



Rapid Dose Therapeutics Corp.

Condensed Interim Consolidated Financial Statements

November 30, 2020

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Rapid Dose Therapeutics Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

Rapid Dose Therapeutics Corp.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at November 30, 2020 \$	As at February 29, 2020 \$
Assets			
Current			
Cash		213,847	3,469
Amounts receivable	4	206,586	110,807
Inventory	5	506,412	210,399
Prepaid expenses and deposits	6	65,228	88,841
		992,073	413,516
Non-current			
Right-of-use asset	7	961,289	1,177,661
Property and equipment	8	2,407,188	2,698,568
		4,360,550	4,289,745
Liabilities			
Current			
Accounts payable and accrued liabilities		2,039,557	1,553,719
Due to a related party	9	129,000	129,000
Deferred revenue	10	1,793,754	1,531,842
Loans payable	11	700,000	-
Current portion of lease liability	12	280,017	263,763
		4,942,328	3,478,324
Non-current			
Lease liability	12	747,112	959,204
		5,689,440	4,437,528
Shareholders' equity			
Common shares	13	18,063,790	18,093,690
Common shares to be issued	13	302,343	-
Warrant reserve	14	4,000	4,000
Contributed surplus	15	2,635,827	2,635,827
Accumulated other comprehensive loss		(20,850)	(16,477)
Deficit		(22,313,999)	(20,864,823)
		(1,328,890)	(147,783)
		4,360,550	4,289,745
Going concern	2		
Subsequent events	22		

Approved by the Board:

Mark Upsdell
Director

Jason Lewis
Director

Rapid Dose Therapeutics Corp.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended November 30,		9 months ended November 30,	
		2020 \$	2019 \$	2020 \$	2019 \$
Revenue					
Service fees	16	-	(893,952)	-	-
Tolling fees		101,251	-	101,251	
Nutraceuticals		25,220	3,479	29,036	40,206
		126,471	(890,473)	130,287	40,206
Cost of sales					
Nutraceuticals		1,484	1,115	1,908	10,297
Gross profit		124,987	(891,588)	128,379	29,909
Expenses					
Personnel	17 and 21	272,314	744,435	507,579	2,204,869
Stock-based compensation		-	446,395	-	2,648,169
General and administrative		94,113	(39,586)	213,907	303,201
Professional fees		51,521	30,693	92,694	202,302
Sales and marketing		15,938	108,155	96,585	514,643
Research and development		9,438	192,874	54,781	287,368
Travel		3,667	31,741	12,551	201,783
Depreciation	7 and 8	162,598	319,381	513,931	299,413
Interest	11 and 12	36,432	66,053	88,213	66,053
		646,021	1,900,141	1,580,240	6,727,801
Loss from operations		(521,034)	(2,791,729)	(1,451,861)	(6,697,892)
Non-operating expenses					
Realized loss on short-term investments		-	-	-	(1,451)
Unrealized loss on short-term investments		-	(296,016)	-	(553,730)
Write-down of inventory	5	-	-	(19,389)	
Foreign exchange loss		9,233	80,341	22,075	141,772
Gain on sale of equipment		-	-	-	85,808
Interest income		-	-	-	17,159
Other income		-	(11,047)	-	14,514
Net loss before other comprehensive loss		(511,801)	(3,018,451)	(1,449,176)	(6,993,820)
Currency translation adjustment		(23,363)	203,070	(4,373)	(12,699)
Net comprehensive loss		(535,164)	(2,815,381)	(1,453,549)	(7,006,519)
Net loss per common share-basic and diluted		(0.01)	(0.04)	(0.02)	(0.09)
Weighted average number of common shares-basic and diluted		77,067,435	77,067,435	77,067,435	76,091,906

Rapid Dose Therapeutics Corp.

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Number	Common shares \$	Common shares to be issued \$	Warrant reserve \$	Contributed surplus \$	Accumulated comprehensive loss \$	Deficit \$	Total \$
Balance, February 29, 2020	77,067,435	18,093,690	-	4,000	2,635,827	(16,477)	(20,864,823)	(147,783)
Private placement proceeds	-	-	302,343	-	-	-	-	302,343
Share issue costs	-	(29,900)	-	-	-	-	-	(29,900)
Loss	-	-	-	-	-	(4,373)	(1,449,176)	(1,453,549)
Balance, November 30, 2020	77,067,435	18,063,790	302,343	4,000	2,635,827	(20,850)	(22,313,999)	(1,328,890)
Balance, February 28, 2019	75,121,327	16,673,525	-	67,033	-	(12,699)	(12,900,207)	3,827,652
Private placement of common share:	1,276,108	893,276	-	-	-	-	-	893,276
Fair value of warrants issued	-	(4,000)	-	4,000	-	-	-	-
Exercise of warrants	670,000	502,500	-	-	-	-	-	-
Fair value of warrants exercised	-	60,692	-	(60,692)	-	-	-	502,500
Fair value of expired warrants	-	6,341	-	(6,341)	-	-	-	-
Share issue costs	-	(38,644)	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	2,667,894	-	-	(38,644)
Fair value of cancelled stock options	-	-	-	-	(19,725)	-	-	2,667,894
Loss	-	-	-	-	-	-	-	(19,725)
Balance, November 30, 2019	77,067,435	18,093,690	-	4,000	2,648,169	12,699	(6,993,820)	(6,981,121)
							(19,894,027)	851,832

The accompanying notes are an integral part of these financial statements

Rapid Dose Therapeutics Corp.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	9 months ended November 30,	
	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Loss	(1,449,176)	(6,993,820)
Items not affecting cash		
Stock-based compensation	-	2,648,169
Depreciation	513,401	299,413
Realized loss on short-term investments	-	1,451
Unrealized loss on short-term investments	-	553,730
Gain on sale of equipment	-	(85,808)
Write-down of inventory	19,389	-
Changes in non-cash operating working		
Receivables	(95,780)	(80,851)
Employee advances	-	15,536
Inventory	(315,402)	(81,919)
Prepaid expenses and deposits	23,613	(307,483)
Accounts payable and accrued liabilities	485,840	86,122
Deferred revenue	261,912	347,444
	<u>(556,203)</u>	<u>(3,598,016)</u>
Investing activities		
Proceeds on sale of short-term investments	-	1,911,192
Proceeds on sale of equipment	-	98,997
Purchase of property and equipment	(5,650)	(1,013,544)
	<u>(5,650)</u>	<u>996,645</u>
Financing activities		
Loans payable	700,000	-
Private placement of common shares	-	893,276
Common shares to be issued	302,343	-
Exercise of warrants	-	502,500
Payment on lease liability	(195,838)	-
Share issue costs	(29,900)	(38,644)
	<u>776,605</u>	<u>1,357,132</u>
Net increase (decrease) in cash	214,751	(1,244,239)
Cash, beginning of period	3,469	1,266,880
Currency translation adjustment	(4,373)	-
Cash, end of period	<u>213,847</u>	<u>22,641</u>
Supplementary information		
Interest paid	88,213	66,053
Income taxes paid	-	-

Rapid Dose Therapeutics Corp.

Notes to the Condensed Interim Consolidated Financial Statements

November 30, 2020

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

Rapid Dose Therapeutics Corp. (the "Company") is a publicly traded Canadian life science company that provides innovative, proprietary drug delivery technologies designed to improve outcomes and quality of lives. The Company is amalgamated under the laws of Ontario and its registered office is located at 1121 Walker's Line, Unit 3A, Burlington, Ontario, L7N 2G4.

2. Going concern uncertainty

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is an early-stage company and has just started to generate revenue. As of November 30, 2020, the Company had a working capital deficit of \$3,950,256 (February 29, 2020 - \$3,064,808) and for the 9 months ended November 30, 2020, the Company recorded a loss of \$1,449,176 (2019 - \$6,993,820) and a cashflow deficit from operations of \$657,454 (2020 - \$3,598,016). The working capital deficits, losses and cashflow deficits from operations limit the Company's ability to fund its operations.

The continued operation of the Company is dependent upon the Company's ability to secure financing to meet its existing obligations and finance its operations. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

3. Basis of preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended February 29, 2020.

These condensed interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended February 29, 2020.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on January 29, 2021.

Rapid Dose Therapeutics Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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(expressed in Canadian dollars)
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4. Amounts receivable

	November 30, 2020	February 29, 2020
	\$	\$
Accounts receivable	169,814	36,614
HST receivable	36,772	74,193
	<u>206,586</u>	<u>110,807</u>

5. Inventory

	November 30, 2020	February 29, 2020
	\$	\$
Raw materials	115,579	35,823
Labels and packaging	107,894	84,155
Finished goods - nutraceuticals	282,941	90,421
	<u>506,412</u>	<u>210,399</u>

6. Prepaid expenses and deposits

	November 30, 2020	February 29, 2020
	\$	\$
Prepaid insurance	3,833	59,502
Prepaid rent	29,339	29,339
Deposits	32,056	—
	<u>65,228</u>	<u>88,841</u>

7. Right-of-use asset

Right-of-use asset represents a lease for office premises with a term ending on March 31, 2024.

	November 30, 2020	February 29, 2020
	\$	\$
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(505,227)	(288,855)
	<u>961,289</u>	<u>1,177,661</u>

For the 9 months ended November 30, 2020, the Company recorded depreciation on the right-of-use asset of \$216,372 (2019 - \$216,372).

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8. Property and equipment

	Furniture and fixtures \$	Research & development equipment \$	Portable building units \$	Computer hardware \$	Leaseholds \$	Processing equipment \$	Total \$
Cost					0.		
February 29, 2020	61,893	160,750	431,859	199,636	246,618	1,950,277	3,051,033
Additions	-	-	-	-	-	5,650	5,650
November 30, 2020	61,893	160,750	431,859	199,636	246,618	1,955,927	3,056,683
Accumulated depreciation							
February 29, 2020	16,432	39,256	36,264	54,417	21,413	184,682	352,464
Depreciation	9,284	24,147	32,389	43,294	18,496	169,418	297,028
November 30, 2020	25,716	63,403	68,653	97,711	39,909	354,100	649,492
Net book value							
February 29, 2020	45,461	121,494	395,595	145,219	225,205	1,765,594	2,698,568
November 30, 2020	36,177	97,347	363,206	101,925	206,709	1,601,827	2,407,188

For the 9 months ended November 30, 2020, the Company recorded depreciation on property and equipment of \$297,030 (2019 – \$83,041).

9. Due to a related party

Due to a related party of \$129,000 (February 29, 2020 - \$129,000) represents advances from an officer and director. The advances are unsecured and non-interest bearing due on June 9, 2021.

10. Deferred revenue

Deferred revenue includes Signing Fees and Acceptance Fees that have been received prior to the Company fulfilling its performance obligations under the MSSAs.

Included in Deferred Revenue is an advance of \$300,000 from a third party for the purchase of Inventory. The party has agreed to defer the transaction until the closing of the proposed Consolidated Craft Brands transaction. See Note 22, Subsequent Events. The Company has provided a promissory note in support of the advance, bearing interest at 8% per annum. The note matures on November 4, 2021 in the event the transaction does not close, and the inventory is not acquired.

The Company has not recognized any deferred revenue as revenue.

11. Loans payable

On August 24, 2020, the Company received a commitment for a loan of \$3,000,000 which will be: (a) interest-bearing at the rate of 12% per annum on the initial advances of \$1,500,000 and 10% per annum on the remaining \$1,500,000 payable quarterly in arrears; (b) secured by a general security agreement over all of the Company's assets; (c) repayable by the Company at any time; and (d) due on August 24, 2023. The Company received an advance of \$500,000 and the remaining \$2,500,000 of the loan commitment is available in tranches of \$500,000 within 15 days of notice provided by the Company to the lender.

On November 30, 2020 the Company received a loan of \$200,000 from a third party for working capital. The loan bears interest at 3% per annum and is repayable on or before May 31, 2021.

For the 9 months ended November 30, 2020, the Company recorded interest on loans of \$20,162.

Rapid Dose Therapeutics Corp.
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12. Lease liability

Balance, February 29, 2020	\$	1,222,967
Interest		68,213
Payments		(264,051)
Balance, November 30, 2020		1,027,129
<hr/>		
Current		280,017
Non-current		747,112
	\$	1,027,129

The remaining lease term is 3.33 years.

13. Share capital

Authorized

An unlimited number of common shares without par value

Outstanding

77,067,435 common shares without par value

Common shares to be issued

In the 9 months ended November 30, 2020, the Company received proceeds of \$302,343 in respect of a proposed private placement of units at a price of \$0.25 per unit. Each unit consists of one common share and one warrant entitling the holder to purchase one common share for \$0.40 for 2 years after the closing date of the private placement. See note 22, *Subsequent events, Private placement*.

14. Warrant reserve

A summary of the continuity of warrant activity is as follows:

	Weighted-average exercise price \$	Number of warrants	Warrant reserve \$
Balance, February 29, 2020	1.00	17,684	4,000
Expired	1.00	(17,684)	(4,000)
Balance, November 30, 2020	-	-	-

15. Contributed surplus

The Company adopted a stock option plan under which it can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the Canadian Securities Exchange.

A summary of the Company's stock options is presented below:

	Weighted-average exercise price \$	Number of stock options	Options reserve \$
Balance, February 29, 2020 and November 30, 2020	0.82	3,896,000	2,635,827

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A summary of the Company's outstanding stock options is presented below:

Exercise price	Expiry date	Number of stock options outstanding and exercisable
\$0.82	March 11, 2024	3,986,000

16. Service fees

For the 9 months ended November 30, 2019, on the completion of its performance obligation to install equipment pursuant to Managed Strip Services Agreements (each a "MSSA"), the Company recognized licence fees of \$893,953 as revenue. Subsequent to August 31, 2019, the Company reviewed its policy for the recognition of revenue and IFRS 15, *Revenue from Contracts with Customers* and determined that amounts earned for signing fees and fees for the installation of equipment in accordance with the MSSA should be deferred and recognized as revenue over time, commencing as the Company completes all of its performance obligations under each MSSA. Accordingly, the Company reversed the revenue of \$893,953 back to deferred revenue in the interim consolidated financial statements for the 9 months ended November 30, 2019.

17. Personnel

Personnel costs are reported net of grants of \$94,852 received from the National Research Council of Canada Industrial Research Assistance Program and subsidies of \$288,713 from the Canada Emergency Wage Subsidy.

18. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities

The fair values of cash accounts receivable and accounts payable and accrued liabilities at November 30, 2020 approximated their respective carrying values due to their short term to maturity.

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the number of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;

Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

19. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Rapid Dose Therapeutics Corp.

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Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's customers are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management's assessment of the credit risk. At November 30, 2020 and February 29, 2020, the Company had no expected credit loss provision.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance operations. Accounts payable and accrued liabilities are subject to normal trade terms.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

Equity price risk

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk.

Currency risk

Currency risk arises from financial instruments and sales and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. The Company operates in Canada and the United States and the Company incurs the majority of its operating expenses in Canadian dollars. In the future, the proportion of international sales is expected to increase. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in US dollars and exchange rates on an ongoing basis. The Company has not engaged in foreign currency hedging.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

20. Capital risk management

Capital of the Company consists of share capital, warrant reserve, option reserve, and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns for the benefit of its shareholders and other stakeholders.

The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an early-stage company and has just started to generate revenue, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

Rapid Dose Therapeutics Corp.

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21. Related party transactions

Related parties include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company, namely, directors, Chief Executive Officer, Chief Financial Officer and Senior Vice President, Business Development.

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended November 30,	
	2020	2019
	\$	\$
Salaries	146,071	556,155
Stock-based compensation	–	1,457,350
	<u>146,071</u>	<u>2,023,505</u>

See note 9 for other related party transaction.

22. Subsequent events

Government subsidies

Subsequent to November 30, 2020, the Company received Canada Emergency Wage Subsidy of \$30,483 and Canada Emergency Rent Subsidy of \$18,376.

Private placement

On December 16, 2020, the Company completed a private placement of 3,599,370 units at a price of \$0.25 per unit for gross proceeds of \$899,843. Each unit consisted of one common share and one warrant which entitling the holder to purchase one common share for \$0.40 per Share until December 16, 2022. As of November 30, 2020, the Company had received proceeds of \$302,343 in respect of the private placement. See note 13, *Share capital, Common shares to be issued*.

Proposed acquisition of Consolidated Craft Brands

On January 11, 2021, the Company entered into a binding Letter of Intent ("LOI") for the acquisition of 2544737 Ontario Limited, operating as Consolidated Craft Brands ("CCB"), in a share transaction totaling \$5,000,000 (the "Transaction"). CCB is a majority First Nations owned private company carrying on business in the development of packaged goods for cannabis edibles and cannabis infused health and wellness products. Pursuant to LOI, the Company will issue 16,666,667 units at a deemed price of \$0.30 per unit in exchange for 100% of the common shares of CCB. Each unit will consist of one common share and one common share purchase warrant entitling the holder to purchase one common share for \$0.45 for 24 months from the closing of the Transaction. The number of common shares of the Company to be issued represents, after issuance, approximately 17.12% of the issued and outstanding shares of the Company on an undiluted basis and approximately 27.53% of the Company's shares on a fully diluted basis after taking into consideration the exercise of all stock options and warrants outstanding after this Transaction. The LOI contains terms and conditions consistent with similar transactions of this nature and will be the foundation for the definitive agreement which is expected to close by February 15, 2021. The Transaction is subject to negotiation of a definitive agreement which will contain terms and conditions of the LOI and other terms and conditions customary for transactions of the nature and magnitude of the Transaction, including completion of due diligence investigations and any necessary approvals of regulatory authorities, shareholders and boards of directors. The selling shareholders of CCB will have the right to nominate one director to the Board of Directors of the Company. The Transaction will be subject to a negotiated escrow agreement between the parties including timed releases of the units over 11 months.