

EXECUTION VERSION

SHAREHOLDERS AGREEMENT

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SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this “**Agreement**”), is made and entered into as of this January 30, 2020 (the “**Effective Date**”) by and between KushCo Holdings, Inc., a Nevada corporation (“**KushCo**”), and Xtraction Services Holdings Corp., a corporation organized under the laws of British Columbia (“**XS**”). KushCo and XS may individually be referred to herein individually as a (“**Party**”) or collectively as the (“**Parties**”).

RECITALS

WHEREAS, concurrently with the execution of this Agreement, KushCo and XS are entering into a stock purchase agreement (the “**Purchase Agreement**”) pursuant to which XS will issue and sell equity interests of XS in the form of proportionate voting shares (the “**XS Shares**”), and KushCo will purchase such XS Shares, payable in shares of KushCo’s stock (the “**KushCo Shares**”); and

WHEREAS, the Parties desire to enter into this Agreement to set forth their agreements and understandings with respect to how the shares of KushCo Shares and XS Shares held by the respective Parties will be voted, to govern the restrictions with respect to the transfer, assignment, pledge or hypothecation of the XS Shares and the KushCo Shares, and to govern certain other matters as set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, intending to be legally bound, the Parties hereto agree as follows:

1. Definitions. As used in this Agreement, in addition to any capitalized terms defined in the body of this Agreement, the following terms shall have the following respective meanings:

“**Affiliate**” means, as applied to any Person, any other Person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, “control” means the possession, directly or indirectly, through one or more intermediaries, of the power to direct the management and policies of a Person, whether through the ownership of stock, by Contract or otherwise.

“**Applicable Law**” means any applicable U.S. or Canadian federal, state, provincial, local, international or other constitution, law, statute, ordinance, rule, directive, regulation, published administrative position, policy or principle of common law, or any Order, in any case issued, enacted, adopted, promulgated, implemented or otherwise put into legal effect by or under the authority of any Governmental Entity.

“**Arbitrable Claims**” has the meaning set forth in Section 9.14.

“**Basic Outstanding Basis**” means, as of any date of determination in respect of: (A) XS, all issued and outstanding Subordinate Voting Shares and all Subordinate Voting Shares issuable upon the exercise or conversion of the Proportionate Voting Shares; and (B) KushCo, all issued and outstanding shares of common stock.

“Change of Control” means any of the following: (i) a change in the direct or indirect ownership of, or control or direction over, voting securities of a Party, as a result of which, a Person, or a group of Persons, acting jointly or in concert, is in a position to exercise effective control over the Party for the first time; (ii) an amalgamation, arrangement, merger, reorganization, or consolidation or other similar event that shifts voting control of a Party or any successor entity to Persons other than the Persons who had voting control immediately prior to the event; (iii) a change in the composition of the Party’s board of directors which occurs at a single meeting of the shareholders of Party or upon the execution of a shareholders’ resolution, such that individuals who are members of the board of directors immediately prior to such meeting or resolution cease to constitute a majority on the board of directors as constituted immediately prior to such meeting or resolution, without the board of directors having approved of such change; and (iv) the Transfer or other disposition of all or substantially all of a Party’s assets.

“Contract” means any written or oral agreement, contract, indenture, lease, instrument, arrangement, commitment or obligation that is legally binding (in each case, including any amendments and modifications thereto).

“Equity Financing” means the issuance and/or sale by either Party of any Equity Securities for cash other than the grant of stock options to directors, officers, employees or consultants of a Party or any subsidiary of a Party, or the issue of Equity Securities upon the exercise of any such stock options, in each case following the date hereof.

“Equity Financing Option Period” has the meaning set forth in Section 4(ii).

“Equity Financing Subscription Notice” has the meaning set forth in Section 4(ii).

“Equity Securities” means, Shares or securities convertible into or exercisable or exchangeable for Shares, including without limitation, convertible debt securities.

“Governmental Entity” means any court, administrative agency, tribunal or commission or other federal, provincial, state, county, local or other foreign governmental authority, instrumentality, agency or commission having jurisdiction over any of the Parties.

“Holding Party” has the meaning set forth in Section 3.

“Indemnified Party” has the meaning set forth in Section 6.1.

“Indemnifying Party” has the meaning set forth in Section 6.1.

“Indemnitee” has the meaning set forth in Section 6.2.

“Indemnitor(s)” has the meaning set forth in Section 6.2.

“KushCo Transfer Restrictions” has the meaning set forth in Section 2.2.

“Investor’s Interest” means, in respect of either Party, on any given date, the respective ownership interest of the Parties in one another, expressed as a percentage, and calculated as follows: (i) the number of outstanding Shares of the other Party (the **“Target”**) beneficially

owned, directly or indirectly, or over which control or direction is exercised by the applicable holding Party to which the calculation applies and its Affiliates (the “**Investor**”) (after giving effect to the exercise, conversion or exchange of any securities exercisable for, convertible into or exchangeable for Shares), on any such given date; divided by (ii) the aggregate number of outstanding Shares of the Target calculated on a Basic Outstanding Basis (after giving effect to the exercise, conversion or exchange of any securities exercisable for, convertible into or exchangeable for Shares held by Investor) on any such given date.

“**Losses**” means actual out-of-pocket losses, damages, liabilities, costs or expenses, including reasonable legal fees.

“**Offer Notice**” has the meaning set forth in Section 4(i).

“**Order**” means any order, judgment, injunction, ruling, edict, or other decree, whether temporary, preliminary or permanent, enacted, issued, promulgated, enforced or entered by any Governmental Entity.

“**Person**” means any natural person, corporation, business trust, limited liability company, joint venture, association, partnership or government, or any agency or political subdivision thereof.

“**Proportionate Voting Shares**” means the proportionate voting shares in the capital of XS.

“**Purchase Agreement**” has the meaning set forth in the introduction to this Agreement.

“**Shareholder**” means the holders of the Parties’ respective Shares as of the date hereof, and any future holder of such Shares that becomes a party to this Agreement.

“**Shares**” means shares of capital stock of each Party now held or hereafter acquired by any Shareholder.

“**Subject Company**” has the meaning set forth in Section 3.

“**Subordinate Voting Shares**” means the subordinate voting shares in the capital of XS.

“**Subscription Documents**” has the meaning set forth in Section 4(i).

“**Third-Party Claim**” has the meaning set forth in Section 6.2.

“**Transaction Documents**” means this Agreement, the Purchase Agreement, the Strategic Partnership and Cooperation Agreement by and between the Parties, and any other document or agreement entered into by the Parties pursuant to any of the foregoing agreements.

“**Transfer**” means a sale, assignment, lease, transfer, exchange, mortgaging, encumbering or other disposition, whether voluntary, or involuntary by operation of law, and whether or not consideration is received therefor and the term “**Transferred**” has the meaning correlative thereto.

“**Transfer Restriction Period**” has the meaning set forth in Section 2.1.

“***XS Transfer Restrictions***” has the meaning set forth in Section 2.1.

2. Transfer Restrictions.

2.1 XS Shares. KushCo shall not, without the prior written consent of XS (such consent not to be unreasonably withheld, conditioned, or delayed) during the period commencing on the date hereof and ending on the first anniversary of the date hereof (the “**Transfer Restriction Period**”), either: (i) Transfer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to Transfer or dispose of, directly or indirectly, any XS Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for XS Shares as issued under the Purchase Agreement; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of XS Shares or other securities, in cash, or otherwise (the “**XS Transfer Restrictions**”). Any attempt by any holder of Transfer in violation of this Section 2.1 shall be voidable, and XS will not effect such a Transfer nor will it treat any alleged transferee as the holder of such XS Shares. Upon the lapse of the Transfer Restriction Period, the XS Transfer Restrictions as described in this Section 2.1 shall terminate, and all such XS shares shall be released from all such XS Transfer Restrictions and shall be fully transferrable, subject to the requirements of all Applicable Laws, rules, and regulations, and any applicable requirements of any stock exchange, listing agency, or other applicable regulatory entities.

2.2 KushCo Shares. During the Transfer Restriction Period, XS shall not, without the prior written consent of KushCo, such written consent not to be unreasonably withheld, conditioned, or delayed, either: (i) Transfer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to Transfer or dispose of, directly or indirectly, any KushCo Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for KushCo Shares as issued under the Purchase Agreement; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of KushCo Shares or other securities, in cash, or otherwise (the “**KushCo Transfer Restrictions**”). Any attempt by any holder of Transfer in violation of this Section 2.2 shall be voidable, and KushCo will not effect such a Transfer nor will it treat any alleged transferee as the holder of such KushCo Shares. Upon the lapse of the Transfer Restriction Period, the KushCo Transfer Restrictions as described in this Section 2.2 shall terminate, and all such KushCo Shares shall be released from all such KushCo Transfer Restrictions shall be fully transferrable, subject to the requirements of all Applicable Laws, rules, and regulations, and any applicable requirements of any stock exchange, listing agency, or other applicable regulatory entities.

3. Voting Restrictions. For so long as either Party (the “**Holding Party**”) owns at least ten percent (10%) of the outstanding Shares of the other Party (the “**Subject Company**”), calculated on a Basic Outstanding Basis, the applicable Holding Party agrees:

(i) to vote (in person, by proxy or by action by written consent, as applicable), or cause to be voted, all Shares in the Subject Company owned by the Holding Party, or over which the Holding Party has voting control, from time to time and at all times, in

whatever manner as shall be necessary, in favor of, and to adopt, any and all resolutions presented by such the Subject Company's board of directors or other management of the Subject Company, unless prohibited by Applicable Law, fiduciary obligations, securities regulations, securities regulators, or any applicable stock exchange;

(ii) to execute and deliver all related documentation and take such other action in support of such resolutions as shall reasonably be requested by the Subject Company in order to carry out the terms and provisions of such resolution including, without limitation, executing and delivering any associated voting, support, or joinder agreement, consent, waiver, governmental filing, and any similar or related documents, unless prohibited by Applicable Law, fiduciary obligations, securities regulations, securities regulators, or any applicable stock exchange; and

(iii) to refrain from exercising any dissenters' rights with respect to such proposed resolution or asserting any claim or commencing any suit (x) challenging the terms of the resolution, or (y) alleging a breach of any fiduciary duty in connection with the evaluation, negotiation or entry into resolution, or the consummation of the transactions contemplated thereby.

4. Pre-Emptive Rights. For so long as KushCo owns a 10% Investor's Interest in XS, in the event that XS intends to issue Equity Securities in connection with an Equity Financing:

(i) XS shall provide KushCo not less than 10 Business Days' prior written notice to the closing of the Equity Financing (the "**Offer Notice**") specifying: (i) as of the date thereof, the total number of Shares outstanding; (ii) the total number of Equity Securities which are proposed to be offered in such Equity Financing; (iii) the rights, privileges, restrictions, terms and conditions of such Equity Securities; (iv) the consideration for which such Equity Securities are being offered; (v) the proposed closing date of the Equity Financing; and (vi) any subscription documents (the "**Subscription Documents**") in respect of such Equity Financing then available to XS;

(ii) KushCo will have the option, by written notice given to XS (an "**Equity Financing Subscription Notice**"), to subscribe for up to that number of Equity Securities being offered for sale as described in the Offer Notice such that KushCo's Investor's Interest after giving effect to the proposed Equity Financing will as near as possible be equal to KushCo's Investor's Interest as at the date of receipt of the Offer Notice for the consideration set forth in such notice. Such Equity Financing Subscription Notice may take the form of a properly completed and duly executed Subscription Document. In the Equity Financing Subscription Notice, KushCo will specify the number of Shares beneficially owned, directly or indirectly, by it as at the date of the Equity Financing Subscription Notice. The option to subscribe is exercisable by KushCo for such period of time equal to the greater of (i) the time as set out in the Offer Notice; and (ii) ten (10) Business Days after the date of delivery to KushCo of the Offer Notice (such period of time to be referred to as the "**Equity Financing Option Period**");

(iii) if KushCo fails to deliver an Equity Financing Subscription Notice for the Equity Securities covered by the Offer Notice in accordance with Section 4(ii) within the Equity Financing Option Period or waives its rights hereunder following receipt of an Offer Notice, then any rights which KushCo may have had to subscribe for any of the Equity

Securities covered by the Offer Notice (including any Equity Securities issued upon the exercise of options, warrants or other convertible securities disclosed in such Offer Notice) will be extinguished for the applicable Equity Financing, provided that XS will not complete an Equity Financing for less consideration per Equity Security or on more favourable terms to purchasers of Equity Securities than those set out in the Offer Notice without first providing KushCo with an amended Offer Notice. For clarity, KushCo's failure to deliver an Equity Financing Subscription Notice in response to an Offer Notice does not preclude KushCo from participating in any future Equity Financing, in accordance with this Section 4, provided KushCo beneficially owns at least 10% of the issued and outstanding Shares calculated on a Basic Outstanding Basis immediately prior to such future Equity Financing;

(iv) each Offer Notice and Equity Financing Subscription Notice, taken together, will constitute a binding agreement of KushCo to subscribe for and take up, and by XS to issue and sell to KushCo, the number of Equity Securities subscribed for therein upon the terms and conditions specified in the Offer Notice, provided that, in the case of an Equity Financing which is the exercise of options or warrants of XS, the price per Equity Security will be equal to the greater of the exercise price of such warrants or options and the minimum allowable price under the rules of the Canadian Securities Exchange (or such other principal stock exchange on which XS's Shares may be listed at such time). Notwithstanding the foregoing, in the event that the total number of Equity Securities which are being offered changes after the delivery of the Offer Notice but prior to the closing of the offering, KushCo will be given the opportunity to amend its Equity Financing Subscription Notice. Any agreement by KushCo to subscribe for Equity Securities will be conditional upon the completion of the issue and sale of Equity Securities pursuant to the Equity Financing to investors other than KushCo and, in the case of completion of a portion only of the Equity Securities listed in an Offer Notice, KushCo's entitlement to acquire Equity Securities will be reduced accordingly;

(v) it will be the sole responsibility of KushCo to calculate and provide evidence of the aggregate ownership interest of KushCo in Shares of XS upon receiving a written request therefor by XS, such evidence to be in a form acceptable XS, acting reasonably; and

(vi) in the event that KushCo exercises its right to acquire Equity Securities pursuant to this Section 4 hereof, XS will apply for and will use reasonable commercial efforts to obtain all applicable approvals, consents or authorizations required from all applicable securities regulatory authorities or stock exchanges. KushCo acknowledges that the issuance of Equity Securities to it hereunder is subject to receipt of all applicable approvals, consents or authorizations required to be obtained from securities regulatory authorities, XS's shareholders and stock exchanges and KushCo agrees that, if required by applicable securities laws, KushCo will either (a) execute and deliver any reports, undertaking or other documents or furnish any required information in order for XS to obtain such approvals with respect to the issue of Equity Securities contemplated hereunder as may be required thereunder or (b) withdraw its election to exercise its preemptive rights with respect to the applicable Equity Financing.

5. Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party that:

i. Each Party is duly organized, validly existing and in good standing

under the Applicable Laws of its jurisdiction of organization. Each Party is duly authorized to conduct business and is in good standing as a foreign corporation under the Applicable Laws of each jurisdiction where such qualification is required.

ii. Each Party has the requisite power and authority to execute and deliver this Agreement and to perform its obligations thereunder. The execution and delivery by each Party of this Agreement, and the performance of its obligations hereunder, have been duly authorized by all requisite corporate action. When executed and delivered by such Party, this Agreement will constitute the valid and legally binding obligation of such Party, enforceable against the other Party in accordance with its terms and conditions.

iii. Neither the execution and the delivery of this Agreement, nor the performance by either Party of its obligations hereunder, will: (a) violate any provision of the organizational documents of each Party; (b) violate any Applicable Law to which a Party is subject; or (c) conflict with, result in a breach of, result in a loss of a material benefit under or violation of, constitute (with or without notice or lapse of time or both) a default under, result in the acceleration of, create (with or without notice or lapse of time or both) in any party thereto the right to accelerate, terminate, modify or cancel or require any notice under any regulatory requirement necessary to conduct the business of such Party, Contract or Applicable Law. No Party is required by Applicable Law, Contract or otherwise to give any notice to, make any filing with or obtain any authorization, consent or approval of any Governmental Entity in order to consummate the transactions contemplated by this Agreement.

6. Indemnification.

6.1 Mutual Indemnification. Each Party (the “**Indemnifying Party**”) agrees to indemnify, defend and hold harmless the other Party, its Affiliates and each of their respective officers, directors, employees, contractors and agents (each an “**Indemnified Party**”) from, and will reimburse such Indemnified Party for, all Losses to the extent arising out of or related to: (a) any actual or alleged breach of any representation or warranty of a Party contained in this Agreement; or (b) any actual or alleged breach or violation of any covenant, agreement or other obligation or duty of a Party under this Agreement.

6.2 Indemnification Procedures. A Party seeking indemnification under this Section 6 (the “**Indemnitee**”) shall promptly notify the Party or Parties subject to such indemnification obligation (the “**Indemnitor(s)**”) upon becoming aware of any third-party claim, suit, action, or proceeding (each, a “**Third-Party Claim**”) under this Section 6. The Indemnitor(s) shall promptly assume control of the defense and investigation of such Third-Party Claim, with counsel reasonably acceptable to the Indemnitee, and the Indemnitee shall reasonably cooperate with the Indemnitor(s) in connection therewith, in each case at the Indemnitor(s)’ sole cost and expense. The Indemnitee may participate in the defense of such Third-Party Claim, with counsel of its own choosing and at its own cost and expense. The Indemnitor(s) shall not settle any such Third-Party Claim on any terms or in any manner that adversely affects the rights of any Indemnitee without such Indemnitee’s prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed). Neither the Indemnitee’s failure to perform any obligation under this Section 6, nor any Indemnitee’s act or omission in the defense or settlement of any such Third-Party Claim will relieve the Indemnitor(s) of its/their obligations under this

Section 6, including with respect to any Losses, except to the extent that the Indemnitor(s) can demonstrate that it/they has/have been materially prejudiced as a result thereof.

7. Remedies.

7.1 Covenants. The Parties agree to use their respective best efforts, within the requirements of Applicable Law, to ensure that the rights granted under this Agreement are effective and that the Parties enjoy the benefits of this Agreement.

7.2 Specific Enforcement. Each Party acknowledges and agrees that the other Party hereto will be irreparably damaged in the event any of the provisions of this Agreement are not performed by the Parties in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of XS and KushCo, shall, in addition to any other rights or remedies available at law or in equity, specifically monetary damages, without the requirement to post any bond or other security or to prove that monetary damages would be inadequate, be entitled to an injunction to prevent breaches of this Agreement, and to specific enforcement of this Agreement and its terms and provisions in any action instituted in any court having subject matter jurisdiction over such dispute.

7.3 Remedies Cumulative. All remedies, either under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

8. Term. This Agreement shall be effective as of the date hereof and shall continue in effect until and shall terminate upon the earliest to occur of (a) the consummation of a transaction resulting in a Change of Control of a Party; (b) termination of this Agreement in accordance with Section 9.6 below; or (c) upon the later of: (i) twelve (12) months from the Effective Date and (ii) the date on which neither Party holds a ten percent (10%) interest on Basic Outstanding Basis in the other Party.

9. Miscellaneous.

9.1 Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.2 Governing Law. This Agreement shall be governed by the internal laws of the state of Nevada.

9.3 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

9.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (a) personal delivery to the Party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt. All communications shall be sent to the respective Parties at their address as set forth hereto, or to such email address, facsimile number or address as subsequently modified by written notice given in accordance with this Section 9.5. If notice is given to the XS, a copy shall also be sent to Jeff Hergott, Wildeboer Dellelce Place Suite 800, 365 Bay Street Toronto, Ontario M5H 2V1, jhergott@wildlaw.ca and if notice is given to KushCo, a copy shall also be given to Ryan J. Barncastle, Esq., 2029 Century Park E., Suite 300, Los Angeles, CA 90067-2904, Ryan.Barncastle@btlaw.com.

9.6 Consent Required to Amend, Terminate or Waive. This Agreement may be amended or terminated and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by XS and KushCo. Any amendment, modification, termination or waiver so effected shall be binding upon KushCo, XS and all of their respective successors and permitted assigns whether or not such party, assignee or other shareholder entered into or approved such amendment, modification, termination or waiver. The modifying party shall give prompt written notice of any amendment, termination, or waiver hereunder to any party that did not consent in writing thereto. Any amendment, termination, or waiver effected in accordance with this Section 9.6 shall be binding on each Party and all of such Party's successors and permitted assigns, whether or not any such Party, successor or assignee entered into or approved such amendment, termination or waiver. For purposes of this Section 9.6, the requirement of a written instrument may be satisfied in the form of an action by written consent of the Shareholder, circulated by the applicable Party and executed by the Parties specified, whether or not such action by written consent makes explicit reference to the terms of this Agreement.

9.7 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default previously or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

9.8 Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision.

9.9 Entire Agreement. This Agreement (including any exhibits hereto) constitutes the full and entire understanding and agreement between the Parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the Parties is expressly canceled.

9.10 Share Certificate Legend. In addition to any legend required under Applicable Law, each certificate, instrument, or book entry representing any Shares issued pursuant to any Transaction Document shall be notated by the issuing entity with a legend reading substantially as follows:

“THE SHARES REPRESENTED HEREBY ARE SUBJECT TO A SHAREHOLDERS AGREEMENT, AS MAY BE AMENDED FROM TIME TO TIME, (A COPY OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST FROM THE COMPANY), AND BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF THAT SHAREHOLDERS AGREEMENT, INCLUDING CERTAIN RESTRICTIONS ON TRANSFER AND OWNERSHIP SET FORTH THEREIN.”

Additionally, each certificate, instrument, or book entry representing any KushCo Shares issued pursuant to any Transaction Document shall be notated by the issuing entity with a legend reading substantially as follows:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SHARES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED.

Additionally, each certificate, instrument, or book entry representing any XS Shares issued pursuant to any Transaction Document shall be notated by the issuing entity with a legend reading substantially as follows:

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

The issuing entity, by its execution of this Agreement, agrees that it will cause the certificates instruments, or book entry evidencing the Shares issued after the date hereof to be notated with the legend required by this Section 9.10 of this Agreement, and it shall supply, free of charge, a copy of this Agreement to any holder of such Shares upon written request from such holder to the issuing entity at its principal office. The Parties to this Agreement do hereby agree that the failure

to cause the certificates, instruments, or book entry evidencing the Shares to be notated with the legend required by this Section 9.10 herein and/or the failure of the issuing entity to supply, free of charge, a copy of this Agreement as provided hereunder shall not affect the validity or enforcement of this Agreement.

9.11 Stock Splits, Stock Dividends, etc. In the event of any issuance of Shares of a Party's voting securities hereafter to the other Party (including, without limitation, in connection with any stock split, stock dividend, recapitalization, reorganization, or the like), such Shares shall become subject to this Agreement and shall be notated with the legend set forth in Section 9.10.

9.12 Manner of Voting. The voting of Shares pursuant to this Agreement may be effected in person, by proxy, by written consent or in any other manner permitted by applicable law. For the avoidance of doubt, voting of the Shares pursuant to the Agreement need not make explicit reference to the terms of this Agreement.

9.13 Further Assurances. At any time or from time to time after the date hereof, the Parties agree to cooperate with each other, and at the request of any other Party, to execute and deliver any further instruments or documents and to take all such further action as the other Party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the Parties hereunder.

9.14 Dispute Resolution. All disputes arising out of or relating to this Agreement, the other agreements, documents, and instruments to be executed and delivered pursuant hereto or thereto, or any part of the business relationship between the Parties ("**Arbitrable Claims**"), shall be resolved exclusively by binding arbitration in Los Angeles County, California, before one arbitrator. The arbitration shall be administered by JAMS (Judicial Arbitration and Mediation Services) pursuant to its Comprehensive Arbitration Rules and Procedures. The arbitrator shall have the authority to award or grant legal, equitable, and declaratory relief. No action at law or in equity based upon any Arbitrable Claim shall be instituted in any court by any Party except (a) an action to compel arbitration pursuant to this Section 9.14 or (b) an action to enforce an award rendered in an arbitration proceeding in accordance with this Section 9.14 or otherwise have such award entered as a judgment. For any such action at law or in equity, the Parties hereby consent to the exclusive jurisdiction of the state courts sitting in Los Angeles, California and hereby explicitly and unequivocally waive (x) any claim or defense that such forum is not convenient or proper, and (y) any such Party's right to remove any such action to federal court based on diversity jurisdiction. Each Party hereby agrees that any such court shall have in personam jurisdiction over it, consents to service of process in any manner prescribed in Section 9.6 or in any other manner authorized by the laws of the State of California, that when so made shall be as if served upon it personally within the State of California, and agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in any manner specified by Applicable Law. The Parties understand and acknowledge that, by agreeing to binding arbitration, they waive the right to submit the dispute for determination by a court and thereby also waive the right to a jury or court trial. The California Arbitration Act will govern the interpretation and enforcement of this Section 9.14.

9.15 Costs of Enforcement. If any Party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing Party shall pay all costs and

expenses incurred by the prevailing Party, including, without limitation, all reasonable attorneys' fees.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Shareholders Agreement as of the date first written above.

KUSHCO HOLDINGS, INC.

By: "Arun Kurichety"
Name: Arun Kurichety
Title: Executive Vice President and General
Counsel

**XTRACTION SERVICES HOLDINGS
CORP.**

By: "David Kivitz"
Name: David Kivitz
Title: Chief Executive Officer