but not later than the Effective Time, be amended, subject to the Plan of Arrangement, the Interim Order and the Final Order, by mutual written agreement of the Parties, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) modify any representation or warranty contained in this Agreement or in any document delivered pursuant to this Agreement;
- (c) modify any of the covenants contained in this Agreement and waive or modify performance of any of the obligations of the Parties; and/or
- (d) modify any mutual conditions contained in this Agreement.

8.2 Termination Fees

- (1) Despite any other provision in this Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, if a Termination Fee Event occurs, the Company shall pay the Purchaser the Termination Fee in accordance with Section 8.2(3).
- (2) For the purposes of this Agreement, "**Termination Fee**" means \$45 million and "**Termination Fee Event**" means the termination of this Agreement:
 - (a) by the Purchaser, pursuant to Section 7.2(1)(d)(ii) [*Change in Recommendation or Breach of Section 5.1(1)*];
 - (b) pursuant to any subsection of Section 7.2 if at such time the Purchaser is entitled to terminate this Agreement pursuant to Section 7.2(1)(d)(ii) [*Change in Recommendation or Breach of Article 5*];
 - (c) by the Company or the Purchaser pursuant to Section 7.2(1)(b)(i) [*Failure of Shareholders to Approve*] or Section 7.2(1)(b)(iii) [*Effective Time not prior to Outside Date*] or by the Purchaser pursuant to Section 7.2(1)(d)(i) [*Breach of Reps and Warranties or Covenants by Company*] if:
 - (i) prior to such termination, an Acquisition Proposal is publicly announced or otherwise publicly disclosed by any Person (other than the Purchaser or any of its affiliates) or any Person (other than the Purchaser or any of its affiliates) shall have publicly announced an intention to make an Acquisition Proposal; and
 - (ii) within nine (9) months following the date of such termination, (A) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) is consummated, or (B) the Company or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) and such Acquisition Proposal is later consummated (whether or not within nine (9) months after such termination).

For purposes of the foregoing, the term "**Acquisition Proposal**" shall have the meaning assigned to such term in Section 1.1, except that references to "20% or more" shall be deemed to be references to 50% or more.

- (3) The Termination Fee shall be paid by the Company to the Purchaser as follows, by wire transfer of immediately available funds to an account designated by the Purchaser, if a Termination Fee Event occurs due to:
 - (a) termination of this Agreement described in Section 8.2(2)(a) or Section 8.2(2)(b), within two (2) Business Days of the occurrence of such Termination Fee Event; and

- (b) a termination of this Agreement described in Section 8.2(2)(c), on or prior to consummation of the Acquisition Proposal referred to in Section 8.2(2)(c).
- (4) The Company acknowledges that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement, and that without these agreements the Purchaser would not enter into this Agreement, and that the amounts set out in this Section 8.2 represent liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, which the Purchaser will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and is not a penalty. The Company irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive.
- (5) Subject to Section 7.3, the Purchaser hereby expressly acknowledges and agrees that, upon any termination of this Agreement under circumstances where it is entitled to the Termination Fee and such Termination Fee is paid in full within the prescribed time period, it shall be precluded from any other remedy against the Company or its Subsidiaries and shall not seek to obtain any recovery, judgment or damages of any kind against the Company or its Subsidiaries in connection with this Agreement.

8.3 Expenses

- (1) Except as expressly otherwise provided in this Agreement, all out-of-pocket third party transaction expenses incurred in connection with this Agreement and the Plan of Arrangement and the transactions contemplated hereunder and thereunder, including all costs, expenses and fees of the Company incurred prior to or after the Effective Time in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.
- (2) The Company confirms that other than the fees disclosed in section 8.3(2) of the Company Disclosure Letter, no broker, finder or investment banker is or will be entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement.

8.4 Notices

Any notice, or other communication given regarding the matters contemplated by this Agreement (must be in writing, sent by personal delivery, courier or email and addressed:

- (a) to the Purchaser at:

Cresco Labs Inc.
520 W. Erie Street, #220
Chicago, IL
60654

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

with a copy (which shall not constitute notice) to:

Bennett Jones LLP
Suite 3400
1 First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Attention: [REDACTED – personal identifying information]
Telephone: [REDACTED – personal identifying information]
Email: [REDACTED – personal identifying information]

(b) to the Company at:

333 Preston Street, Preston Square Tower 1
Suite 610
Ottawa, Ontario
K1S 5N4

Attention: [REDACTED – personal identifying information]
Telephone: [REDACTED – personal identifying information]
Email: [REDACTED – personal identifying information]

with a copy to:

Norton Rose Fulbright Canada LLP
Royal Bank Plaza, South Tower, Suite 3800
200 Bay Street, P.O. Box 84
Toronto, ON M5J 2Z4

Attention: [REDACTED – personal identifying information]
Telephone: [REDACTED – personal identifying information]
Email: [REDACTED – personal identifying information]

Any notice or other communication is deemed to be given and received (i) if sent by personal delivery, same day courier or facsimile or email, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day or (ii) if sent by overnight courier, on the next Business Day. A Party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice or other communication must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a notice will be assumed not to be changed. Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

8.5 Time of the Essence

Time is of the essence in this Agreement.

8.6 Injunctive Relief

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to specific performance injunctive and other equitable relief to prevent breaches of this Agreement, and to enforce compliance with the terms of this Agreement without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.

8.7 Third Party Beneficiaries

- (1) Except as provided in Section 4.9 which, without limiting its terms, is intended as stipulations for the benefit of the third Persons mentioned in such provisions (such third Persons referred to in this Section 8.7 as the "**Indemnified Persons**"), the Company and the Purchaser intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties and that no Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.
- (2) Despite the foregoing, the Purchaser acknowledges to each of the Indemnified Persons their direct rights against it under Section 4.9 of this Agreement, which are intended for the benefit of, and shall be enforceable by, each Indemnified Person, his or her heirs and his or her legal representatives, and for such purpose, the Company confirms that it is acting as trustee on their behalf, and agrees to enforce such provisions on their behalf. The Parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person, including any Indemnified Person.

8.8 Waiver

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

8.9 Entire Agreement

This Agreement, including the Schedules hereto, the Company Disclosure Letter, the Purchaser Disclosure Letter and the Confidentiality Agreement constitutes the entire agreement between the Parties with respect to the transactions contemplated by this Agreement and supersedes all prior

agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement.

8.10 Successors and Assigns

- (1) This Agreement becomes effective only when executed by the Company and the Purchaser. After that time, it will be binding upon and enure to the benefit of the Company, the Purchaser and their respective successors and permitted assigns.
- (2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Party.

8.11 Severability

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

8.12 Governing Law

- (1) This Agreement will 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.
- (2) Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the Ontario courts situated in the City of Toronto and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

8.13 Rules of Construction

The Parties to this Agreement waive the application of any Law or rule of construction providing that ambiguities in any agreement or other document shall be construed against the Party drafting such agreement or other document.

8.14 No Liability

No director or officer of the Purchaser or any of its affiliates shall have any personal liability whatsoever to the Company under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of the Purchaser. No director or officer of the Company or any of its Subsidiaries shall have any personal liability whatsoever to the Purchaser

under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of the Company or any of its Subsidiaries.

8.15 Language

The Parties expressly acknowledge that they have requested that this Agreement and all ancillary and related documents thereto be drafted in the English language only. Les parties aux présentes reconnaissent avoir exigé que la présente entente et tous les documents qui y sont accessoires soient rédigés en anglais seulement.

8.16 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

8.17 Time of Essence

Time shall be of the essence in this Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Arrangement Agreement.

CRESCO LABS INC.

By: (signed) "Charles Bachtell"
Name: Charles Bachtell
Title: Founder and CEO

**CANNAROYALTY CORP.
D/B/A ORIGIN HOUSE**

By: (signed) "Marc Lustig"
Name: Marc Lustig
Title: Chairman and CEO

SCHEDULE "A"
PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER SECTION 182
OF THE *BUSINESS CORPORATIONS ACT* (ONTARIO)

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings ascribed thereto in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"180 Smoke" means 2360149 Ontario Inc. d/b/a 180 Smoke, a corporation existing under the laws of Ontario.

"180 Smoke Share Entitlement" means the entitlement to Common Shares that 180 Smoke is contingently entitled to receive under the 180 Smoke Purchase Agreement as a working Capital Adjustment.

"180 Smoke Purchase Agreement" means the share purchase agreement dated as of February 19, 2019, between the shareholders of 2488004 Ontario Inc., the shareholders of 180 VFC Inc., the shareholders of 180 Smoke, Gopal Bhatnagar and the Company, providing for, among other things, the acquisition of 180 Smoke, 2488004 Ontario Inc. and 180 VFC Inc.

"Arrangement" means an arrangement under Section 182(1) of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or Section 6.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"Arrangement Agreement" means the arrangement agreement dated as of April 1, 2019 between the Purchaser and the Company, as same may be amended, supplemented or restated in accordance therewith, prior to the Effective Time, providing for, among other things, the Arrangement.

"Arrangement Resolution" means the special resolution approving this Plan of Arrangement presented to the Company Shareholders at the Company Meeting.

"Articles of Arrangement" means the articles of arrangement of the Company in respect of the Arrangement, required by the OBCA to be sent to the Director after the Final

Order is made, which shall include this Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and the Purchaser, each acting reasonably.

"Award Agreement" means an agreement between the Company and a participant in, or pursuant to, the Share Unit Plan setting out the participant's entitlement to receive any Company RSUs;

"Business Day" means a day of the year, other than a Saturday, Sunday or any day on which major banks are generally closed for business in Toronto, Ontario or Chicago, Illinois.

"Certificate of Arrangement" means the certificate of arrangement issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement.

"Class A Compressed Shares" means the class A compressed shares in the capital of the Company.

"Common Shares" means the common shares in the capital of the Company.

"Company" means Cannaroyalty Corp. d/b/a Origin House, a corporation existing under the laws of the Province of Ontario.

"Company Circular" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Company Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.

"Company Class A Compressed Shareholders" means the registered or beneficial holders of the Class A Compressed Shares, as the context requires.

"Company Common Shareholders" means the registered or beneficial holders of the Common Shares, as the context requires.

"Company Shareholders" means the Company Common Shareholders and the Company Class A Compressed Shareholders.

"Company Meeting" means the special meeting of Company Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

"Company Options" means the options to purchase Common Shares issued pursuant to the Stock Option Plan which are outstanding as of the Effective Time.

"Company Optionholders" means holders of Company Options.

"**Company RSUs**" means the restricted share units issued pursuant to the Share Unit Plan which are outstanding as of the Effective Time.

"**Company RSU Holders**" means the holders of Company RSUs.

"**Company Warrant holders**" means the registered or beneficial holders of Company Warrants, as the context requires.

"**Company Warrants**" means the warrants to purchase Common Shares issued pursuant to the Warrant Documents which are outstanding as of the Effective Time.

"**Consideration**" means 0.8428 of a Purchaser Share for each Common Share.

"**Court**" means the Ontario Superior Court of Justice (Commercial List).

"**Depository**" means Odyssey Trust Company, or any other depository or trust company, bank or financial institution as the Purchaser may appoint to act as depository with the approval of the Company, acting reasonably, for the purpose of, among other things, exchanging certificates representing Common Shares and the Class A Compressed Shares for Purchaser Shares in connection with the Arrangement.

"**Director**" means the Director appointed pursuant to Section 278 of the OBCA.

"**Dissent Rights**" has the meaning specified in Section 3.1.

"**Dissenting Holder**" means a registered holder of Common Shares or registered holder of Class A Compressed Shares who has properly exercised its Dissent Rights in accordance with Section 3.1 and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Right and who is ultimately determined to be entitled to be paid the fair value of its Common Shares.

"**Effective Date**" means the date shown on the Certificate of Arrangement, giving effect to the Arrangement.

"**Effective Time**" means 12:01 a.m. (Toronto time) on the Effective Date, or such other time as the Parties agree to in writing before the Effective Date.

"**Final Order**" means the final order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal.

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau,

ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision, agent or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange.

"**Interim Order**" means the interim order of the Court in a form acceptable to the Company and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

"**Law**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

"**Lien**" means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

"**Letter of Transmittal**" means the letter of transmittal to be sent by the Company to Company Shareholders in connection with the Arrangement.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Pacific Binding LOI**" means the binding letter of intent dated June 27, 2018, between Pacific Remedy LLC and Cali-Antifragile Corp., providing for, among other things, a licensing arrangement and purchase option.

"**Pacific Remedy**" means Pacific Remedy LLC.

"**Pacific Remedy Share Entitlement**" means the entitlement to Common Shares that Pacific Remedy is entitled to receive upon the occurrence of certain events under the Pacific Binding LOI;

"**Parties**" means the Company and the Purchaser and "**Party**" means any one of them.

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means this plan of arrangement proposed under Section 182 of the OBCA, and any amendments or variations made in accordance with Section 8.1 of the Arrangement Agreement or Section 6.1 of this plan of arrangement or made at the

direction of the Court in the Final Order with the consent of the Company and the Purchaser, each acting reasonably.

"**Purchaser**" means Cresco Labs Inc., a company existing under the laws of the Province of British Columbia.

"**Purchaser Shares**" means the subordinate voting shares in the capital of the Purchaser.

"**Replacement Option**" means an option or right to purchase Purchaser Shares granted by the Purchaser in replacement of Company Options on the basis set forth in Section 2.3(e).

"**RPE**" means RPE, Inc., a corporation organized under the laws of State of California.

"**RPE Exchangeable Shares**" means the Exchangeable Shares of RPE.

"**RPE Exchange Agreement**" contribution and exchange agreement dated as of September 19, 2018, between River Break Distributing L.P., River Break GP, LLC, Headwaters LP, Rick Herbert, David Pottruck, Henry Pilger, Ted Simpkins, RPE and the Company, providing for, among other things, the acquisition of River Break Distributing L.P.

"**RPE Share Entitlement**" means the entitlement to Class A Compressed Shares that the holder of the RPE Exchangeable Shares is entitled to receive, upon the occurrence of certain events under the RPE Exchange Agreement, RPE Support Agreement and the terms of the RPE Exchangeable Shares.

"**RPE Support Agreement**" means the support agreement substantially in the form of Schedule 4.2(i) attached to the RPE Exchange Agreement.

"**RSU Consideration**" means, with respect to each Company RSU, one Common Share for each Company RSU.

"**Share Unit Plan**" means the Company's share unit plan, adopted as of November 11, 2016, as amended.

"**Stock Option Plan**" means the Company's incentive stock option plan, adopted as of November 11, 2016, as amended.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time.

"**Warrant Documents**" means each of the warrant certificates bearing the number 2018-04-BW-005 and 2014-04-BW-011 issued by the Company to the registered holders thereof evidencing the right to receive warrants of the Company, each exercisable for one Common Share and one-half of one Common Share purchase warrant, in accordance with the terms thereof.

1.2 Certain Rules of Interpretation.

In this Agreement, unless otherwise specified:

- (1) **Headings, etc.** The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.
- (2) **Currency.** All references to dollars or to \$ are references to Canadian dollars.
- (3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) **Certain Phrases, etc.** Wherever the word "including," "includes" or "include" is used in this Plan of Arrangement, it shall be deemed to be followed by the words "without limitation." the word "or" shall be disjunctive but not exclusive. The phrase "the aggregate of," "the total of," "the sum of" or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of." References herein to a Person in a particular capacity or capacities shall exclude such Person in any other capacity.
- (5) **Statutes.** Any reference to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.
- (6) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.
- (7) **Time References.** References to time are to local time, Toronto, Ontario.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement.

2.2 Binding Effect

This Plan of Arrangement and the Arrangement will become effective at, and be binding at and after, the times referred to in Section 2.3 on: (i) the Company, (ii) the Purchaser, (iii) all registered and beneficial Company Shareholders (including Dissenting Shareholders), (iv) 180 Smoke, the holder of the RPE Exchangeable Shares, RPE Inc, and Pacific Remedy, and (v) all

holders of Company Options, Company RSUs and Company Warrants or participants in the Stock Option Plan or Share Unit Plan, in each case without any further act or formality required on the part of any Person.

2.3 Arrangement

Commencing at the Effective Time, the following shall occur and shall be deemed to occur as set out below without any further authorization, act or formality, in each case effective as at two minute intervals starting at the Effective Time:

- (a) each of the Common Shares or Class A Compressed Share held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred, without any further act or formality by or on behalf of any Dissenting Holder, to the Purchaser in consideration for a debt claim against the Purchaser for the amount determined under Article 3, and:
 - (i) such Dissenting Holder shall cease to be the holder of such Common Shares or Class A Compressed Shares, as the case may be, and to have any rights as a Company Shareholder other than the right to be paid fair value for such Common Shares or Class A Compressed Shares, as the case may be, as set out in Section 3.1;
 - (ii) such Dissenting Holder's name shall be removed as the holder of Common Shares or Class A Compressed Shares, as the case may be, from the applicable register of Company Shareholders maintained by or on behalf of the Company; and
 - (iii) the Purchaser shall be deemed to be the transferee of such Common Shares or Class A Compressed Shares, as the case may be, free and clear of all Liens (other than the right to be paid fair value for such Common Shares or Class A Compressed Shares, as the case may be, as set out in Section 3.1), and shall be entered in the applicable register of Company Shareholders maintained by or on behalf of the Company; and
- (b) each Class A Compressed Share outstanding immediately prior to the Effective Time (other than Class A Compressed Share held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised under Section 2.3(a) and any Class A Compressed Share held by the Purchaser or any affiliates thereof) shall, without any further act or formality by or on behalf of any Company Compressed Shareholder, be deemed to be converted into 100 Common Shares, and
 - (i) each holder of such Class A Compressed Shares shall cease to be the holder thereof and to have any rights as a Company Compressed Shareholder;

- (ii) the name of each such holder shall be removed from the register of the Company Compressed Shareholders maintained by or on behalf of the Company; and
 - (iii) each such former Company Compressed Shareholder shall be deemed to be the holder of such Common Shares and shall be entered in the register of the Company Common Shareholders maintained by or on behalf of the Company.
- (c) notwithstanding any vesting provisions to which a Company RSU might otherwise be subject (whether by contract, the terms and conditions of any Award Agreement or grant, the terms and conditions of the Share Unit Plan or applicable Law), each Company RSU issued and outstanding immediately prior to the Effective Time shall, without any further act or formality by or on behalf of any Company RSU Holder, be deemed to be fully vested and shall be transferred and disposed by the holder thereof to the Company (free and clear of all Liens) and cancelled in exchange for the applicable RSU Consideration, and
 - (i) each holder of such Company RSU shall cease to be the holder thereof and to have any rights as a Company RSU Holder;
 - (ii) the name of each such holder shall be removed from the register of the Company RSU Holders maintained by or on behalf of the Company;
 - (iii) each such former holder of such Company RSU shall be deemed to be the holder of the Common Shares comprising such RSU Consideration and shall be entered in the register of the Company Common Shareholders maintained by or on behalf of the Company;
 - (iv) all Award Agreements, grants and similar instruments relating thereto will be cancelled; and
 - (v) the Share Unit Plan shall be cancelled;
- (d) each Common Share outstanding immediately prior to the Effective Time (other than Common Shares held by a Dissenting Holder in respect of which Dissent Rights have been validly exercised under Section 2.3(a) and any Common Shares held by the Purchaser or any affiliates thereof) and each Common Share issued to former Company Compressed Shareholders and former Company RSU Holders under Sections 2.3(b) and 2.3(c) shall, without any further action by or on behalf of any Company Common Shareholder, be deemed to be assigned and transferred by the holder thereof to the Purchaser in exchange for the Consideration, and
 - (i) each holder of such Common Shares shall cease to be the holder thereof and to have any rights as a Company Common Shareholder other than the right to be paid the Consideration per Common Share in accordance with this Plan of Arrangement;

- (ii) the name of each such holder shall be removed from the register of the Company Common Shareholders maintained by or on behalf of the Company; and
 - (iii) the Purchaser shall be deemed to be the transferee of such Common Shares free and clear of all Liens and shall be entered in the register of the Company Common Shareholders maintained by or on behalf of the Company.
- (e) each Company Option outstanding at the Effective Time (whether vested or unvested) will be exchanged for a Replacement Option to acquire such number of Purchaser Shares as is equal to: (A) that number of Common Shares that were issuable upon exercise of such Company Option immediately prior to the Effective Time, multiplied by (B) 0.8428, rounded down to the nearest whole number of Purchaser Shares, at an exercise price per Purchaser Share equal to the greater of (i) the quotient determined by dividing: (X) the exercise price per Common Share at which such Company Option was exercisable immediately prior to the Effective Time, by (Y) 0.8428, rounded up to the nearest whole cent, and (ii) such minimum amount that meets the requirements of paragraph 7(1.4)(c) of the Tax Act. All terms and conditions of a Replacement Option, including the term to expiry, vesting, conditions to and manner of exercising, shall be the same as the Company Option for which it was exchanged, and any certificate or option agreement previously evidencing the Company Option shall thereafter evidence and be deemed to evidence such Replacement Option.
- (f) Without any further act or formality by or on behalf of 180 Smoke, the 180 Smoke Share Entitlement shall be deemed to be an entitlement to receive 0.8428 of a Purchaser Share for each Common Share that would be issued under the 180 Smoke Share Entitlement and the 180 Smoke Purchase Agreement shall be deemed to be amended accordingly.
- (g) Without any further act or formality by or on behalf of Pacific Remedy, the Pacific Remedy Share Entitlement shall be deemed to be an entitlement to receive 0.8428 of a Purchaser Share for each Common Share that would be issued under the Pacific Remedy Share Entitlement and the Pacific Binding LOI shall be deemed to be amended accordingly.
- (h) Without any further act or formality by or on behalf of shareholder of the RPE Exchangeable Shares, the RPE Share Entitlement shall be deemed to be an entitlement to receive 84.28 Purchaser Shares for each Class A Compressed share that would be issued under the RPE Share Entitlement and the RPE Support Agreement, RPE Exchange Agreement and the terms of the RPE Exchangeable Shares shall be deemed to be amended accordingly.

2.4 No Fractional Purchaser Shares

In no event shall any fractional Purchaser Shares be issued under this Plan of Arrangement. Where the aggregate number of Purchaser Shares to be issued to a Company Common Shareholder as consideration under this Plan of Arrangement would result in a fraction of a Purchaser Share being issuable, then the number of Purchaser Shares to be issued to such Company Common Shareholder shall be rounded down to the closest whole number and, in lieu of the issuance of a fractional Purchaser Share thereof, the Purchaser will pay to each such holder a cash payment (rounded down to the nearest cent) based on a price per Purchaser Share of \$12.60.

ARTICLE 3 RIGHTS OF DISSENT

3.1 Rights of Dissent

Each registered holder of Common Shares and Class A Compressed Shares may exercise dissent rights with respect to any Common Shares or Class A Compressed Share held by such holder ("**Dissent Rights**") in connection with the Arrangement pursuant to and in the manner set forth in Section 185 of the OBCA, as modified by the Interim Order and this Section 3.1, provided that, notwithstanding subsection 185(6) of the OBCA, the written objection to the Arrangement Resolution referred to in subsection 185(6) of the OBCA must be received by the Company not later than 5:00 p.m. (Toronto time) two Business Days immediately preceding the date of the Company Meeting (as it may be adjourned or postponed from time to time). Each Dissenting Holder that duly exercises such holder's Dissent Rights shall be deemed to have transferred the Common Shares and Class A Compressed Share held by such holder and in respect of which Dissent Rights have been validly exercised to the Purchaser free and clear of all Liens (other than the right to be paid fair value for such Common Shares or Class A Compressed Share, as the case may be, as set out in this Section 3.1), as provided in Section 2.3(a) and if they:

- (a) ultimately are entitled to be paid fair value for such Common Shares or Class A Compressed Share, as the case may be: (i) shall be deemed not to have participated in the transactions in Article 2 (other than Section 2.3(a)); (ii) will be entitled to be paid the fair value of such Common Shares or Class A Compressed Share, as the case may be, by the Purchaser, which fair value, notwithstanding anything to the contrary contained in Part XIV of the OBCA, shall be determined as of the close of business on the Business Day before the Arrangement Resolution was adopted; and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holder not exercised their Dissent Rights in respect of such Common Shares or Class A Compressed Share, as the case may be; or
- (b) ultimately are not entitled, for any reason, to be paid fair value for such Common Shares or Class A Compressed Share, as the case may be, shall be deemed to have participated in the Arrangement on the same basis as a Company Shareholder that is not a Dissenting Holder and shall be entitled to receive only the Consideration contemplated by Section 2.3(d) hereof that such Dissenting Holder would have

received pursuant to the Arrangement if such Dissenting Holder had not exercised its Dissent Rights.

3.2 Recognition of Dissenting Holders

- (a) In no circumstances shall the Purchaser, the Company or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Common Shares or registered holder of Class A Compressed Share in respect of which such rights are sought to be exercised.
- (b) For greater certainty, in no case shall the Purchaser, the Company or any other Person be required to recognize Dissenting Holders as holders of Common Shares or Class A Compressed Share, as the case may be, in respect of which Dissent Rights have been validly exercised after the completion of the transfer under Section 2.3(a), and the names of such Dissenting Holders shall be removed from the applicable registers of holders of Common Shares or Class A Compressed Share in respect of which Dissent Rights have been validly exercised at the same time as the event described in Section 2.3(a) occurs.
- (c) In addition to any other restrictions under Section 185 of the OBCA, none of the following shall be entitled to exercise Dissent Rights: (i) Company Optionholders; (ii) Company RSU Holders, (iii) Company Warrantholders; and (iv) holders of Common Shares who vote or have instructed a proxyholder to vote such Common Shares in favour of the Arrangement Resolution (but only in respect of such Common Shares).

ARTICLE 4 COMPANY WARRANTS

4.1 Company Warrants

In accordance with the terms of the applicable Warrant Document, each holder of a Company Warrant shall be entitled to receive (and such holder shall accept) upon the exercise of such holder's Company Warrant, in lieu of the Common Shares to which such holder was theretofore entitled upon such exercise and for the same aggregate consideration payable therefor, the number of Purchaser Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Arrangement if, immediately prior to the Effective Date, such holder had been the registered holder of the number of Common Shares to which such holder would have been entitled if such holder had exercised such holder's Company Warrants immediately prior to the Effective Time. Each Company Warrant shall continue to be governed by and be subject to the applicable Warrant Document.

4.2 Exercise of Company Warrants Post-Effective Time

Upon any exercise of a Company Warrant following the Effective Time, the Purchaser shall deliver the Purchaser Shares needed to settle such exercise.

4.3 Idem

This Article 4 is subject to adjustment in accordance with the terms of the Warrant Documents.

ARTICLE 5 CERTIFICATES AND PAYMENTS

5.1 Payment and Delivery of Consideration

- (a) Prior to the sending by the Company of the Articles of Arrangement to the Director the Purchaser shall deliver, or cause to be delivered, the Purchaser Shares to the Depository to satisfy the Consideration issuable to the Company Common Shareholders pursuant to this Plan of Arrangement (other than Company Shareholders who have validly exercising Dissent Rights and who have not withdrawn their notice of objection).
- (b) Upon surrender to the Depository for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Company Compressed Shares that were transferred pursuant to Section 2.3(b) or Common Shares that were transferred pursuant to Section 2.3(d), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require, the Company Shareholder(s) represented by such surrendered certificate shall be entitled to receive in exchange therefor, and the Depository shall deliver to such Company Shareholder(s): a certificate representing the number of Purchaser Shares to which such holder is entitled to receive under the Arrangement, which Purchaser Shares will be registered in such name or names and either (A) delivered to the address or addresses as such Company Shareholder directed in their Letter of Transmittal; or (B) made available for pick up at the offices of the Depository in accordance with the instructions of the Company Shareholder in the Letter of Transmittal, and any certificate representing Common Shares or Class A Compressed Share, as the case may be, so surrendered shall forthwith thereafter be cancelled.
- (c) Until surrendered as contemplated by this Section 5.1, each certificate that immediately prior to the Effective Time represented Common Shares or Class A Compressed Share, as the case may be, (other than Common Shares or Class A Compressed Share, as the case may be in respect of which Dissent Rights have been validly exercised and not withdrawn), shall be deemed after the Effective Time to represent only the right to receive upon such surrender the Consideration in lieu of such certificate as contemplated in this Section 5.1, less any amounts withheld pursuant to Section 5.3. Any such certificate formerly representing Common Shares or Class A Compressed Share, as the case may be, not duly surrendered on or before the second anniversary of the Effective Date shall cease to represent a claim by or interest of any former Company Shareholder of any kind or nature against or in the Company or the Purchaser. On such date, all Consideration to which such former holder was entitled shall be deemed to have

been surrendered to the Purchaser and shall be delivered by the Depositary to the Purchaser or as directed by the Purchaser.

- (d) Any payment made by way of cheque by the Depositary pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary or that otherwise remains unclaimed, in each case, on or before the second anniversary of the Effective Time, and any right or claim to payment hereunder that remains outstanding on the second anniversary of the Effective Time shall cease to represent a right or claim of any kind or nature and the right of the holder to receive the applicable Consideration pursuant to this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to the Purchaser for no consideration.

5.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Common Shares or Class A Compressed Share, as the case may be, that were transferred pursuant to Section 2.3 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, the Consideration that such Shareholder has the right to receive in accordance with Section 2.3 and such Shareholder's Letter of Transmittal. When authorizing such exchange for any lost, stolen or destroyed certificate, the Person to whom such Consideration is to be delivered shall as a condition precedent to the delivery of such Consideration, give a bond satisfactory to the Purchaser and the Depositary (each acting reasonably) in such sum as the Purchaser may direct (acting reasonably), or otherwise indemnify the Purchaser and the Company in a manner satisfactory to the Purchaser (acting reasonably) against any claim that may be made against the Purchaser and the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

5.3 Withholding Rights

The Purchaser, the Company or the Depositary shall be entitled to deduct and withhold from any amount payable to any Person under the Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 3.1 and any amounts payable to holders of Company RSUs), such amounts as the Purchaser, the Company or the Depositary, acting reasonably, determines are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate taxing authority. Each of the Purchaser, the Company and the Depositary shall be permitted to sell or otherwise dispose of, on behalf of any Person, such portion of the Purchaser Shares or any other consideration deliverable under the Arrangement to such Person as is necessary to provide sufficient funds to enable the Purchaser, the Company or the Depositary to deduct, withhold or remit any amount for purposes of this Section 5.3 and the Purchaser, the Company or the Depositary, as the case may be, shall notify the applicable Person of the details of such

disposition, including the gross and net proceeds and any adjustments thereto, and shall remit any unapplied balance of the net proceeds of such sale or other disposition to the Person.

5.4 No Liens

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind.

ARTICLE 6 AMENDMENTS

6.1 Amendments to Plan of Arrangement

- (a) The Company and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must (i) be set out in writing, (ii) be approved by the Purchaser and the Company (subject to the Arrangement Agreement), each acting reasonably, (iii) filed with the Court and, if made following the Company Meeting, approved by the Court, and (iv) communicated to Company Shareholder if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company or the Purchaser at any time prior to the Company Meeting (provided that the Purchaser or the Company (subject to the Arrangement Agreement), as applicable, shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if (i) it is consented to in writing by each of the Company and the Purchaser (in each case, acting reasonably), and (ii) if required by the Court, it is consented to by some or all of the Company Shareholders voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by the Purchaser, provided that it concerns a matter which, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former Company Shareholder.

ARTICLE 7
FURTHER ASSURANCES

7.1 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order further to document or evidence any of the transactions or events set out in this Plan of Arrangement.

SCHEDULE "B"

ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under Section 182 of the *Business Corporations Act* (Ontario) (the "**OBCA**") of CannaRoyalty Corp. d/b/a Origin House (the "**Company**"), as more particularly described and set forth in the management proxy circular (the "**Circular**") dated [●], 2019 of the Company accompanying the notice of this meeting (as the Arrangement may be amended, modified or supplemented in accordance with the definitive agreement (as it may be amended, the "**Arrangement Agreement**") made as of April 1, 2019 between the Company and Cresco Labs Inc. is hereby authorized, approved and adopted.
2. The plan of arrangement of the Company (as it has been or may be amended, modified or supplemented in accordance with the Arrangement Agreement (the "**Plan of Arrangement**")), the full text of which is set out in Appendix [●] to the Circular, is hereby authorized, approved and adopted.
3. The (i) Arrangement Agreement and related transactions, (ii) actions of the directors of the Company in approving the Arrangement Agreement, and (iii) actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved.
4. The Company is hereby authorized to apply for a final order from the Ontario Superior Court of Justice (Commercial List) to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be amended, modified or supplemented and as described in the Circular).
5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the shareholders of the Company or that the Arrangement has been approved by the Ontario Superior Court of Justice (Commercial List), the directors of the Company are hereby authorized and empowered to, without notice to or approval of the shareholders of the Company, (i) amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted thereby and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions.
6. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute and deliver for filing with the Director under the OBCA articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents.
7. Any officer or director of the Company is hereby authorized and directed for and on behalf of the Company to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such

other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

SCHEDULE "C"

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

- (a) Fairness Opinion and Directors' Approvals. As of the date hereof:
- (i) Cormark Securities Inc., financial advisor to the Board, has delivered an oral opinion to the Board to the effect that as of the date hereof, subject to the assumptions and limitations set out therein, the Consideration to be received under the Arrangement is fair from a financial point of view to the Company Shareholders other than the Purchaser and its affiliates (the "**Fairness Opinion**");
 - (ii) the Company has been authorized by Cormark Securities Inc. to permit inclusion of the Fairness Opinion and references thereto and summaries thereof in the Company Circular; and
 - (iii) the Board has unanimously (with directors abstaining or recusing themselves as required by Law or the Company's Constatng Documents) (i) determined that the Arrangement is in the best interests of the Company and is fair to the Company Shareholders, (ii) resolved to recommend to the Company Shareholders that they vote in favour of the Arrangement Resolution and (iii) approved the Arrangement pursuant to the Plan of Arrangement and the execution and performance of this Agreement.
- (b) Organization and Qualification. The Company is a corporation duly continued and validly existing under the applicable Laws of its jurisdiction of incorporation, continuance or creation and has all necessary corporate power and authority to own its property and assets as now owned and to carry on its business as it is now being conducted. The Company is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties, owned, leased, licensed or otherwise held, or the nature of its activities, makes such qualification necessary.
- (c) Authority Relative to this Agreement. The Company has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by the Company as contemplated by this Agreement, and to perform its obligations hereunder and under such agreements and instruments. The execution and delivery of this Agreement by the Company and the performance by the Company of its obligations under this Agreement have been duly authorized by the Board and, except for obtaining the Required Approval, the Interim Order and the Final Order in the manner contemplated herein, and filing the Articles of Arrangement with the Director, no other corporate proceedings on its part are necessary to authorize this Agreement or the Arrangement, other than, with respect to the Company Circular and other matters relating thereto, the approval of the Board. This Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other

laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

- (d) No Violation. Neither the authorization, execution and delivery of this Agreement by the Company nor the completion of the transactions contemplated by this Agreement or the Arrangement, nor the performance of its obligations hereunder or thereunder, nor compliance by the Company with any of the provisions hereof or thereof will result in a violation or breach of, constitute a default (or an event which, with notice or lapse of time or both, would become a default), require any consent or approval to be obtained or notice to be given under, or give rise to any third party right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sale under, any provision of:
- (i) its articles or by-laws;
 - (ii) any Authorization or Contract to which the Company is a party or to which it or any of its properties or assets are bound; or
 - (iii) any Laws (assuming compliance with the matters referred to in paragraph (e) below), regulation, order, judgment or decree applicable to the Company or any of its Subsidiaries or any of their respective properties or assets;

except in the case of (ii) and (iii) above for such breaches, defaults, consents, terminations, cancellations, suspensions, accelerations, penalties, payment obligations or rights which would not individually or in the aggregate be material and adverse to the Company and its Subsidiaries on a consolidated basis.

- (e) Governmental Approvals. The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the Arrangement requires no consent, waiver or approval or any action by or in respect of, or filing with, or notification to, any Governmental Entity other than: (i) the Interim Order and any approvals required by the Interim Order; (ii) the Final Order; (iii) sending the Articles of Arrangement to the Director; (iv) compliance with any applicable Securities Laws and stock exchange rules and regulations; (v) receipt of the Key Regulatory Approvals; and (vi) any actions, filings or notifications the absence of which would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.
- (f) Capitalization.
- (i) The authorized share capital of the Company consists of an unlimited number of Common Shares, an unlimited Class A Compressed Shares and 2,000,000 special redeemable, voting, non-participating preference shares. As of the date hereof, there are issued and outstanding 66,841,636 Common Shares and 34,268 Class A Compressed Shares.
 - (ii) As of the date hereof: (A) an aggregate of up to 929,000 Common Shares are issuable upon the exercise of Company Options, the exercise prices, expiration dates and other material terms of which (including the vesting schedules) are set

forth in section (f) of the Company Disclosure Letter, (B) 12,938 Common Shares are issuable upon the exercise of the Company Warrants, the exercise prices, expiration dates and other material terms of which are set forth in section (f) of the Company Disclosure Letter; and (C) 3,053,292 Common Shares are issuable upon the vesting of the Company RSUs, the material terms of which (including the vesting schedules) are set forth in section (f) of the Company Disclosure Letter. The Company has included in the Company Data Room a true and complete copy of the stock option plan governing the Company Options, a true and complete copy of the warrant certificates governing the Company Warrants, and a true and complete copy of the share unit plan governing the Company RSUs.

- (iii) Except for the Company Options, the Company Warrants and the Company RSUs and as disclosed in the Company Disclosure Letter, there are no securities, options, warrants, stock appreciation rights, restricted stock units, conversion privileges calls, entitlements or other rights, agreements, arrangements subscriptions, rights, entitlements, understandings or commitments (pre-emptive, contingent or otherwise) of any character whatsoever to which the Company or any of its Subsidiaries (other than Trichome) is a party or by which any of the Company or its Subsidiaries (other than Trichome) may be bound, obligating or which may obligate the Company or any of its Subsidiaries (other than Trichome) to issue, grant, deliver, extend, or enter into any such security, option, warrant, stock appreciation right, restricted stock unit, conversion privilege capital stock, equity interest or other right, agreement, arrangement or commitment.
- (iv) Except as disclosed in the Company Disclosure Letter, all outstanding Company Shares have been duly authorized and validly issued, are fully paid and non-assessable, and all Common Shares issuable upon the exercise of Company Options and Company Warrants and upon the vesting of the Company RSUs in accordance with their respective terms have been duly authorized and, upon issuance, will be validly issued as fully paid and non-assessable, and are not and will not be subject to, or issued in violation of, any pre-emptive rights. All securities of the Company (including the Company Shares, the Company Options, the Company Warrants and the Company RSUs) have been issued in compliance with all applicable Laws and Securities Laws.
- (v) Other than the Class A Compressed Shares, there are no securities of the Company or of any of its Subsidiaries (other than Trichome) outstanding which have the right to vote generally (or are convertible into or exchangeable for securities having the right to vote generally) with the holders of the outstanding Common Shares on any matter. Except as disclosed in the Company Disclosure Letter, there are no outstanding contractual or other obligations of the Company or any Subsidiary (other than Trichome) to repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any outstanding securities of any of its subsidiaries. There are no outstanding bonds, debentures or other evidences of indebtedness of the Company or any of its subsidiaries having the right to vote with the holders of the outstanding Common Shares on any matters.

- (g) Ownership of Subsidiaries. Section (g) of the Company Disclosure Letter includes complete and accurate lists of all Subsidiaries owned, directly or indirectly, by the Company, each of which is wholly-owned except as disclosed in section (g) of the Company Disclosure Letter. All of the issued and outstanding shares and other ownership interests in the Subsidiaries of the Company are duly authorized, validly issued, fully paid and, where the concept exists, non-assessable, and all such shares and other ownership interests held directly or indirectly by the Company are legally and beneficially owned free and clear of all Liens (other than Permitted Liens), and there are no outstanding options, warrants, rights, entitlements, understandings or commitments (preemptive, contingent or otherwise) or outstanding contractual or other obligations of the Company or any Subsidiary regarding the right to purchase or acquire, or securities convertible into or exchangeable for, any such shares or other ownership interests of any of the Subsidiaries, except as disclosed in section (g) of the Company Disclosure Letter. Other than as disclosed in section (g) of the Company Disclosure Letter, there are no Contracts, commitments, understandings or restrictions which require any Subsidiaries of the Company to issue, sell or deliver any shares or other ownership interests, or any securities or obligations convertible into or exchangeable for, any shares or other ownership interests. Except for ownership of equity interests in the Subsidiaries listed on section (g) of the Company Disclosure Letter, the Company, directly or indirectly through any of its Subsidiaries or otherwise, does not own any equity interest of any kind in any other Person.
- (h) Reporting Status and Securities Laws Matters. The Company is a "reporting issuer" or the equivalent and not on the list of reporting issuers in default under applicable Canadian provincial Securities Laws of each of the provinces of Canada other than Quebec. The Company is in compliance, in all material respects, with all applicable Securities Laws and there are no current, pending or, to the knowledge of the Company, threatened proceedings before any Securities Authority or other Governmental Entity relating to any alleged non-compliance with any Securities Laws. The Common Shares are listed on, and the Company is in compliance in all material respects with the rules and policies of, the CSE. No delisting, suspension of trading in or cease trading order with respect to any securities of the Company and to the knowledge of the Company no inquiry or investigation (formal or informal) of any Securities Authority or the CSE is in effect or ongoing or, to the knowledge of the Company, expected to be implemented or undertaken.
- (i) Company Filings. The Company has filed all documents required to be filed by it in accordance with applicable Securities Laws with the Securities Authorities and/or the CSE. The Company has timely filed or furnished all Company Filings required to be filed or furnished by the Company with any Governmental Entity (including "documents affecting the rights of securityholders" and "material contracts" required to be filed by Part 12 of National Instrument 51-102 – *Continuous Disclosure Obligations*). Each of the Company Filings complied as filed in all material respects with applicable Securities Laws and did not, as of the date filed (or, if amended or superseded by a subsequent filing prior to the date of this Agreement, on the date of such filing), contain any Misrepresentation. The Company has not filed any confidential material change report which at the date of this Agreement remains confidential.

- (j) Financial Statements. The consolidated annual audited financial statements of the Company as at and for the year ended December 31, 2017 (including the notes thereto) and all unaudited interim financial statements of the Company and related MD&A filed since that date (collectively, the "**Company Financial Statements**") were prepared in accordance with IFRS consistently applied (except (a) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the Company's independent auditors, or (b) in the case of unaudited interim statements, are subject to normal period-end adjustments and may omit notes which are not required by applicable Laws in the unaudited statements) and present fairly, in all material respects, the consolidated financial position, financial performance and cash flows of the Company for the dates and periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal period-end adjustments) and reflect reserves required by IFRS in respect of all material contingent liabilities, if any, of the Company on a consolidated basis. There has been no material change in the Company's accounting policies, except as described in the Company Financial Statements, since December 31, 2017.
- (k) Internal Controls and Financial Reporting. The Company has (i) designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its Subsidiaries is made known to the Chief Executive Officer and Chief Financial Officer of the Company on a timely basis, particularly during the periods in which the annual or interim filings are being prepared; (ii) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS; (iii) has evaluated the effectiveness of the Company's disclosure controls and procedures and has disclosed in its MD&A its conclusions about the effectiveness of its disclosure controls and procedures; and (iv) has evaluated the effectiveness of the Company's internal control over financial reporting and has disclosed in its MD&A its conclusions about the effectiveness of internal control over financial reporting and, if applicable, the necessary disclosure relating to any material weaknesses. Except as disclosed in the Company Disclosure Letter, to the knowledge of the Company, as of the date of this Agreement:
- (i) there are no material weaknesses in, the internal controls over financial reporting of the Company that could reasonably be expected to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - (ii) there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the internal control over financial reporting of the Company. Since December 31, 2017, the Company has received no: (x) complaints from any source regarding accounting, internal accounting controls or auditing matters; or (y) expressions of concern from employees of the Company regarding questionable accounting or auditing matters.
- (l) Books and Records; Disclosure. The financial books, records and accounts of the Company and its Subsidiaries: (i) have been maintained in accordance with applicable Laws and

IFRS on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of the Company and its Subsidiaries; and (iii) accurately and fairly reflect the basis for the Company Financial Statements.

- (m) Independent Auditors. The Company's current auditors are independent with respect to the Company within the meaning of the rules of professional conduct applicable to auditors in Canada and there has never been a "reportable event" (within the meaning of National Instrument 51-102) with the current, or to the best knowledge of the Company any predecessor, auditors of the Company during the last three years.
- (n) Minute Books. The corporate minute books of the Company and its Subsidiaries (other than Trichome) contain minutes of all meetings and resolutions of its boards of directors and committees of its board of directors, other than those portions of minutes of meetings reflecting discussions of the Arrangement, and shareholders, held according to applicable Laws and are complete and accurate in all material respects.
- (o) No Undisclosed Liabilities. The Company and its Subsidiaries have no material outstanding indebtedness, liabilities or obligations, whether accrued, absolute, contingent or otherwise, and are not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than those specifically identified in the Company Financial Statements, which relate to the proposed Arrangement or incurred in the Ordinary Course and which are not material since the date of the most recent Company Financial Statements.
- (p) No Material Change. Except as disclosed in the Company Disclosure Letter, since September 30, 2018:
 - (i) the Company and its Subsidiaries (other than Trichome) has conducted its business only in the Ordinary Course, excluding matters relating to the proposed Arrangement;
 - (ii) there has not occurred any event, occurrence or development or a state of circumstances or facts which has had or would, individually or in the aggregate, reasonably be expected to have any Company Material Adverse Effect;
 - (iii) there has not been any acquisition or sale by the Company or its Subsidiaries (other than Trichome) of any material property or assets;
 - (iv) there has not been any incurrence, assumption or guarantee by the Company or its Subsidiaries (other than Trichome) of any material debt for borrowed money, any creation or assumption by the Company or its Subsidiaries of any Lien or any making by the Company or its Subsidiaries (other than Trichome) of any material loan, advance or capital contribution to or investment in any other Person, except as disclosed in the Company Financial Statements;

- (v) there has been no dividend or distribution of any kind declared, paid or made by the Company on any Company Shares;
 - (vi) the Company has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Company Shares;
 - (vii) there has not been any material increase in or modification of the compensation payable to or to become payable by the Company or its Subsidiaries (other than Trichome) to any of their respective directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance, change in control or termination pay or any increase or modification of any Employee Plans of the Company (including the granting of Company Options or Company RSUs) made to, for or with any of such directors, officers, employees or consultants; and
 - (viii) the Company has not removed any auditor or director or terminated any senior officer.
- (q) Litigation. Other than as disclosed in section (q) of the Company Disclosure Letter, there is no claim, action, suit, grievance, complaint, proceeding, arbitration, charge, audit, indictment or investigation that is pending or has been commenced or, to the knowledge of the Company, is threatened affecting the Company or its Subsidiaries or affecting any of their property or assets (whether owned or leased) at law or in equity, which, individually or in the aggregate, if determined adversely to the Company or its Subsidiaries, has or could reasonably be expected to result in liability to the Company or its Subsidiaries in excess of \$250,000. Neither the Company, its Subsidiaries nor any their respective assets or properties is subject to any outstanding judgment, order, writ, injunction or decree material to the Company and its Subsidiaries on a consolidated basis.
- (r) Taxes.
- Except as disclosed in the Company Disclosure Letter,
- (i) The Company and each of its Subsidiaries has duly and timely filed all material Tax Returns required to be filed prior to the date hereof with the appropriate Governmental Entities and all such Tax Returns are true and correct in all material respects.
 - (ii) The Company and each of its Subsidiaries has duly and timely paid all material Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Entity.
 - (iii) The Company and each of its Subsidiaries has duly and timely collected all material amount of all Taxes required to be collected and has duly and timely paid and remitted the same to the appropriate Governmental Entity.

- (iv) There are no material proceedings, investigations, audits or claims now pending against the Company or its Subsidiaries in respect of any Taxes and no Governmental Entity has asserted in writing, or to the knowledge of the Company, has threatened to assert against the Company or its Subsidiaries any deficiency or claim for Taxes or interest thereon or penalties in connection therewith.
 - (v) There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Tax Return by, or any payment of Taxes by, the Company or any of its Subsidiaries.
 - (vi) To the knowledge of the Company, there are no material Liens for Taxes upon any property or assets of the Company and its Subsidiaries (whether owned or leased), except Liens for current Taxes not yet due.
 - (vii) The Company or its Subsidiaries are not a party to any agreement, understanding, or arrangement relating to allocating or sharing any material amount of Taxes.
 - (viii) The Company and each of its Subsidiaries has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees and any non-resident Person, the amount of all material Taxes and other deductions required by any Laws to be withheld from any such amount and has duly and timely remitted the same to the appropriate Governmental Entity.
 - (ix) The Company is a "taxable Canadian corporation" for the purposes of the Tax Act.
- (s) Data Privacy and Security. Other than as disclosed in section (s) of the Company Disclosure Letter:
- (i) the Company and each of its Subsidiaries complies, and during the past two (2) years has complied, in all material respects, with all Privacy and Information Security Requirements. Neither the Company nor any of its Subsidiaries have been notified in writing of, or is the subject of, any complaint, regulatory investigation or proceeding related to Processing of Personal Data by any Governmental Entity or payment card association, regarding any violations of any Privacy and Information Security Requirement by or with respect to the Company or any of its Subsidiaries;
 - (ii) the Company and each of its Subsidiaries employs commercially reasonable organizational, administrative, physical and technical safeguards that comply in all material respects with all Privacy and Information Security Requirements to protect Company Data within its custody or control and requires the same of all vendors under contract with the Company that Process Company Data on its behalf. The Company and each of its Subsidiaries have provided all requisite notices and obtained all required consents, and satisfied all other requirements (including but not limited to notification to Governmental Entities), necessary for the Processing (including international and onward transfer) of all Personal Data in connection

with the conduct of the business as currently conducted and in connection with the consummation of the transactions contemplated hereunder; and

- (iii) neither the Company nor any of its Subsidiaries, to the Company's knowledge, has suffered a security breach with respect to any of the Company Data and there has been no unauthorized or illegal use of or access to any Company Data. Neither the Company nor any of its Subsidiaries has notified, or been required to notify, any Person of any information security breach involving Personal Data. To the Company's knowledge, the Company Systems have had no material errors or defects that have not been fully remedied and contain no code designed to disrupt, disable, harm, distort, or otherwise impede in any manner the legitimate operation of such Company Systems (including what are sometimes referred to as "viruses," "worms," "time bombs," or "back doors") that have not been removed or fully remedied. To the Company's knowledge, neither it nor any of its Subsidiaries, have experienced within the past three (3) years any material disruption to, or material interruption in, the conduct of its business that effected the business for more than one calendar week, and attributable to a defect, bug, breakdown, unauthorized access, introduction of a virus or other malicious programming, or other failure or deficiency on the part of any computer software or the Company Systems.
- (t) Property.
- (i) The Company or its Subsidiaries (other than Trichome) is the registered and/or beneficial owner of the real property described in section (t) of the Company Disclosure Letter (collectively, the "**Company Owned Real Property**") free and clear of all Liens, except Permitted Liens.
 - (ii) Other than the Company Owned Real Property, the Company and its Subsidiaries (other than Trichome) do not own any other real property. Neither Company nor its Subsidiaries (other than Trichome) is a party to any Contract or option to purchase any real property or interest therein.
 - (iii) In respect of the Company Owned Real Property: neither the Company nor its Subsidiaries (other than Trichome) have received any notice, and have no knowledge, of any intention of any Governmental Entity to expropriate all or any part of the Company Owned Real Property; there are no leases in respect of the Company Owned Real Property or any portion thereof other than Permitted Liens; other than as disclosed in section (t)(iii) of the Company Disclosure Letter, no Person has any right of first refusal, option, or other right to acquire the Company Owned Real Property or any part thereof other than Permitted Liens; to the knowledge of the Company, the Company or its Subsidiaries (other than Trichome) is not in default under any of its material obligations arising out of any Permitted Liens beyond any applicable cure periods; all necessary permits and approvals have been obtained from the appropriate Governmental Entity in respect of the Company's and its Subsidiaries (other than Trichome) present use of and operations on the Company Owned Real Property; the Company and its Subsidiaries (other than Trichome) have no present or future obligation to pay moneys to any

Governmental Entity in connection with any on-site or off-site servicing, including off-site roads, services or utilities, save and except obligations which exist by virtue of the Permitted Liens.

- (iv) Each property currently leased or subleased by the Company or its Subsidiaries (other than Trichome) from a third party (collectively, the "**Company Leased Properties**") is listed in section (t)(iii) of the Company Disclosure Letter, identifying the documents under which such leasehold interests are held (collectively, the "**Company Lease Documents**"). The Company or its Subsidiaries (other than Trichome), as applicable, holds good and valid leasehold interests in the Company Leased Properties, free and clear of all Liens other than Permitted Liens. Each of the Company Lease Documents is valid, binding and in full force and effect as against the Company and its Subsidiaries (other than Trichome), as applicable, and to the knowledge of the Company, as against the other parties thereto. To the knowledge of the Company, neither the Company, its Subsidiaries (other than Trichome) nor any of the other parties to the Company Lease Documents, is in material breach or violation or default (in each case, with or without notice or lapse of time or both) under any of the Company Lease Documents which breach, violation or default has not been cured, and the Company and its Subsidiaries (other than Trichome) has not received or given any notice of default under any such agreement which remains uncured.
- (v) The Company and each of its Subsidiaries (other than Trichome) has good and valid title to, or a valid and enforceable leasehold interest in, all of its and their respective other material assets and property not listed above in paragraph (s) and the Company's and its Subsidiaries' (other than Trichome's) ownership of or leasehold interest in any such property is not subject to any Liens, except for Permitted Liens.
- (vi) The Company Owned Real Property and the Company Leased Properties, as applicable, are adequately serviced by utilities (or well water with adequate septic systems, if any) having adequate capacities for the normal operations of the Company's and its Subsidiaries (other than Trichome) facilities.
- (u) Sufficiency of Assets. The Company and its Subsidiaries have valid, good and marketable title to all personal property owned by them, free and clear of all Liens other than Permitted Liens. The assets and property owned, leased or licensed by the Company and its Subsidiaries are sufficient, in all material respects, for conducting the business, as currently conducted, of the Company.
- (v) Material Contracts. With respect to the Material Contracts of the Company:
 - (i) Section (v) of the Company Disclosure Letter includes a complete and accurate list of all Material Contracts to which the Company is a party and that are currently in force. The Company has made available to the Purchaser for inspection true and complete copies of all such Material Contracts.

- (ii) Except as would not be reasonably expected to result in, individually or in the aggregate, a Company Material Adverse Effect, all of the Material Contracts are in full force and effect, and the Company or one of its Subsidiaries is entitled to all rights and benefits thereunder in accordance with the terms thereof. The Company or its applicable Subsidiaries has not waived any rights under a Material Contract and no material default or breach exists in respect thereof on the part of the Company or its applicable Subsidiaries, or to the knowledge of the Company, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of such Material Contracts.
 - (iii) All of the Material Contracts are valid and binding obligations of the Company or one of its Subsidiaries, as the case may be, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.
 - (iv) As at the date hereof, neither the Company nor any of its Subsidiaries has received written notice that any party to a Material Contract, intends to cancel, terminate or otherwise modify or not renew such Material Contract, and to the knowledge of the Company, no such action has been threatened.
 - (v) Neither the entering into of this Agreement, nor the consummation of the Arrangement will trigger any change of control or similar provisions in any of the Material Contracts except as to be disclosed in the manner set out in the Company Disclosure Letter.
- (w) Authorizations.
- (i) Section (w) of the Company Disclosure Letter sets forth all material Authorizations necessary for the conduct of the Company Business.
 - (ii) The Company and its Subsidiaries have obtained and are in compliance with all material Authorizations required by applicable Laws, necessary to conduct their current business as now being conducted.
 - (iii) All material Authorizations of the Company and its Subsidiaries are in full force and effect, and, to the knowledge of the Company, no suspension or cancellation thereof has been threatened.
 - (iv) No material Authorizations of the Company or any of its Subsidiaries will in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement or any of the other agreements contemplated hereunder or executed herewith.
 - (v) There are no facts, events or circumstances that would reasonably be expected to result in a failure to obtain or failure to be in compliance with such Authorizations

as are necessary to conduct the business of the Company and its Subsidiaries as it is currently being conducted.

(x) Environmental Matters.

- (i) The Company and each of its Subsidiaries (other than Trichome) have, in all material respects, carried on its businesses and operations in compliance with all applicable Environmental Laws.
- (ii) Neither the Company nor any its Subsidiaries (other than Trichome) have received any order, request or written notice from any Person either alleging a material violation of any Environmental Law or requiring that the Company or any of its Subsidiaries (other than Trichome) carry out any work, incur any costs or assume any liabilities, related to a violation of Environmental Laws or to any agreements with any Governmental Entity with respect to or pursuant to Environmental Laws.
- (iii) To the knowledge of the Company, there are no hazardous substances or other conditions that could reasonably be expected to result in liability of or adversely affect the Company or any of its Subsidiaries (other than Trichome) under or related to any Environmental Law on, at, in, under or from any of the Company Owned Real Property or Company Leased Properties (including the workplace environment) currently or, to the knowledge of the Company, previously owned, leased or operated by the Company or any of its Subsidiaries (other than Trichome).
- (iv) There are no pending claims or, to the knowledge of the Company, threatened claims, against the Company or any of its Subsidiaries (other than Trichome) arising out of any Environmental Laws.

(y) Compliance with Laws.

- (i) The Company and each of its Subsidiaries have complied with and are not in violation, in any material respect, of any applicable Laws, with the exception of the Controlled Substances Act, 21 USC 801 et seq., as it applies to marijuana.
- (ii) Neither the Company nor any of its Subsidiaries has received any written notices or other written correspondence from any Governmental Entity (1) regarding any violation (or any investigation, inspection, audit, or other proceeding by any Governmental Entity involving allegations of any violation) of any Law (other than Environmental Laws) or (2) of any circumstances that may have existed or currently exist which could lead to a loss, suspension, or modification of, or a refusal to issue, any material Authorization. To the knowledge of the Company, no investigation, inspection, audit or other proceeding by any Governmental Entity involving allegations of any material violation of any Law (other than Environmental Laws) is threatened or contemplated.
- (iii) Neither the Company, its Subsidiaries nor, to the knowledge of the Company, any of their directors, executives, representatives, agents or employees (i) has used or is using any corporate funds for any illegal contributions, gifts, entertainment or

other expenses relating to political activity that would be illegal, (ii) has used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees, (iii) has violated or is violating any provision of the *United States Foreign Corrupt Practices Act of 1977*, the *Corruption of Foreign Public Officials Act* (Canada) or any similar Laws of other jurisdictions, (iv) has established or maintained, or is maintaining, any illegal fund of corporate monies or other properties or (v) has made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.

- (iv) The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-Governmental Entity involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.
 - (v) None of the Company or any of its Subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its Subsidiaries, has had any sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department, the Government of Canada or any other relevant sanctions authority (collectively, “**Sanctions**”) imposed upon any such person, and the Company and its Subsidiaries are not in violation of any of the Sanctions or law or executive order relating thereto, or are conducting business with any person subject to any Sanctions.
- (z) Employment & Labour Matters. Except as disclosed in section (z) of the Company Disclosure Letter:
- (i) Neither the Company nor any of its Subsidiaries (other than Trichome) are:
 - (1) party to any Contract providing for termination notice, payment in lieu of termination notice, change of control payments, or severance payments to, or any employment or consulting agreement with, any current or former director, officer or employee of the Company or its Subsidiaries (other than Trichome) other than such arising from any applicable Law; and
 - (2) party to any Collective Agreement nor, to the knowledge of the Company, subject to any application for certification or threatened union-organizing campaigns for employees not covered under a Collective Agreement nor are there any current, or to the knowledge of the Company, pending or threatened strikes or lockouts at the Company or its Subsidiaries (other than Trichome).

- (ii) There are no labour disputes, strikes, organizing activities or work stoppages against the Company or any of its Subsidiaries (other than Trichome) pending, or to knowledge of the Company, threatened.
- (iii) The execution, delivery and performance of this Agreement and the consummation of the Arrangement will not result in the automatic acceleration of the time of payment or vesting of entitlements otherwise available under any Employee Plan of the Company or any of its Subsidiaries (other than Trichome).
- (iv) The Company and each of its Subsidiaries (other than Trichome) has been and is now in compliance, in all material respects, with all terms and conditions of employment, with respect to employment and labour, including, wages, hours of work, overtime, human rights, occupational health and safety and workers compensation, and there are no current, or, to the knowledge of the Company, pending or threatened proceedings (including grievances, arbitration, applications or pending applications) before any Governmental Entity or labour arbitrator with respect to any of the foregoing Employee Plans of the Company and its Subsidiaries (other than Trichome) (other than routine claim for benefits).
- (v) To the knowledge of the Company, no executive or manager of the Company or its Subsidiaries (other than Trichome) (A) has any present intention to terminate their employment, or (B) is a party to any confidentiality, non-competition, proprietary rights or other such agreement with any other Person besides the Company or its Subsidiaries (other than Trichome) which would impede the business, be material to the performance of such employee's employment duties, or the ability of the Company and any of its Subsidiaries, or the Purchaser and any of its Subsidiaries to conduct the business.
- (vi) There are no outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any provincial workers' compensation statute or regulation, and nether the Company nor any of its Subsidiaries (other than Trichome) has been reassessed in any material respect under such statute or regulation during the past three (3) years and, to the knowledge of the Company, no audit of the Company or any its Subsidiaries (other than Trichome) is currently being performed pursuant to any provincial workers' compensation statute or regulation, and, to the knowledge of the Company, there are no claims or potential claims which may materially adversely affect the Company's or any of its Subsidiaries' accident cost experience in respect of the business.
- (vii) Section (z) of the Company Disclosure Letter contains a correct and complete list of each member of management and independent contractors/consultants of the Company and its Subsidiaries (other than Trichome), indicating their respective location, hire date, position, salary, benefits and current status (full time, part-time, active, non- active), as applicable and whether they are subject to a written employment contract.

- (viii) Each independent contractor/consultant who is disclosed in section (z) of the Company Disclosure Letter has, to the knowledge of the Company, been properly classified by the Company and its Subsidiaries as an independent contractor and neither the Company, nor any of its Subsidiaries (other than Trichome) has received any notice from any Governmental Entity disputing such classification.
 - (ix) Section (z) of the Company Disclosure Letter lists all Employee Plans of the Company and its Subsidiaries (other than Trichome). The Company has made available to the Purchaser true, correct and complete copies of all such Employee Plans as amended.
 - (x) No Employee Plan of the Company or any of its Subsidiaries (other than Trichome) contains or has ever contained a "defined benefit provision" as such term is defined in subsection 147.1 of the Tax Act.
 - (xi) All Employee Plans of the Company and its Subsidiaries (other than Trichome) are and have been established, registered, funded and administered in all material respects: in (x) accordance with applicable Laws and (y) in accordance with their terms. To the knowledge of the Company, no fact or circumstance exists which could adversely affect the registered status of any such Employee Plan.
 - (xii) All contributions, premiums or taxes required to be made or paid by the Company or any of its Subsidiaries (other than Trichome) under the terms of each Employee Plan of the Company and its Subsidiaries (other than Trichome) or by applicable Laws have been made in a timely fashion.
- (aa) Intellectual Property.
- (i) The Company and its Subsidiaries (other than Trichome) own all right, title and interest in and to, or is validly licensed (and are not in material breach of such licenses), all Intellectual Property that is material to the conduct of the business, as currently conducted, of the Company and its Subsidiaries (other than Trichome) (collectively, the "Company Intellectual Property Rights"). All such Company Intellectual Property Rights are sufficient, in all material respects, for conducting the business, as currently conducted, of the Company and its Subsidiaries (other than Trichome), and to the knowledge of the Company, all such Company Intellectual Property Rights are valid and enforceable (subject to the effects of bankruptcy, insolvency, reorganization, moratorium or laws relating to or affecting creditors' rights generally). To the knowledge of the Company, the operation of the businesses of the Company and its Subsidiaries (other than Trichome), including the manufacture, marketing, use, and sale of the products and services of the Company and its Subsidiaries (other than Trichome), and the use and exploitation of the Company Intellectual Property Rights do not infringe upon, misappropriate, or otherwise violate the Intellectual Property rights of any third party. To the knowledge of the Company, no third party is infringing upon, misappropriating, or otherwise violating the Company Intellectual Property Rights.

- (ii) Section (aa) of the Company Disclosure Letter sets forth an accurate and complete list of all registered or applied for trademarks, trade names, service marks, domain names, patents, and copyrights owned or purported to be owned by the Company and its Subsidiaries (other than Trichome).
 - (iii) The Company and its Subsidiaries have taken commercially reasonable steps to maintain their rights to the Company Intellectual Property Rights and to protect and preserve the confidentiality of, and their exclusive right to use, all of their trade secrets and material confidential information and know-how, and, to the knowledge of the Company, no such trade secrets, information, or know-how have been improperly used or accessed by, or disclosed (other than under obligations of confidentiality) to any other Person.
- (bb) Related Party Transactions. With the exception of this Agreement and any contracts related to Company Options, the Company RSUs and employment agreements included in the Company Data Room, there are no Contracts or other transactions currently in place between the Company or any of its Subsidiaries, on the one hand, and: (i) any officer or director of the Company or any of its Subsidiaries; and (ii) any affiliate or associate of any such, officer or director. Except as disclosed in section (bb) of the Company Disclosure Letter, to the knowledge of the Company, no related party of the Company (within the meaning of MI 61-101) together with its associated entities, beneficially owns or exercises control or direction over 1% or more of the outstanding Common Shares, except for related parties who will not receive a "collateral benefit" (within the meaning of MI 61-101) as a consequence of the transactions contemplated by this Agreement.
- (cc) Brokers. Other than as disclosed in section (cc) of the Company Disclosure Letter, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Company or any of its Subsidiaries.
- (dd) Insurance. As of the date hereof, the Company and each of its Subsidiaries (other than Trichome) have such policies of insurance as are included in the Company Data Room. All insurance maintained by the Company and its Subsidiaries (other than Trichome) is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the cannabis industry.

Warranties and Claims. Except as disclosed in the Company Disclosure Letter:

- (i) To the knowledge of the Company, within the three-year period prior to the date hereof, no recalls, reworks (except in respect of cannabis potency labelling), withdrawals, or post-sale warnings of any Product, have been required or suggested by the Company, or any provided to the Company by a Governmental Entity with respect to such Products and no facts or circumstances exist that could reasonably be expected to result in any such recall or withdrawal.

- (ii) Except in the Ordinary Course, the Company has not made any material product warranty or liability claim or court proceeding (or claim in the nature thereof) in connection with the Products against any supplier within three (3) years prior to the date hereof which claim or proceeding remains outstanding.
- (iii) Except in the Ordinary Course, the Company has not received any material product warranty or liability claim or court proceeding (or claim in the nature thereof) in connection with the Products from any customer within three (3) years prior to the date hereof which claim or proceeding remains outstanding.

SCHEDULE "D"

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

- (a) Organization and Qualification. The Purchaser is a corporation duly incorporated and validly existing under the Laws of its jurisdiction of incorporation and has all necessary corporate power and authority to own its property and assets as now owned and to carry on its business as it is now being conducted. The Purchaser is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties, owned, leased, licensed or otherwise held, or the nature of its activities, makes such qualification necessary.
- (b) Authority Relative to this Agreement. The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by the Purchaser as contemplated by this Agreement, and to perform its obligations hereunder and under such agreements and instruments. The execution and delivery of this Agreement by the Purchaser and the performance by the Purchaser of its obligations under this Agreement have been duly authorized by the Purchaser board or directors and no other corporate proceedings on its part are necessary to authorize this Agreement, the Arrangement or the issuance of the Consideration Shares. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.
- (c) No Violation. Neither the authorization, execution and delivery of this Agreement by the Purchaser nor the completion of the transactions contemplated by this Agreement or the Arrangement, nor the performance of its obligations hereunder or thereunder, nor compliance by the Purchaser with any of the provisions hereof or thereof will result in a violation or breach of, constitute a default (or an event which, with notice or lapse of time or both, would become a default), require any consent or approval to be obtained or notice to be given under, or give rise to any third party right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sale under, any provision of:
 - (i) its articles or by-laws;
 - (ii) any Authorization or Contract to which the Purchaser is a party or to which it or any of its properties or assets are bound; or
 - (iii) any Laws (assuming compliance with the matters referred to in paragraph (d) below), regulation, order, judgment or decree applicable to the Purchaser or any of its Subsidiaries or any of their respective properties or assets, with the exception of the Controlled Substances Act, 21 USC 801 et seq., as it applies to marijuana;

except in the case of (ii) and (iii) above for such breaches, defaults, consents, terminations, cancellations, suspensions, accelerations, penalties, payment obligations or rights which would not individually or in the aggregate be material and adverse to the Purchaser and its Subsidiaries on a consolidated basis.

- (d) Governmental Approvals. The execution, delivery and performance by the Purchaser of this Agreement and the consummation by the Purchaser of the Arrangement requires no consent, waiver or approval or any action by or in respect of, or filing with, or notification to, any Governmental Entity other than: (i) the Interim Order and any approvals required by the Interim Order; (ii) the Final Order; (iii) sending the Articles of Arrangement to the Director; (iv) compliance with any applicable Securities Laws and stock exchange rules and regulations; (v) receipt of the Key Regulatory Approvals; and (vi) any actions, filings or notifications the absence of which would not reasonably be expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect.
- (e) Capitalization.
- (i) The authorized share capital of the Purchaser consists of: (i) an unlimited number of super voting shares in the capital of the Purchaser; (ii) an unlimited number of subordinate voting shares in the capital of the Purchaser; and (iii) an unlimited number of proportionate voting shares in the capital of the Purchaser. As of the date hereof, (A) 500,000 super voting shares in the capital of the Purchaser were issued and outstanding; (B) 37,118,397 subordinate voting shares in the capital of the Purchaser were issued and outstanding; (C) 443,761 proportionate voting shares in the capital of the Purchaser (which includes securities to be issued in connection with an acquisition and are convertible on a 1:200 basis into 88,752,172 subordinate voting shares in the capital of the Purchaser) are issued and outstanding; and (D) no super voting shares in the capital of the Purchaser were held by the Purchaser in its treasury.
- (ii) As of the date hereof, an aggregate of 19,737,376 subordinate voting shares in the capital of the Purchaser are issuable upon the exercise of outstanding options issued pursuant to the long-term incentive plan of the Purchaser and an aggregate of 4,497,070 subordinate voting shares in the capital of the Purchaser are issuable upon the exercise of outstanding warrants of the Purchaser, the exercise prices, expiration dates and other material terms of which are set forth in section (e) of the Purchaser Disclosure Letter. As of the date hereof, except for such subordinate voting shares in the capital of the Purchaser described in the immediately preceding sentence and the Consideration Shares issuable in connection with the Arrangement, there are no securities, options, warrants, stock appreciation rights, restricted stock units, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever to which the Purchaser or any of its Subsidiaries is a party or by which any of the Purchaser or its Subsidiaries may be bound, obligating or which may obligate the Purchaser or any of its Subsidiaries to issue, grant, deliver, extend, or enter into any such security, option, warrant, stock appreciation right, restricted

stock unit, conversion privilege or other right, agreement, arrangement or commitment.

- (iii) Each of the outstanding super voting shares, the subordinate voting shares and the proportionate voting shares in the capital of the purchaser are duly authorized, validly issued, fully paid, and non-assessable, and all subordinate voting shares issuable upon the exercise of the outstanding options and warrants of the Purchaser, in accordance with their respective terms, have been duly authorized and, upon issuance, will be validly issued as fully paid and non-assessable, and are not and will not be subject to, or issued in violation of, any pre-emptive rights. All securities of the Purchaser (including the super voting shares, the subordinate voting shares, the proportionate voting shares, the options and the warrants) have been issued in compliance with all applicable Laws and Securities Laws.
- (iv) Other than the super voting shares and the proportionate voting shares of the Purchaser, there are no securities of the Purchaser or of any of its Subsidiaries outstanding which have the right to vote generally (or are convertible into or exchangeable for securities having the right to vote generally) with the holders of the outstanding subordinate voting shares on any matter. Except as disclosed in the Purchaser Disclosure Letter, there are no outstanding contractual or other obligations of the Purchaser or any subsidiary to repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any outstanding securities of any of its subsidiaries. There are no outstanding bonds, debentures or other evidences of indebtedness of the Purchaser or any of its subsidiaries having the right to vote with the holders of the outstanding subordinate voting shares on any matters.
- (f) Purchaser Shares. The Consideration Shares to be issued pursuant to the Arrangement have been duly authorized and reserved for issuance and, upon issuance, will be validly issued as fully paid and non-assessable shares in the capital of the Purchaser, will not have been issued in violation of any pre-emptive rights or contractual rights to purchase securities and will be listed for trading on the CSE.
- (g) Reporting Status and Securities Laws Matters. The Purchaser is a "reporting issuer" or the equivalent and not on the list of reporting issuers in default under applicable Canadian provincial Securities Laws in the provinces of British Columbia and Alberta. The Purchaser is in compliance, in all material respects, with all applicable Securities Laws and there are no current, pending or, to the knowledge of the Purchaser, threatened proceedings before any Securities Authority or other Governmental Entity relating to any alleged non-compliance with any Securities Laws. The Purchaser Shares are listed on and the Purchaser is in compliance with the rules and policies of, the CSE and no delisting, suspension of trading in or cease trading order with respect to any securities of the Purchaser is in effect and to the knowledge of the Purchaser, no inquiry or investigation (formal or informal) of any Securities Authority or the CSE is in effect or ongoing or, to the knowledge of the Purchaser, expected to be implemented or undertaken. The Purchaser has not taken any action to cease to be a reporting issuer in any province nor has the Purchaser received any

notification from any Securities Authority seeking to revoke the reporting issuer status of the Purchaser.

- (h) Purchaser Filings. The Purchaser has filed all documents required to be filed by it in accordance with applicable Securities Laws with the Securities Authorities and/or the CSE since November 30, 2018. The Purchaser has filed or furnished all Purchaser Filings required to be filed or furnished by the Purchaser in a timely manner with any Governmental Entity. Each of the Purchaser Filings complied as filed in all material respects with applicable Securities Laws and did not, as of the date filed (or, if amended or superseded by a subsequent filing prior to the date of this Agreement, on the date of such subsequent filing), contain any Misrepresentation. The Purchaser has not filed any confidential material change report which at the date of this Agreement remains confidential.
- (i) Financial Statements. The Purchaser's consolidated annual audited financial statements as at and for the fiscal years ended January 31, 2018 and 2017 (including the notes thereto) and related MD&A and all interim financial statements and related MD&A filed since December 31, 2018 (collectively, the "**Purchaser Financial Statements**") were prepared in accordance with IFRS consistently applied (except (a) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the Purchaser's independent auditors, or (b) in the case of unaudited interim statements, are subject to normal period-end adjustments and may omit notes which are not required by applicable Laws in the unaudited statements) and present fairly, in all material respects, the consolidated financial position, financial performance and cash flows of the Purchaser for the dates and periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal period-end adjustments) and reflect reserves required by IFRS in respect of all material contingent liabilities, if any, of the Purchaser on a consolidated basis. There has been no material change in the Purchaser's accounting policies, except as described in the Purchaser Financial Statements, since January 31, 2018.
- (j) Internal Controls and Financial Reporting. The Purchaser has (i) designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Purchaser is made known to the Chief Executive Officer and Chief Financial Officer of the Purchaser on a timely basis, particularly during the periods in which the annual or interim filings are being prepared; (ii) designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS; (iii) has evaluated the effectiveness of the Purchaser's disclosure controls and procedures and has disclosed in its MD&A its conclusions about the effectiveness of its disclosure controls and procedures; and (iv) has evaluated the effectiveness of the Purchaser's internal control over financial reporting and has disclosed in its MD&A its conclusions about the effectiveness of internal control over financial reporting and, if applicable, the necessary disclosure relating to any material weaknesses. To the knowledge of the Purchaser, as of the date of this Agreement:

- (i) there are no material weaknesses in, the internal controls over financial reporting of the Purchaser that could reasonably be expected to adversely affect the Purchaser's ability to record, process, summarize and report financial information; and
 - (ii) there is and has been no fraud, whether or not material, involving management or any other employees who have a significant role in the internal control over financial reporting of the Purchaser. Since November 30, 2018, the Purchaser has received no: (x) complaints from any source regarding accounting, internal accounting controls or auditing matters; or (y) expressions of concern from employees of the Purchaser regarding questionable accounting or auditing matters.
- (k) Independent Auditors. The Purchaser's current auditors are independent with respect to the Purchaser within the meaning of the rules of professional conduct applicable to auditors in Canada and there has never been a "reportable event" (within the meaning of National Instrument 51-102) with the current, or to the best knowledge of the Company any predecessor, auditors of the Company during the last three years.
- (l) No Undisclosed Liabilities. The Purchaser has no material outstanding indebtedness, liability or obligation (including liabilities or obligations to fund any operations or work program, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, and is not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than those specifically identified in the Purchaser Financial Statements, which relate to the proposed Arrangement or incurred in the Ordinary Course since the date of the most recent Purchaser Financial Statements.
- (m) No Material Change. Since November 30, 2018, other than the transactions contemplated in this Agreement or as disclosed in the Purchaser Filings: (i) the business of the Purchaser and its Subsidiaries has been conducted in the Ordinary Course; (ii) there has not been any event, occurrence, development or state of circumstances or facts that has had or would be reasonably expected to have, individually or in the aggregate, a Purchaser Material Adverse Effect; (iii) there has been no dividend or distribution of any kind declared, paid or made by the Purchaser on any Purchaser Shares; and (iv) the Purchaser has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Purchaser Shares.
- (n) Litigation. There is no claim, action, suit, grievance, complaint, proceeding, arbitration, charge, audit, indictment or investigation that is pending or has been commenced or, to the knowledge of the Purchaser, is threatened affecting the Purchaser or any of its Subsidiaries or affecting any of their respective property or assets (whether owned or leased) at law or in equity, which, individually or in the aggregate, if determined adversely to the Purchaser or its Subsidiaries, has or could reasonably be expected to result in liability to the Purchaser in excess of \$3,000,000. Except as disclosed in section (n) of the Purchaser Disclosure Letter, neither the Purchaser, its Subsidiaries nor any of its respective assets or properties

is subject to any outstanding judgment, order, writ, injunction or decree material to the Purchaser and its Subsidiaries on a consolidated basis.

(o) Taxes.

- (i) The Purchaser has duly and timely filed all material Tax Returns required to be filed prior to the date hereof with the appropriate Governmental Entities and all such Tax Returns are true and correct in all material respects.
- (ii) The Purchaser has duly and timely paid all material Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Entity.
- (iii) The Purchaser has duly and timely collected all material amounts of all Taxes required to be collected and has duly and timely paid and remitted the same to the appropriate Governmental Entity.
- (iv) There are no material proceedings, investigations, audits or claims now pending against the Purchaser or its Subsidiaries in respect of any Taxes and no Governmental Entity has asserted in writing, or to the knowledge of the Purchaser, has threatened to assert against the Purchaser or its Subsidiaries any deficiency or claim for Taxes or interest thereon or penalties in connection therewith.
- (v) There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Tax Return by, or any payment of Taxes by, the Purchaser.
- (vi) To the knowledge of the Purchaser, there are no material Liens for Taxes upon any property or assets of the Purchaser (whether owned or leased), except Liens for current Taxes not yet due.
- (vii) The Purchaser is not a party to any agreement, understanding, or arrangement relating to allocating or sharing any material amount of Taxes.
- (viii) The Purchaser has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees and any non-resident Person, the amount of all material Taxes and other deductions required by any Laws to be withheld from any such amount and has duly and timely remitted the same to the appropriate Governmental Entity.

(ix) The Purchaser is a "taxable Canadian corporation" for the purposes of the Tax Act.

(p) Insurance. All insurance maintained by the Purchaser and its Subsidiaries is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the cannabis industry.

- (q) Data Privacy and Security. Neither the Purchaser nor any of its Subsidiaries have been notified in writing of and, to the knowledge of the Purchaser, is not subject of any complaint, regulatory investigation or proceeding related to data security or privacy.
- (r) Material Contracts. Except as would not be reasonably expected to result in, individually or in the aggregate, a Purchaser Material Adverse Effect, all of the Contracts which are material to the Purchaser and its Subsidiaries on a consolidated basis are in full force and effect, and the Company or one of its Subsidiaries is entitled to all rights and benefits thereunder in accordance with the terms thereof.
- (s) Authorizations. The Purchaser and its Subsidiaries have obtained and are in compliance with all material Authorizations required by applicable Laws, necessary to conduct their current business as now being conducted with the exception of the Controlled Substances Act, 21 USC 801 et seq., as it applies to marijuana.
- (t) Shareholder Approval. No vote or approval of the holders of the Purchaser Shares or the holder of any other securities of the Purchaser is necessary to approve this Agreement, the Arrangement or the transactions contemplated hereby.
- (u) Compliance with Laws.
 - (i) The Purchaser and each of its Subsidiaries have complied with and are not in violation, in any material respect, of any applicable Laws, with the exception of the Controlled Substances Act, 21 USC 801 et seq., as it applies to marijuana.
 - (ii) Neither the Purchaser nor any of its Subsidiaries has received any written notices or other written correspondence from any Governmental Entity (1) regarding any violation (or any investigation, inspection, audit, or other proceeding by any Governmental Entity involving allegations of any violation) of any Law or (2) of any circumstances that may have existed or currently exist which could lead to a loss, suspension, or modification of, or a refusal to issue, any material Authorization. To the knowledge of the Purchaser, no investigation, inspection, audit or other proceeding by any Governmental Entity involving allegations of any material violation of any Law is threatened or contemplated.
 - (iii) Neither the Purchaser, its Subsidiaries nor, to the knowledge of the Purchaser, any of their directors, executives, representatives, agents or employees (i) has used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal, (ii) has used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees, (iii) has violated or is violating any provision of the *United States Foreign Corrupt Practices Act of 1977*, the *Corruption of Foreign Public Officials Act (Canada)* or any similar Laws of other jurisdictions, (iv) has established or maintained, or is maintaining, any illegal fund of corporate monies or other properties or (v) has made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.

- (iv) The operations of the Purchaser and its Subsidiaries are and have (for so long as they have been owned by the Purchaser) been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court of governmental authority or any arbitrator non-Governmental Entity involving the Purchaser or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Purchaser, threatened.
- (v) None of the Purchaser or any of its Subsidiaries (for so long as they have been owned by the Purchaser) or, to the knowledge of the Purchaser, any director, officer, agent, employee or affiliate of the Purchaser or any of its Subsidiaries, has had any sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department, the Government of Canada or any other relevant sanctions authority (collectively, “**Sanctions**”) imposed upon any such person, and the Purchaser and its Subsidiaries are not in violation of any of the Sanctions or law or executive order relating thereto, or are conducting business with any person subject to any Sanctions.
- (v) Security Ownership. Except as disclosed in section (u) of the Purchaser Disclosure Letter, the Purchaser and its affiliates do not beneficially own any securities of the Company or any of its affiliates.
- (w) Brokers. Other than as disclosed in section (v) of the Purchaser Disclosure Letter, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Purchaser or any of its Subsidiaries.

SCHEDULE "E"
VOTING SUPPORT AGREEMENT

See attached.

FORM OF VOTING SUPPORT AGREEMENT

THIS AGREEMENT is made as of [●], 2019

BETWEEN:

[SHAREHOLDER] (the "Shareholder")

- and -

CRESCO LABS INC., a company incorporated under the laws of the Province of British Columbia ("Purchaser").

RECITALS:

WHEREAS, the Purchaser proposes to acquire all of the issued and outstanding voting and equity securities (the "**Purchased Securities**") of CannaRoyalty Corp. d/b/a Origin House (the "**Company**") in exchange for 0.8424 Subordinate Voting Shares of the Purchaser (the "**Consideration**") pursuant to a proposed statutory plan of arrangement (the "**Arrangement**") under Section 182 of the *Business Corporations Act* (Ontario), to be completed pursuant to the terms of an arrangement agreement (the "**Arrangement Agreement**") to be entered into between the Purchaser and the Company substantially on the terms set out in the Term Sheet attached hereto as Schedule "A";

AND WHEREAS, the Shareholder is the beneficial owner, directly or indirectly, of the Subject Securities listed in Schedule "B" hereto;

AND WHEREAS, the Shareholder believes it will derive benefit for the Arrangement and wishes to confirm its support for the Arrangement;

AND WHEREAS, this Agreement sets out the terms and conditions of the agreement of the Shareholder to abide by the covenants in respect of the Subject Securities and the other restrictions and covenants set forth herein;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties hereto agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals, the following terms have the following meanings:

"**Acquisition Proposal**" has the meaning ascribed thereto in Section 3.1(c);

"**affiliate**" of any Person means, at the time such determination is being made, any other Person controlling, controlled by or under common control with such first Person, in each case, whether directly or indirectly, and "**control**" and any derivation thereof means the holding of voting securities of another entity sufficient to elect a majority of the board of directors (or the equivalent) of such entity;

"**Agreement**" means this voting support agreement dated as of the date hereof between the Shareholder and the Purchaser, as it may be amended, modified or supplemented from time to

time in accordance with its terms;

“**Alternative Transaction**” has the meaning ascribed thereto Section 3.2 hereof;

“**Arrangement**” has the meaning ascribed thereto in the recitals hereof;

“**Arrangement Agreement**” has the meaning ascribed thereto in the recitals hereof;

“**Company**” has the meaning ascribed thereto in the recitals hereof;

“**Company Shareholders**” means the holder of voting securities of the Company;

“**Consideration**” has the meaning ascribed thereto in the recitals hereof;

“**Expiry Time**” has the meaning ascribed thereto in Section 3.1(a);

“**Governmental Entity**” means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange.

“**Notice**” has the meaning ascribed thereto in Section 4.8;

“**Parties**” means the Shareholder and the Purchaser and “**Party**” means any one of them;

“**Person**” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

“**Purchased Securities**” has the meaning ascribed thereto in the recitals hereof;

“**Purchaser**” has the meaning ascribed thereto in the preamble hereof;

“**Shareholder**” has the meaning ascribed thereto in the preamble hereof;

“**Subject Securities**” means the Purchased Securities and other securities listed on Schedule “B” hereto and any Purchased Securities acquired by the Shareholder or any of its affiliates subsequent to the date hereof, and includes all securities which such Subject Securities may be converted into, exchanged for or otherwise changed into; and

“**Voting Support Outside Date**” means six (6) months from the date hereof.

1.2 Gender and Number

Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.

1.3 Currency

All references to dollars or to \$ are references to Canadian dollars.

1.4 Headings.

The division of this Agreement into Articles, Sections and Schedules and the insertion of the recitals and

headings are for convenient reference only and do not affect the construction or interpretation of this Agreement and, unless otherwise stated, all references in this Agreement or in the Schedules hereto to Articles, Sections and Schedules refer to Articles, Sections and Schedules of and to this Agreement or of the Schedules in which such reference is made, as applicable.

1.5 Date for any Action

A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. (Toronto time) on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. (Toronto time) on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Agreement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding Business Day.

1.6 Governing Law

This Agreement will 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. Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

1.7 Incorporation of Schedules

Schedule "A" and Schedule "B" attached hereto, for all purposes hereof, forms an integral part of this Agreement.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Shareholder

The Shareholder represents and warrants to the Purchaser (and acknowledges that the Purchaser is relying on these representations and warranties in completing the transactions contemplated hereby and by the Arrangement Agreement) that:

- (a) The Shareholder, if the Shareholder is not a natural Person, is a corporation or other entity validly existing under the laws of the jurisdiction of its incorporation.
- (b) The Shareholder, if the Shareholder is not a natural Person, has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Shareholder and constitutes a legal, valid and binding agreement of the Shareholder enforceable against the Shareholder in accordance with its terms subject only to any limitation under bankruptcy, insolvency or other applicable laws affecting the enforcement of creditors' rights generally and the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.
- (c) The Shareholder exercises control or direction over all of the Subject Securities set forth opposite its name in Schedule "B" hereto. At and immediately prior to the Effective Time and at all times between the date hereof and the Effective Time, the Shareholder will control or direct, directly or indirectly, all of the Subject Securities. Other than the Subject Securities, neither the Shareholder nor any of its affiliates, beneficially own, or exercise control or direction over any additional securities, or any securities convertible or exchangeable into any additional securities, of the Company or any of its affiliates.

- (d) As at the date hereof, the Shareholder is, and immediately prior to the time at which the Subject Securities are acquired by the Purchaser under the Arrangement or an Alternative Transaction, the Shareholder will be, the sole beneficial owner of the Subject Securities, with good and marketable title thereto, free and clear of all liens and other encumbrances.
- (e) The Shareholder has the sole right to sell and vote or direct the sale and voting of the Subject Securities, to the extent such Subject Securities carry a right to vote.
- (f) No Person has any agreement or option, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement or option, for the purchase, acquisition or transfer of any of the Subject Securities or any interest therein or right thereto, except the Purchaser pursuant to this Agreement or the Arrangement Agreement.
- (g) No material consent, approval, order or authorization of, or declaration or filing with, any Person is required to be obtained by the Shareholder in connection with the execution and delivery of this Agreement by the Shareholder and the performance by it of its obligations under this Agreement, other than those that are contemplated by the Arrangement Agreement.
- (h) None of the Subject Securities is subject to any proxy, voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of any of the Company's securityholders or give consents or approvals of any kind, except this Agreement or as will be contemplated by the Arrangement Agreement.
- (i) None of the execution and delivery by the Shareholder of this Agreement or the completion of the transactions contemplated hereby or the compliance by the Shareholder with its obligations hereunder will violate, contravene, result in any breach of, or be in conflict with, or constitute a default under, or create a state of facts which after notice or lapse of time or both would constitute a default under, any term or provision of: (i) any constating documents of the Shareholder (if the Shareholder is not a natural Person); (ii) any contract to which the Shareholder is a party or by which the Shareholder is bound; (iii) any judgment, decree, order or award of any Governmental Entity; or (iv) any applicable law.

2.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Shareholder (and acknowledges that the Shareholder is relying on these representations and warranties in completing the transactions contemplated hereby and by the Arrangement Agreement) that:

- (a) The Purchaser is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser enforceable against the Purchaser in accordance with its terms subject only to any limitation under bankruptcy, insolvency or other applicable laws affecting the enforcement of creditors' rights generally and the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.
- (b) None of the execution and delivery by the Purchaser of this Agreement or the compliance by the Purchaser with the Purchaser's obligations hereunder will violate, contravene, result in any breach of, or be in conflict with, or constitute a default under, or create a state of facts which after notice or lapse of time or both would constitute a default under, any term or provision of: (i) any constating documents of the Purchaser; (ii) any contract to which the Purchaser is a party or by which the Purchaser is bound; (iii) any judgment, decree, order or award of any Governmental Entity; or (iv) any applicable law.

- (c) No material consent, approval, order or authorization of, or declaration or filing with, any Governmental Entity is required to be obtained by the Purchaser in connection with the execution and delivery of this Agreement, the performance by it of its obligations under this Agreement and the consummation by the Purchaser of the Arrangement, other than those which are contemplated by the Arrangement Agreement.
- (d) There are no claims, actions, suits, audits, proceedings, investigations or other actions pending against, or, to the knowledge of the Purchaser, threatened against or affecting the Purchaser or any of its respective properties that, individually or in the aggregate, could reasonably be expected to have a material and adverse effect on the Purchaser's ability to execute and deliver this Agreement and to perform its obligations contemplated by this Agreement or the Arrangement Agreement.

ARTICLE 3

COVENANTS

3.1 Covenants of the Shareholder

- (a) The Shareholder hereby covenants with the Purchaser that from the date of this Agreement until the termination of this Agreement in accordance with its terms (the "**Expiry Time**"), the Shareholder will not, without having first obtained the prior written consent of the Purchaser:
 - (i) sell, transfer, gift, assign, convey, pledge, hypothecate, encumber, option or otherwise dispose of any right or interest in any of the Subject Securities or tender any of the Subject Securities to a take-over bid or enter into any agreement, arrangement, commitment or understanding in connection therewith, other than (A) pursuant to the Arrangement or an Alternative Transaction, (B) any exercise of warrants or options exercisable for Purchased Securities in accordance with their terms, or (C) to one or more of a parent, spouse, child or grandchild of, or a corporation, partnership, limited liability company or other entity controlled by, the Shareholder or a trust or account (including an RRSP, RESP, RRIF or similar account) existing for the benefit of such Person or entity, provided that in such case and for greater certainty, any Subject Securities acquired as a result thereof shall remain Subject Securities and subject to the terms and conditions of this Agreement and, in the case of a corporation, partnership, limited liability company or other entity controlled by, the Shareholder, provided that such entity remains controlled by the Shareholder until the Expiry Time;
 - (ii) other than as set forth herein, grant or agree to grant any proxies or powers of attorney, deliver any voting instruction form, deposit any Subject Securities into a voting trust or pooling agreement, or enter into a voting agreement, commitment, understanding or arrangement, oral or written, with respect to the voting of any Subject Securities; or
 - (iii) requisition or join in the requisition of any meeting of any of the securityholders of the Company for the purpose of considering any resolution.
- (b) The Shareholder hereby covenants, undertakes and agrees from time to time, until the Expiry Time, to cause to be counted as present for purposes of establishing quorum and to vote (or cause to be voted) all of the Subject Securities (to the extent they carry a right to vote):
 - (i) at any meeting of any of the securityholders of the Company at which the Shareholder or any registered or beneficial owner of the Subject Securities are entitled to vote, including the meeting of shareholders to be called to approve the Arrangement; and

- (ii) in any action by written consent of the securityholders of the Company, in favour of the approval, consent, ratification and adoption of the resolution approving the Arrangement and the transactions contemplated by the Arrangement Agreement (and any actions required for the consummation of the transactions contemplated by the Arrangement Agreement). In connection with the foregoing, subject to this Section 3.1(b), the Shareholder hereby agrees to deposit and to cause any beneficial owners of Subject Securities eligible to be voted to deposit a proxy, or voting instruction form, as the case may be, duly completed and executed in respect of all of its Subject Securities (to the extent that they carry the right to vote) as soon as practicable following the mailing of the Company Circular and in any event at least 5 Business Days prior to the meeting of shareholders to be called to approve the Arrangement and as far in advance as practicable of every adjournment or postponement thereof, voting all such Subject Securities (to the extent that they carry the right to vote) in favour of the resolution approving the Arrangement. The Shareholder hereby agrees that it will not take, nor permit any Person on its behalf to take, any action to withdraw, revoke, change, amend or invalidate any proxy or voting instruction form deposited pursuant to this Agreement notwithstanding any statutory or other rights or otherwise which the Shareholder might have unless this Agreement has at such time been previously terminated in accordance with Section 4.1. The Shareholder will provide copies of each such proxy or voting instruction form (or screen shots evidencing electronic voting thereof) referred to above to the Purchaser at the address below concurrently with its delivery as provided for above.
- (c) The Shareholder hereby covenants, undertakes and agrees from time to time, until the Expiry Time, to cause to be counted as present for purposes of establishing quorum and to vote (or cause to be voted) all of the Subject Securities (to the extent that they carry the right to vote) against any proposed action by the Company, any Company Shareholder, any of the Company's subsidiaries or any other Person (or group of Persons) other than the Purchaser: (i) in respect of: (a) any sale, disposition, alliance or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as the foregoing), direct or indirect, in a single transaction or a series of related transactions, of assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Company and its subsidiaries or of 20% or more of the voting or equity securities of the Company or any of its subsidiaries (or rights or interests in such voting or equity securities); (b) any direct or indirect take-over bid, exchange offer, treasury issuance or other transaction that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of any class of voting, equity or other securities of the Company or any of its subsidiaries (including securities convertible or exercisable or exchangeable for voting, equity or other securities of the Company or any of its subsidiaries); (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license involving the Company or any of its subsidiaries; or (d) any other similar transaction or series of transactions involving the Company or any of its subsidiaries that requires the approval of Company Shareholders under applicable law, other than the Arrangement or an Alternative Transaction (collectively, an "**Acquisition Proposal**"); or (ii) which would reasonably be regarded as being directed towards or likely to prevent or delay the successful completion of the Arrangement, including without limitation any amendment to the articles or by-laws of the Company or any of its subsidiaries or their respective corporate structures or capitalization.
- (d) The Shareholder hereby covenants, undertakes and agrees, in the event that any transaction for the proposed acquisition of at least a majority of the Purchased Securities of the Company, where such transaction requires the approval of Company Shareholders under applicable law, other than the Arrangement or an Alternative Transaction, is presented prior to the Effective Time for approval of, or acceptance by, the Company Shareholders, whether or not it may be recommended by the Board, not to directly or indirectly, accept, assist or

otherwise further the successful completion of such transaction or purport to tender or deposit into any such transaction any of the Subject Securities.

- (e) Until the Expiry Time, subject to Section 4.5 the Shareholder will not, and will ensure that its affiliates do not, directly or indirectly, through any officer, director, employee, representative or agent or otherwise:
 - (i) solicit proxies or become a participant in a solicitation in opposition to or competition with the Purchaser's proposed purchase of the Purchased Securities as contemplated by the Arrangement;
 - (ii) assist any Person in taking or planning any action that would compete with, restrain or otherwise serve to interfere with or inhibit the Purchaser's proposed purchase of the Purchased Securities as contemplated by the Arrangement;
 - (iii) act jointly or in concert with others with respect to voting securities of the Company for the purpose of opposing or competing with the Purchaser's proposed purchase of the Purchased Securities as contemplated by the Arrangement;
 - (iv) solicit, initiate, encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
 - (v) participate in any discussions or negotiations with any Person (other than the Purchaser) regarding any inquiry, proposal or offer that constitutes or would reasonably be expected to constitute or lead to an Acquisition Proposal;
 - (vi) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement, arrangement or understanding regarding any Acquisition Proposal; or
 - (vii) cooperate in any way with, assist or participate in, knowingly encourage or otherwise facilitate or encourage any effort or attempt by any other Person to do or seek to do any of the foregoing.
- (f) The Shareholder will not: (i) exercise any dissent rights in respect of the Arrangement; (ii) contest in any way the approval of the Arrangement by any Governmental Entity; or (iii) take any other action of any kind, in each case which would reasonably be regarded as likely to reduce the success of, or materially delay or interfere with the completion of, the transactions contemplated by the Arrangement Agreement.
- (g) The Shareholder will, and will cause each of its affiliates and will instruct each of its representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced prior to the date of this Agreement with any Person (other than the Purchaser or an affiliate thereof) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal.
- (h) The Shareholder hereby consents to:
 - (i) details of this Agreement being set out in any press release, information circular, including the Company Circular, and court documents produced by the Company, the Purchaser or any of their respective affiliates in connection with the transactions contemplated by this Agreement and the Arrangement Agreement; and

- (ii) this Agreement being made publicly available, including by filing on the System for Electronic Document Analysis and Retrieval (SEDAR) operated on behalf of the Canadian provincial securities regulators.
- (i) Except as required by applicable law or stock exchange requirements, the Shareholder will not, and will ensure that their affiliates and representatives do not, make any public announcement with respect to the transactions contemplated herein or pursuant to the Arrangement Agreement without the prior written approval of the Purchaser.

3.2 Alternative Transaction

In the event that, in lieu of the Arrangement, the Purchaser seeks to complete the acquisition of the Purchased Securities other than as contemplated by the Arrangement Agreement on a basis that (a) provides for economic terms which, in relation to the Shareholder, on an after-tax basis, are at least equivalent to or better than those contemplated by the Arrangement Agreement, (b) would not likely result in a delay or time to completion beyond the Voting Support Outside Date, and (c) is otherwise on terms and conditions not materially more onerous on the Shareholder than the Arrangement (including any take-over bid) (any such transaction, an “**Alternative Transaction**”), then during the term of this Agreement the Shareholder may, on its own accord, and shall, upon written request of the Purchaser, support the completion of such Alternative Transaction in the same manner as the Arrangement in accordance with the terms and conditions of this Agreement mutatis mutandis, including by (A) depositing or causing the deposit of its Subject Securities (including any Purchased Securities issuable upon the exercise of any warrants or options exercisable for Purchased Securities) into an Alternative Transaction conducted by way of a take-over bid made by the Purchaser or an affiliate of Purchaser and not withdrawing them, and/or (B) voting or causing to be voted all of the Subject Securities (to the extent that they carry the right to vote) in favour of, and not dissenting from, such Alternative Transaction proposed by the Purchaser.

3.3 Covenants of the Purchaser

Subject to Section 4.1, the Purchaser will take all steps required of it under the Arrangement Agreement to cause the Arrangement to occur in accordance with the terms of and subject to the conditions set forth in the Arrangement Agreement.

ARTICLE 4

GENERAL

4.1 Termination

This Agreement will terminate and be of no further force or effect upon the earliest to occur of:

- (a) the mutual agreement in writing of the Shareholder and the Purchaser;
- (b) written notice by the Shareholder to the Purchaser if without the prior written consent of the Shareholder, there is any decrease in the aggregate amount of Consideration;
- (c) if the Arrangement Agreement is not entered into by the Purchaser and the Company by such date, the date that is 30 days following the date hereof;
- (d) 5:00 p.m. (Toronto time) on the fifth business day following the valid termination of the Arrangement Agreement other than in connection with the acceptance by the Company of an Acquisition Proposal, unless the Purchaser provides notice to the Shareholder prior to such time that the Purchaser intends to proceed with an Alternative Transaction;

- (e) the completion of the acquisition by the Purchaser of the Subject Securities; and
- (f) the Voting Support Outside Date.

4.2 Time of the Essence

Time is of the essence in this Agreement.

4.3 Effect of Termination

If this Agreement is terminated in accordance with the provisions of Section 4.1, no Party will have any further liability to perform its obligations under this Agreement except as expressly contemplated by this Agreement, and provided that neither the termination of this Agreement nor anything contained in Section 4.1 will relieve any Party from any liability for any breach by it of this Agreement, including from any inaccuracy in its representations and warranties and any non-performance by it of its covenants made herein.

4.4 Equitable Relief

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunctive and other equitable relief to prevent breaches of this Agreement, and to enforce compliance with the terms of this Agreement without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.

4.5 Fiduciary Duty

Notwithstanding anything to the contrary herein, nothing herein shall restrict or limit any director or officer of the Company from taking any action required to be taken in the discharge of his or her fiduciary duty as a director or officer of the Company that is otherwise permitted by, and done in compliance with, the terms of the Arrangement Agreement. The Purchaser further hereby agrees that the Shareholder is not making any agreement or understanding herein in any capacity other than in the capacity as beneficial owner of the Subject Securities.

4.6 Waiver; Amendment

Each party hereto agrees and confirms that any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all of the Parties or in the case of a waiver, by the Party against whom the waiver is to be effective. No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right. No waiver of any of the provisions of this Agreement will be deemed to constitute a waiver of any other provision (whether or not similar).

4.7 Entire Agreement

This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings among the Parties with respect thereto. For greater certainty, the transaction non-disclosure letter agreement entered into in anticipation of entering into this Agreement remains in full force and effect.

4.8 Notices

Any notice, direction or other communication given regarding the matters contemplated by this Agreement (each a “**Notice**”) (must be in writing, sent by personal delivery, courier or facsimile or electronic mail and addressed:

(a) if to the Purchaser at:

Cresco Labs Inc.
Suite 2200, 1055 West Hastings Street
Vancouver, British Columbia
V6E 2E9

Attention: [REDACTED – personal identifying information]
Telephone: [REDACTED – personal identifying information]
Email: [REDACTED – personal identifying information]

with a copy (which shall not constitute notice) to:

Bennett Jones LLP
Suite 3400, 100 King Street West Suite
Toronto, Ontario
M5X 1A4

Attention: [REDACTED – personal identifying information]
Facsimile: [REDACTED – personal identifying information]
Email: [REDACTED – personal identifying information]

(b) to the Shareholder, at the address set out at Schedule “C” hereto.

Any Notice is deemed to be given and received: (i) if sent by personal delivery or same day courier, on the date of delivery if it is a Business Day and the delivery was made prior to 4:30 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, (iii) if sent by facsimile, on the Business Day following the date of confirmation of transmission by the originating facsimile or (iv) if sent by email, on the same Business Day that it was sent if the recipient acknowledged receipt prior to 4:30 p.m. (Toronto time), and otherwise, the next Business Day. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party’s address that is not specifically changed in a Notice will be assumed not to be changed. Sending a copy of a Notice to a Party’s legal counsel as contemplated above is for information purposes only and does not constitute delivery of the Notice to that Party. The failure to send a copy of a Notice to a Party’s legal counsel does not invalidate delivery of that Notice to such Party.

4.9 Severability

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

4.10 Successors and Assigns

The provisions of this Agreement will be binding upon and enure to the benefit of the parties hereto and

their respective heirs, administrators, executors, legal representatives, successors and permitted assigns, provided that no Party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Agreement without the prior written consent of the other Party hereto, provided that the Purchaser may assign all or part of its rights under this Agreement to, and its obligations under this Agreement may be assumed by, any of its affiliates, provided that if such assignment and/or assumption takes place, the Purchaser shall continue to be liable joint and severally with such affiliate for all of its obligations hereunder.

4.11 Independent Legal Advice

Each of the Parties hereby acknowledges that it has been afforded the opportunity to obtain independent legal advice and confirms by the execution and delivery of this Agreement that they have either done so or waived their right to do so in connection with the entering into of this Agreement.

4.12 Further Assurances

The parties hereto will, with reasonable diligence, do all things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party will provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Effective Time.

4.13 Counterparts

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

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

IN WITNESS OF WHICH the Parties have executed this Agreement as at the date first above written.

CRESCO LABS INC.

By: _____

Name:

Title:

[SHAREHOLDER]

By: _____

Name:

Title:

SCHEDULE A
Term Sheet

SCHEDULE B
Purchased Securities

Owner	Number of Purchased Securities	Number of Options	Number of Warrants

SCHEDULE C
Shareholder Address for Notice