

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **March 12, 2018**

PIVOT PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

British Columbia (State or other jurisdiction of incorporation)	333-161157 (Commission File Number)	n/a (IRS Employer Identification No.)
1275 West 6th Avenue, Vancouver, British Columbia, Canada (Address of principal executive offices)		V6H 1A6 (Zip Code)

Registrant's telephone number, including area code **(604) 805-7783**

n/a

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets

On February 28, 2018, we completed the acquisition of ERS Holdings, LLC (“ERS”) pursuant to an Exchange Agreement dated as of February 10, 2018 among Pivot Pharmaceuticals Inc. (“Pivot”), ERS and the members of ERS. As consideration for the purchase, we paid \$333,333 in cash on closing and will pay an additional \$333,333 six and twelve (12) months after closing. In addition, we also issued 5,000,000 shares of our common stock. ERS has developed a patented technology called “RTIC” Ready-To-Infuse-Cannabis, relating to the transformation of cannabis oil into powder for infusion into a variety of food and beverage products such as capsules, K-Cups, stick packs, baked mixes, liquid shots, protein shakes, topicals, lotions, and bottled beverages.

On March 2, 2018, we completed the acquisition of Thrudermic, LLC (“Thrudermic”) and worldwide rights to Thrudermic’s patented Transdermal Nanotechnology for the development and commercialization of transdermal cannabinoids pursuant to an Exchange Agreement dated as of March 2, 2018 among Pivot, Dr. Joseph Borovsky, Dr. Leonid Lurya and Thrudermic. As consideration for the purchase, we paid \$1 in cash on closing and issued 500,000 shares of our common stock.

Item 3.02 Unregistered Sales of Equity Securities

Effective February 28, 2018, we issued a private placement offering of senior secured convertible debentures (“Convertible Debentures”) with a conversion price of \$1.74 per common share for aggregate gross proceeds of CDN\$5,000,000 (the “Offering”). The Convertible Debentures will bear interest at the rate of 10% per annum, payable quarterly, and will mature 12 months following the date of their issuance. Beginning on the date that is four months and one day following the issuance of the Convertible Debentures, we may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days’ notice should the daily volume weighted average trading price of the Common Shares be greater than \$2.50 for any 20 consecutive trading days on the Canadian Stock Exchange, or such other exchange our common shares are principally traded. We relied on Regulation S of the Securities Act of 1933.

Item 9.01 Financial Statements and Exhibits

10.29	Share Exchange Agreement between our company, ERS Holdings, LLC and the members of ERS Holdings, LLC dated February 10, 2018
10.30	Royalty Agreement between our company and AquaBrew Inc. dated March 1, 2018
10.31	Employment Agreement between our company and Patrick Rolfes dated March 1, 2018
10.32	Share Exchange Agreement between our company, Thrudermic, LLC, Dr. Joseph Borovsky and Dr. Leonid Lurya dated March 2, 2018
10.33	Employment Agreement between our company and Joseph Borovsky dated March 1, 2018
10.34	10% Senior Secured Convertible Debenture (CDN\$2,500,000) due March 2, 2019 (CD-1)
10.35	10% Senior Secured Convertible Debenture (CDN\$2,500,000) due March 2, 2019 (CD-2)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PIVOT PHARMACEUTICALS INC.

/s/ Patrick Frankham

Patrick Frankham
Chief Executive Officer

Date: March 12, 2018

EXCHANGE AGREEMENT

THIS AGREEMENT is made effective as of the 10th day of February, 2018.

AMONG:

ERS HOLDINGS, LLC, a limited liability company incorporated pursuant to the laws of California and having an address at 11138 Del Amo Blvd #129, Lakewood, CA 90715

(the "**Target**")

AND:

THE MEMBERS OF THE TARGET, as listed on Schedule A attached hereto (each, a "**Member**" and collectively, the "**Members**")

AND:

PIVOT PHARMACEUTICALS INC., a company incorporated pursuant to the laws of British Columbia and having an address at #300-1275 West 6th Avenue, Vancouver, BC V6H 1A6

(the "**Purchaser**")

WHEREAS:

A. The Members are the registered and beneficial owners of all the issued and outstanding units in the capital of the Target as described in Schedule A hereto (the "**Units**");

B. The Target is in the business of transforming cannabis oil into powder;

C. The Purchaser has made an offer to pay \$1,000,000 (USD) plus certain closing costs and issue a total of 5,000,000 common shares in the capital of the Purchaser to the Members as consideration for the acquisition by the Purchaser of all the Units from the Members; and

D. Upon the terms and subject to the conditions set forth in this Agreement, the Members have agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Members all the Members' legal and beneficial right, title and interest in and to the Units such that, at Closing (as defined herein), the Target will become a wholly-owned subsidiary of the Purchaser.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following words and phrases will have the following meanings:

- a) “**Affiliate**” with respect to any specified Person at any time, means each Person directly or indirectly through one or more intermediaries controlling, controlled by or under direct or indirect common control with such specified Person at such time;
- b) “**Agreement**” means this Exchange Agreement and Schedule attached hereto, as it may from time to time be supplemented or amended;
- c) “**Applicable Laws**” means, with respect to any Person, any domestic (whether federal, state, territorial, provincial, municipal or local) or foreign statute, law, ordinance, rule, administrative interpretation, regulation, Order, writ, injunction, directive, judgment, decree or other requirement, all as in effect as of the Closing, of any Governmental Body applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents (in connection with such officer’s, director’s, employee’s, consultant’s or agent’s activities on behalf of such Person or any of its Affiliates), including all Applicable Securities Laws;
- d) “**Applicable Securities Laws**” means applicable securities laws in all jurisdictions relevant to the issuance of the Consideration Shares to the Members pursuant to the terms of this Agreement, including: (a) the BC Act or the equivalent legislation in each province and territory of Canada; (b) the rules, regulations, instruments and policies adopted by the Securities Authorities; and (c) the relevant policies and regulations of the Exchange, each as amended from time to time;
- e) “**BC Act**” means the *Securities Act* (British Columbia) and the regulations made under that enactment, as amended;
- f) “**BCBCA**” means the *Business Corporation Act* (British Columbia), and the regulations made under that enactment, as amended;
- g) “**Business**” means the business currently and heretofore carried on by the Target;
- h) “**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in British Columbia, Canada are authorized or required by law to close;
- i) “**Charter Documents**” means the articles, notice of articles, by-laws, articles of incorporation or other constating documents of a party to this Agreement;
- j) “**Closing**” means the closing of the Transaction pursuant to the terms of this Agreement on the Closing Date;
- k) “**Closing Date**” means February 28, 2018 or such other date as the Purchaser and the Target may mutually agree to in writing;

- l) “**Consideration Shares**” means the 5,000,000 fully paid and non-assessable Purchaser Shares to be issued to the Members on the Closing Date and held in escrow, at a deemed price of US \$0.51 per Consideration Share or such other deemed price as is mutually agreed to by the parties hereto, subject to any required escrow agreement;
- m) “**Contracts**” means all contracts, agreements, options, leases, licences, sales and purchase orders, commitments and other instruments of any kind, whether written or oral, to which the Target or the Purchaser, as applicable, is a party on the Closing Date;
- n) “**Damages**” means all demands, claims, actions, causes of action, assessments, Losses, damages, costs, expenses, Liabilities, judgments, awards, fines, sanctions, penalties, charges and amounts paid in settlement (net of insurance proceeds actually received), including: (i) reasonable interest on cash disbursements in respect of any of the foregoing; and (ii) reasonable costs, fees and expenses of attorneys, accountants and other agents of, or other Persons retained by, a Person;
- o) “**Encumbrance**” means any Lien, claim, charge, pledge, hypothecation, security interest, mortgage, title retention agreement, option or encumbrance of any nature or kind whatsoever, other than: (i) statutory Liens for Taxes not yet due and payable; (ii) such imperfections of title, easements and encumbrances, if any, that will not result in a Material Adverse Effect; and (iii) with respect to the Target, the Permitted Encumbrance;
- p) “**Exchange**” means the Canadian Securities Exchange;
- q) “**Governmental Authorization**” means any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Body;
- r) “**Governmental Body**” means any: (i) nation, state, county, city, town, village, district, or other jurisdiction of any nature; (ii) federal, state, provincial, local, municipal, foreign, or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal); (iv) multi-national organization or body; or (v) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature;
- s) “**Indebtedness**” means all obligations, contingent (to the extent required to be reflected in financial statements prepared in accordance with US GAAP) and otherwise, which in accordance with US GAAP should be classified on the obligor’s balance sheet as Liabilities, including without limitation, in any event and whether or not so classified: (a) all debt and similar monetary obligations, whether direct or indirect; (b) all Liabilities secured by any mortgage, pledge, security interest, Lien, charge or other Encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (c) all agreements of guarantee, support, indemnification, assumption or endorsement and other contingent obligations whether direct or indirect in respect of Indebtedness or performance of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase Indebtedness, or to assure the owner of Indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the Indebtedness held by such owner or otherwise; (d) obligations to reimburse issuers of any letters of credit; and (e) capital leases;

- t) “**Legal Requirement**” means any federal, state, provincial, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute or treaty;
- u) “**Liabilities**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, determined, determinable or otherwise, whether or not the same is required to be accrued on the financial statements of such Person;
- v) “**Lien**” means, with respect to any asset, any mortgage, assignment, trust or deemed trust (whether contractual, statutory or otherwise arising), title defect or objection, lien, pledge, charge, security interest, hypothecation, restriction, Encumbrance or charge of any kind in respect of such asset;
- w) “**Losses**” means any and all demands, claims, actions or causes of action, assessments, losses, Damages, Liabilities, costs and expenses, including, without limitation, interest, penalties, fines and reasonable attorneys, accountants and other professional fees and expenses, but excluding any indirect, consequential or punitive Damages suffered by the Purchaser, the Target or the Members, including Damages for lost profits or lost business opportunities;
- x) “**Material Adverse Change**” means, in respect of the Purchaser or the Target, any one or more changes, events or occurrences which may have a Material Adverse Effect, and “**Material Adverse Effect**” means, in respect of the Purchaser or the Target, any state of facts which, in any case, either individually or in the aggregate are, or would reasonably be expected to be, material and adverse to the business, assets or financial condition of the Purchaser or the Target, respectively, provided that a Material Adverse Change or Material Adverse Effect shall not include any change or effect (whether alone or in combination with any other effect), directly or indirectly, arising out of, relating to, resulting from or reasonably attributable to: (i) the announcement of this Agreement or the pending completion of the Transaction; (ii) changes in the economy of United States or Canada generally; (iii) changes in the health food products industry generally; (iv) changes in the capital markets generally; (v) changes in US GAAP; or (vi) any matter that has been disclosed to the public or the other parties prior to the date of this Agreement;
- y) “**Material Contracts**” means those subsisting Contracts entered into by the Target or the Purchaser, as applicable, by which the Target or the Purchaser is bound or to which it or its respective assets are subject which have total payment obligations on the part of the Target or the Purchaser, as applicable, which exceed \$10,000 or are for a term of or in excess of one (1) year;
- z) “**Material Interest**” has the meaning set forth in Section 1.1(jj);
- aa) “**Order**” means any award, decision, injunction, judgment, order, ruling, subpoena or verdict entered, issued, made or rendered by any Governmental Body or by any arbitrator;

- bb) **“Permitted Encumbrance”** means (a) liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures; (b) mechanics’, carriers’, workmen’s, repairmen’s or other like liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar encumbrances; (d) liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and (e) other imperfections of title or Encumbrances, if any, that have not had, and would not have, a Material Adverse Effect;
- cc) **“Person”** includes an individual, corporation, body corporate, limited liability company, partnership, joint venture, association, trust or unincorporated organization or any trustee, executor, administrator or other legal representative thereof;
- dd) **“Proceeding”** means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel;
- ee) **“Purchaser Documents”** has the meaning set forth in Section 5.11;
- ff) **“Purchaser Financial Statements”** means the audited consolidated financial statements for the Purchaser for the years ending on January 31, 2017 (the **“Purchaser Accounting Date”**) and 2016, all prepared in accordance with US GAAP;
- gg) **“Purchaser Shareholders”** means the shareholders of the Purchaser;
- hh) **“Purchaser Shares”** means the common shares in the capital stock of the Purchaser;
- ii) **“Purchaser’s Advisors”** has the meaning set forth in Section 8.2a)(i);
- jj) **“Related Party”** means, with respect to a particular individual:
 - (i) each other member of such individual’s Family (as defined below),
 - (ii) any Person that is directly or indirectly controlled by such individual or one or more members of such individual’s Family,
 - (iii) any Person in which such individual or members of such individual’s Family hold (individually or in the aggregate) a Material Interest, or
 - (iv) any Person with respect to which such individual or one or more members of such individual’s Family serves as a director, officer, partner, member, executor or trustee (or in a similar capacity), andwith respect to a specified Person other than an individual:
 - (i) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person,
 - (ii) any Person that holds a Material Interest in such specified Person,

- (iii) each Person that serves as a director, officer, partner, member, executor or trustee of such specified Person (or in a similar capacity),
- (iv) any Person in which such specified Person holds a Material Interest,
- (v) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity), and
- (vi) any Related Person of any individual described in clause (ii) or (iii).

For purposes of this definition, (a) the “**Family**” of an individual includes (i) the individual; (ii) the individual’s spouse; (iii) any other natural person who is related to the individual or the individual’s spouse within the second degree; and (iv) any other natural person who resides with such individual, and (b) “**Material Interest**” means direct or indirect beneficial ownership of voting securities or other voting interests representing at least twenty percent (20%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least twenty percent (20%) of the outstanding equity securities or equity interests in a Person;

- kk) “**Securities Authorities**” means the Exchange and the securities commissions or other securities regulatory authority of the Province of British Columbia;
- ll) “**Target Assets**” means all of the assets owned or used by the Target for the Business;
- mm) “**Target Financial Statements**” means the financial statements for the Target for the years ended December 31, 2017 (the “**Target Accounting Date**”) and 2016, all prepared in accordance with US GAAP;
- nn) “**Target’s Advisors**” has the meaning set forth in Section 8.2b)(i);
- oo) “**Taxes**” means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind, lawfully levied, assessed or imposed by any Governmental Body, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes and charges, sales taxes, use taxes, ad valorem taxes, value added taxes, subsoil use or extraction taxes and ownership fees, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, license taxes, withholding taxes, health taxes, payroll taxes, employment taxes, Canada or Quebec Pension Plan premiums, excise, severance, social security, workers’ compensation, employment insurance or compensation taxes, mandatory pension and other social fund taxes or premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services taxes, harmonized sales tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, and any instalments in respect thereof, together with any interest and any penalties or additional amounts imposed by any Governmental Body (domestic or foreign) on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing and whether disputed or not;

- pp) **“Tax Returns”** means all returns, schedules, elections, declarations, reports, information returns and statements required to be filed with any taxing authority relating to Taxes;
- qq) **“Transaction”** means the acquisition by the Purchaser of the Units from the Members in exchange for the issuance of the Consideration Shares to the Members, and all related transactions incidental to effecting the Transaction as contemplated by this Agreement; and
- rr) **“Transaction Documents”** means this Agreement and any other documents contemplated by this Agreement to be signed by the Target, the Purchaser or the Members, as applicable, necessary to perform their respective obligations hereunder and to consummate the Transaction.
- ss) **“Units”** means the units in the capital of the Target owned by the Members as set out in Schedule A attached hereto, being all of the issued and outstanding units in the capital of the Target;
- tt) **“US GAAP”** means generally accepted accounting principles determined with reference to Generally Accepted Accounting Principles as defined by the Financial Accounting Standards Board.

1.2 Schedules

Schedule A is incorporated by reference and is deemed to be part hereof.

1.3 Interpretation

For the purposes of this Agreement, except as otherwise expressly provided herein:

- a) all references in this Agreement to a designated Article, Section, subsection, paragraph or other subdivision, or to a Schedule, is to the designated Article, section, subsection, paragraph or other subdivision of, or Schedule to, this Agreement unless otherwise specifically stated;
- b) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, clause, subclause or other subdivision or Schedule;
- c) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate;
- d) the word “or” is not exclusive and the word “including” is not limiting (whether or not non-limiting language such as “without limitation” or “but not limited to” or other words of similar import are used with reference thereto);
- e) all accounting terms not otherwise defined in this Agreement have the meanings assigned to them in accordance with US GAAP, applied on a consistent basis with prior years;
- f) except as otherwise provided, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which have the effect of supplementing or superseding such statute or such regulations;

- g) where the phrase “to the best of the knowledge of” or phrases of similar import are used in this Agreement, it will be a requirement that the Person in respect of whom the phrase is used will have made such due enquiries as are reasonably necessary to enable such Person to make the statement or disclosure;
- h) the headings to the Articles and sections of this Agreement are inserted for convenience of reference only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
- i) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity;
- j) the parties acknowledge that this Agreement is the product of arm’s length negotiation between the parties, each having obtained its own independent legal advice, and that this Agreement will be construed neither strictly for nor strictly against any party irrespective of which party was responsible for drafting this Agreement;
- k) the representations, warranties, covenants and agreements contained in this Agreement will not merge at the Closing and will continue in full force and effect from and after the Closing Date for the applicable period set out in this Agreement; and
- l) unless otherwise specifically noted, all references to “\$” or sums of money that are referred to in this Agreement are expressed in the lawful money of Canada. Where used herein, “USD” is a specific reference to United States Dollars. If it is necessary to convert money from another currency to lawful money of Canada, such money will be converted using the Bank of Canada noon foreign exchange rate in effect at the date of payment.

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale of Units and Shares

Subject to the terms and conditions of this Agreement, the Purchaser irrevocably agrees to purchase the Units from the Members and each of the Members irrevocably agree to sell, assign and transfer their respective Units to the Purchaser, free and clear of all Encumbrances, on the terms and conditions herein set forth, in consideration for the issuance by the Purchaser to the Members of the Consideration Shares as set forth in Schedule A attached hereto.

2.2 Consideration

As consideration for the Units to be acquired by the Purchaser pursuant to the terms of this Agreement, the Purchaser shall:

- a) allot and issue the Consideration Shares to the Members in the amount set out opposite each Member’s name in Schedule A to this Agreement, as fully paid and non-assessable Purchaser Shares;

- b) pay the Members the amounts set out in Schedule A to this Agreement on the Closing Date;
- c) pay the Members the amounts set out in Schedule A to this Agreement six (6) months after the Closing Date;
- d) pay the Members the amounts set out in Schedule A to this Agreement twelve (12) months after the Closing Date; and
- e) pay up to a maximum of \$100,000 (USD) to the Target on the Closing Date being the amount of up to \$120,000 (USD) to be paid to cover all prior liabilities and all costs and expenses incurred by the Target in connection with Closing of the Transaction less the \$20,000 (USD) non-refundable deposit being credited to the Closing costs.

2.3 Resale Restrictions

- a) The Members acknowledge and agree that the Consideration Shares will be subject to hold period trading restrictions under Applicable Securities Laws and the policies of the Exchange, and agree to abide by all applicable resale restrictions and hold periods imposed by Applicable Securities Laws and the policies of the Exchange.
- b) The Members and the Target acknowledge that the Purchaser has advised the Members and the Target that the Purchaser is relying on an exemption from the prospectus and registration requirements of the Applicable Securities Laws, and, as a consequence, the Members will not be entitled to certain protections, rights and remedies available under Applicable Securities Laws, including statutory rights of rescission or damages, and the Members will not receive information that would otherwise be required to be provided to the Members pursuant to Applicable Securities Laws.

2.4 Escrow

The Members acknowledge that the Consideration Shares acquired by them pursuant to this Agreement may be subject to escrow pursuant to the policies of the Exchange. If required, the Members agree to abide by all escrow requirements imposed by the Exchange and agree to enter into the requisite form of escrow agreement as required by the Exchange on or prior to the Closing Date.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE TARGET

As of the Closing Date, and except as set forth in the Target Financial Statements or the Target due diligence response materials, or as otherwise provided for in any certificate or other instrument delivered pursuant to this Agreement, the Target hereby makes the following representations to the Purchaser and acknowledges and agrees that the Purchaser is relying upon such representations and warranties, each of which is qualified in its entirety by the matters described in the Target's due diligence response materials, in connection with the execution, delivery and performance of this Agreement:

3.1 Organization and Good Standing

The Target is a limited liability company duly organized, validly existing, and in good standing under the laws of California, with full corporate power, authority and capacity to conduct its Business as presently conducted, to own or use the Target Assets that it purports to own or use, and to perform all its obligations under any applicable Contracts.

3.2 Capitalization

The entire authorized and issued capital stock and other equity securities of the Target consist of the Units set out in Schedule A hereto. All of the issued and outstanding Units and other securities of the Target are owned of record and beneficially by the Members free and clear of all Encumbrances. All of the outstanding equity securities of the Target have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding equity securities or other securities of the Target, if any, were issued in violation of any Applicable Securities Laws.

3.3 Absence of Rights to Acquire Securities

Other than as otherwise set out in this Agreement, no Person has any agreement, right or option, present or future, contingent, absolute or capable of becoming an agreement, right or option or which with the passage of time or the occurrence of any event could become an agreement, right or option:

- a) to require the Target to issue any further or other units in its capital or any other security convertible or exchangeable into units in its capital or to convert or exchange any securities into or for units in the capital of the Target;
- b) for the issue or allotment of any unissued units in the capital of the Target;
- c) to require the Target to purchase, redeem or otherwise acquire any of the issued and outstanding Units; or
- d) to purchase or otherwise acquire from the Target any interest in any of the Target Assets.

3.4 Authority

The Target has all requisite corporate power and authority to execute and deliver the Transaction Documents and to perform its respective obligations hereunder and to consummate the Transaction. The execution and delivery of each of the Transaction Documents by the Target, and the consummation of the Transaction, have been duly authorized by the board of directors of the Target. No other corporate or shareholder proceedings on the part of the Target are necessary to authorize such documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by the Target as contemplated by this Agreement will be, duly executed and delivered by the Target, and this Agreement is, and the other Transaction Documents when executed and delivered by the Target as contemplated hereby will be legal, valid and binding obligations of the Target, enforceable in accordance with their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- c) as limited by public policy.

3.5 No Conflict

Except as set out in the Target's due diligence response materials, neither the execution, delivery or performance of this Agreement nor the consummation or performance of the Transaction will, directly or indirectly (with or without notice or lapse of time or both):

- a) contravene, conflict with, or result in a violation of any provision of the Charter Documents of the Target, or any resolution adopted by the managers of the Target or the Members;
- b) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge the Transaction or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Target or any of the Target Assets, may be subject;
- c) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Target, or that otherwise relates to the Business of the Target, or any of the Target Assets;
- d) cause the Purchaser or the Target to become subject to, or to become liable for the payment of, any Tax;
- e) cause any of the Target Assets to be reassessed or revalued by any taxing authority or other Governmental Body;
- f) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract; or
- g) result in the imposition or creation of any Encumbrance upon or with respect to any of the Target Assets.

3.6 Target Financial Statements

- a) The Target has, or will prior to Closing have, delivered the Target Financial Statements to the Purchaser.
- b) The Target Financial Statements:
 - (i) are in accordance with the books and records of the Target; and
 - (ii) present fairly the financial condition of the Target as of the date indicated and the results of operations for such period.

- c) All material financial transactions of the Target have been accurately recorded in the books and records of the Target and such books and records fairly present the financial position and the affairs of the Target.
- d) Other than the costs and expenses incurred in connection with the negotiation and consummation of the Transaction, the Target does not have any material Liabilities or obligations, net of cash, either direct or indirect, matured or unmatured, absolute, contingent or otherwise, that exceed \$10,000, which:
 - (i) are not set forth in the Target Financial Statements or have not heretofore been paid or discharged;
 - (ii) did not arise in the regular and ordinary course of business; or
 - (iii) have not been incurred in amounts and pursuant to practices consistent with past business practice, in or as a result of the regular and ordinary course of its Business since the Target Accounting Date.
- e) Except to the extent reflected or reserved against in the Target Financial Statements or incurred subsequent to the Target Accounting Date in the ordinary and usual course of the business of the Target, the Target does not have any outstanding Indebtedness or any Liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any Liabilities or obligations incurred in the ordinary and usual course of business since the Target Accounting Date have not had a Material Adverse Effect on the Target.
- f) Since the Target Accounting Date there have not been:
 - (i) any changes in the condition or operations of the Business of the Target, the Target Assets or the financial affairs of the Target which have caused, individually or in the aggregate, a Material Adverse Effect on the Target; or
 - (ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to the Purchaser, which has or may cause a Material Adverse Effect on the Target.
- g) The Target does not have any guarantees, indemnities or contingent or indirect obligations with respect to the Liabilities or obligations of any other Person including any obligation to service the debt of or otherwise acquire an obligation of another Person or to supply funds to, or otherwise maintain any working capital or other balance sheet condition of any other Person.
- h) The Target is not a party to, bound by or subject to any indenture, mortgage, lease, agreement, license, permit, authorization, certification, instrument, statute, regulation, Order, judgment, decree or law that would be violated or breached by, or under which default would occur or which could be terminated, cancelled or accelerated, in whole or in part, as a result of the execution and delivery of this Agreement or the consummation of the Transaction.
- i) The Target has not received any advice or notification that the Target has used any improper accounting practice that would have the effect of not reflecting or incorrectly reflecting in the Target Financial Statements or the books and records of the Target, any properties, assets, Liabilities, revenues, or expenses. The books, records and accounts of the Target accurately and fairly reflect, in reasonable detail, the assets and Liabilities of the Target. The Target has not engaged in any transaction, maintained any bank account, or used any funds of the Target, except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Target.

3.7 Absence of Changes

Since the Target Accounting Date, except as disclosed in the Target's due diligence materials and except as contemplated in this Agreement, the Target has not:

- a) incurred any Liabilities, other than Liabilities incurred in the ordinary course of business consistent with past practice, or discharged or satisfied any Lien or Encumbrance, or paid any Liabilities, other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any Liabilities of which the failure to pay or discharge has caused or will cause any Material Adverse Effect to it;
- b) made or suffered any amendment or termination of any Material Contract to which it is a party or by which it is bound, or cancelled, modified or waived any substantial debts or claims held by it or waived any rights of substantial value, other than in the ordinary course of business;
- c) declared, set aside or paid any dividend or made or agreed to make any other distribution or payment in respect of the Shares or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or acquire any of the Shares;
- d) made commitments or agreements for capital expenditures or capital additions or betterments exceeding in the aggregate \$10,000;
- e) entered into any transaction other than in the ordinary course of business consistent with past practice; or
- f) agreed, whether in writing or orally, to do any of the foregoing.

3.8 Absence of Certain Changes or Events

Since the Target Accounting Date, except as and to the extent disclosed in the Target's due diligence materials, there has not been:

- a) a Material Adverse Effect with respect to the Target; or
- b) any material change by the Target in its accounting methods, principles or practices.

3.9 Tax Matters

- a) As of the date hereof:
 - (i) the Target has timely filed all Tax Returns in connection with any Taxes which are required to be filed on or prior to the date hereof, taking into account any extensions of the filing deadlines which have been validly granted to it; and
 - (ii) all such Tax Returns are true and correct in all material respects.

- b) To the best knowledge of the Target, the Target has paid all Taxes that have become or are due with respect to any period ended on or prior to the date hereof and has established an adequate reserve therefore on its balance sheets for those Taxes not yet due and payable, except for any Taxes the non-payment of which will not have a Material Adverse Effect on the Target.
- c) To the best knowledge of the Target, the Target is not presently under, or has received notice of, any contemplated investigation or audit by any Governmental Body concerning any fiscal year or period ended prior to the date hereof.
- d) To the best knowledge of the Target, the Target Financial Statements contain full provision for all Taxes, including any deferred Taxes that may be assessed to the Target for the accounting period ended on the Target Accounting Date or for any prior period in respect of any transaction, event or omission occurring, or any profit earned, on or prior to the Target Accounting Date or for which the Target is accountable up to such date, and all contingent Liabilities for Taxes have been provided for or disclosed in the Target Financial Statements.

3.10 Restrictions on Doing Business

The Target is not a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity, including the Business.

3.11 Subsidiaries

The Target has no subsidiaries.

3.12 Books and Records

The books of account, minute books, stock record books, and other records of the Target are complete and correct and have been maintained in accordance with sound business practices. The minute books of the Target contain accurate and complete records of all meetings held, and corporate action taken by, the respective members, managers or board of directors, and committees of the managers or board of directors of the Target, and no meeting of any such members, managers or board of directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Target.

3.13 Shareholders Agreements, Etc.

There are no shareholders' agreements (or similar documents), pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Shares or any of the shares of the Target.

3.14 Title to Personal Property and Encumbrances

To the best knowledge of the Target, the Target possesses, and has good and marketable title to, all personal property necessary for the continued operation of the Business as presently conducted and as represented to the Purchaser, including all Target Assets reflected in the Target Financial Statements or acquired since the Target Accounting Date. All such property is in reasonably good operating condition (normal wear and tear excepted), and is reasonably fit for the purposes for which such property is presently used. All material equipment, furniture, fixtures and other tangible personal property and Target Assets owned or leased by the Target are owned or leased by the Target, as applicable, free and clear of all Encumbrances, except as otherwise disclosed to the Purchaser.

3.15 Title to Real Property and Encumbrances

To the best knowledge of the Target, the Target possesses, and has good and marketable title to, all real property and leaseholds or other such interests necessary for the continued operation of the Business as presently conducted and as represented to the Purchaser, including all Target Assets reflected in the Target Financial Statements or acquired since the Target Accounting Date. All such property is in reasonably good operating condition (normal wear and tear excepted), and is reasonably fit for the purposes for which such property is presently used. All material real property and leaseholds are owned or leased by the Target free and clear of all Encumbrances, except as disclosed in the Target's due diligence response materials. The Target has delivered or made available, or will make available on request, to the Purchaser copies of the deeds and other instruments (as recorded) by which the Target acquired such real property and interests, and copies of all title insurance policies, opinions, abstracts and surveys in the possession of the Target and relating to such property or interests.

3.16 Material Contracts

The Target has made available all the present outstanding Material Contracts entered into by the Target in the course of carrying on the Business. Except as listed in the Target's due diligence response materials, the Target is not a party to or bound by any other Material Contract, whether oral or written, and the Material Contracts are all valid and subsisting, in full force and effect and unamended, no material default or violation exists in respect thereof on the part of the Target, or, to the best of the knowledge of the Target, on the part of any of the other parties thereto. The Target is not aware of any intention on the part of any of the other parties thereto to terminate or materially alter any such Material Contracts or of any event that with notice or the lapse of time, or both, will create a material breach or violation thereof or default under any such Material Contracts. To the best knowledge of the Target, the continuation, validity, and effectiveness of each Material Contract will in no way be affected by the consummation of the Transaction. There exists no actual or threatened termination, cancellation, or limitation of, or any amendment, modification, or change to any Material Contract.

3.17 Consents

Except as set forth in Target's due diligence response materials, no authorization, approval, Order, license, permit or consent of any Governmental Body, and no registration, declaration or filing by the Target with any such Governmental Body, is required in order for the Target to:

- a) consummate the Transaction;
- b) execute and deliver all of the documents and instruments to be delivered by the Target under this Agreement;
- c) duly perform and observe the terms and provisions of this Agreement; or
- d) render this Agreement legal, valid, binding and enforceable.

3.18 Compliance with Legal Requirements

Except as set forth in Target's due diligence response materials:

- a) the Target is, and at all times has been, in full compliance with all of the terms and requirements of each Governmental Authorization required for the operation of the Business;

- b) no event has occurred or circumstance exists that may (with or without notice or lapse of time) constitute or result directly or indirectly in a violation of or a failure to comply with any term or requirement of any Governmental Authorization required for the operation of the Business or may result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, any Governmental Authorization required for the operation of the Business;
- c) the Target has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding any actual, alleged, possible, or potential violation of or failure to comply with any term or requirement of any Governmental Authorization, or any actual, proposed, possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization; and
- d) all applications required to have been filed for the renewal of the Governmental Authorizations required for the operation of the Business have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

3.19 Legal Proceedings

- a) Other than as set forth in Target's due diligence response materials, to the best knowledge of the Target there is no pending Proceeding:
 - (i) that has been commenced by or against the Target or that otherwise relates to or may affect the Business, or any of the Target Assets; or
 - (ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with the Transaction.
- b) To the knowledge of the Target, no Proceeding has been threatened, and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Proceeding.
- c) Except as set forth Target's due diligence response materials, to the best knowledge of the Target:
 - (i) there is no Order to which the Target, the Business, or any of the Target Assets is subject; and
 - (ii) no officer, director, agent, or employee of the Target is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the Business.

3.20 Indebtedness of Target

Except for: (i) the payment of salaries and reimbursement for out-of-pocket expenses in the ordinary and usual course; or (ii) amounts disclosed in the Target's due diligence response materials or in the Target Financial Statements, the Target does not have any Indebtedness to the Members, any Related Party of a Member or any directors, officers or employees of the Target. Other than the foregoing, the Target has no material Liabilities or obligations either direct or indirect, matured or unmatured, absolute, contingent or otherwise.

3.21 Undisclosed Information

- a) The Target does not have any specific information relating to the Target which is not generally known or which has not been disclosed to the Purchaser and which could reasonably be expected to have a Material Adverse Effect on the Target.
- b) No representation or warranty of the Target in this Agreement omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

3.22 Partnerships or Joint Ventures

The Target is not a partner or participant in any partnership, joint venture, profit-sharing arrangement or other association of any kind and neither is it party to any agreement under which it has agreed to carry on any part of its Business or any other activity in such manner or by which the Target has agreed to share any revenue or profit with any other person.

3.23 Other Representations

All statements contained in any certificate or other instrument delivered by or on behalf of the Target pursuant to this Agreement or in connection with the Transaction will be deemed to be representations and warranties of the Target hereunder.

3.24 Survival

Notwithstanding the Closing and the issuance of the Consideration Shares or the waiver of any condition in this Agreement by the Purchaser, the representations, warranties, covenants and agreements of the Target hereunder will (except where otherwise specifically provided for in this Agreement) survive the Closing and will continue in full force and effect for six (6) months after the Closing Date.

3.25 Reliance

The Target acknowledges and agrees that the Purchaser has entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Purchaser, and that no information which is now known or should be known or which may hereafter become known by the Purchaser or its officers, directors or professional advisers on the Closing Date, will limit or extinguish the Purchaser's right to indemnification hereunder.

ARTICLE 4
REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS
OF THE MEMBERS

Each of the Members hereby severally and not jointly represents and warrants to the Purchaser as follows:

4.1 Capacity

Each Member has the capacity to own the Units owned by it, to enter into this Agreement and to perform its obligations under this Agreement.

4.2 Execution and Delivery

Each Member has all requisite power and authority to execute and deliver the Transaction Documents and to perform its respective obligations hereunder and to consummate the Transaction. No other corporate or other proceedings on the part of a Member are necessary to authorize such documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by the Members as contemplated by this Agreement will be, duly executed and delivered by the Members and this Agreement is, and the other Transaction Documents when executed and delivered by the Members as contemplated hereby will be, valid and binding obligations of the Members, enforceable in accordance with their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- c) as limited by public policy.

4.3 No Violation

The execution and delivery of this Agreement, the transfer of the Units owned by each Member and the performance, observance or compliance with the terms of this Agreement by such Member will not violate, constitute a default under, conflict with, or give rise to any requirement for a waiver or consent under:

- a) any provision of any agreement, instrument or other obligation to which such Member is a party or by which such Member is bound; or
- b) any Applicable Laws.

4.4 Ownership

Each Member is the registered and beneficial owner of the Units set out beside its name in Schedule A to this Agreement, free and clear of any Liens. Upon the Closing, except for the rights of the Purchaser pursuant to this Agreement with respect to the Units, there will be no outstanding options, calls or rights of any kind binding on any Member relating to or providing for the purchase, delivery or transfer of any of its Units. The Units are validly issued and outstanding as fully paid and non-assessable.

4.5 Survival

Notwithstanding the Closing and the issuance of the Consideration Shares or the waiver of any condition in this Agreement by the Purchaser, the representations, warranties, covenants and agreements of the Members hereunder will (except where otherwise specifically provided in this Agreement) survive the Closing and will continue in full force and effect indefinitely.

4.6 Reliance

The Target acknowledges and agrees that the Purchaser has entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Purchaser, and that no information which is now known or should be known or which may hereafter become known by the Purchaser or its officers, directors or professional advisers on the Closing Date, will limit or extinguish the Purchaser's right to indemnification hereunder.

ARTICLE 5 **REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

As of the Closing Date and except as otherwise provided for in any certificate or other instrument delivered pursuant to this Agreement, the Purchaser makes the following representations to the Target, and the Purchaser acknowledges that the Target is relying upon such representations and warranties, in connection with the execution, delivery and performance of this Agreement:

5.1 Organization and Good Standing

The Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the Province of British Columbia, with full corporate power, authority and capacity to conduct its Business as presently conducted, to own or use the assets that it purports to own or use, and to perform all its obligations under any applicable Contracts.

5.2 Capitalization

The entire authorized and issued capital stock and other equity securities of the Purchaser consists of an unlimited number of common shares without par value of which there are 83,373,573 common shares issued and outstanding (not including any Purchaser Shares to be issued pursuant to the terms of the Transaction) and 13,320,833 options to purchase 13,320,833 Purchaser Shares and 265,125 warrants to purchase 265,125 Purchaser Shares. Except as otherwise set out in this Agreement, there are no outstanding options, warrants, subscriptions, conversion rights, or other rights, agreements, or commitments obligating the Purchaser to issue any additional Purchaser Shares, or any other securities convertible into, exchangeable for, or evidencing the right to subscribe for or acquire from the Purchaser any Purchaser Shares.

5.3 Absence of Rights to Acquire Securities

Other than as otherwise set out in this Agreement, no Person has any agreement, commitment, right or option, present or future, contingent, absolute or capable of becoming an agreement, commitment, right or option or which with the passage of time or the occurrence of any event could become an agreement, commitment, right or option:

- a) to require the Purchaser to issue any further or other shares in its capital or any other security convertible or exchangeable into shares in its capital or to convert or exchange any securities into or for shares in the capital of the Purchaser;
- b) for the issue or allotment of any unissued shares in the capital of the Purchaser;
- c) to require the Purchaser to purchase, redeem or otherwise acquire any of the issued and outstanding Purchaser Shares; or
- d) to purchase or otherwise acquire from the Purchaser any interest in any of the Purchaser's assets.

5.4 Authority

The Purchaser has all requisite corporate power and authority to execute and deliver the Transaction Documents to be signed by the Purchaser and to perform its obligations hereunder and to consummate the Transaction. The execution and delivery of each of the Transaction Documents by the Purchaser and the consummation of the Transaction have been duly authorized by the board of directors of the Purchaser. Other than as set out in this Agreement, no other corporate or shareholder proceedings on the part of the Purchaser are necessary to authorize such Transaction Documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by the Purchaser as contemplated by this Agreement will be, duly executed and delivered by the Purchaser and this Agreement is, and the other Transaction Documents when executed and delivered by the Purchaser as contemplated hereby will be legal, valid and binding obligations of the Purchaser enforceable in accordance with their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief of other equitable remedies; and
- c) as limited by public policy.

5.5 Validity of Consideration Shares Issuable upon the Closing

The Consideration Shares to be issued to the Members at Closing will, upon issuance, have been duly and validly authorized and, the Consideration Shares when so issued in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and non-assessable.

5.6 No Conflict

Neither the execution, delivery or performance of this Agreement nor the consummation or performance of the Transaction will, directly or indirectly (with or without notice or lapse of time or both):

- a) contravene, conflict with, or result in a violation of any provision of the Charter Documents of the Purchaser, or any resolution adopted by the board of directors of the Purchaser or Purchaser Shareholders;
- b) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge the Transaction or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Purchaser or any of the Purchaser's assets, may be subject;
- c) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Purchaser, or that otherwise relates to the Business of the Purchaser, or any of the Purchaser's assets;

- d) cause the Purchaser or the Target to become subject to, or to become liable for the payment of, any Tax;
- e) cause any of the Purchaser's assets to be reassessed or revalued by any taxing authority or other Governmental Body;
- f) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract; or
- g) result in the imposition or creation of any Encumbrance upon or with respect to any of the Purchaser's assets.

5.7 Corporate Records of the Purchaser

The corporate records of the Purchaser, as required to be maintained by it pursuant to the laws of the Province of British Columbia, are accurate, complete and current in all material respects, and the minute books of the Purchaser are, in all material respects, correct and contain all material records required by the laws of the Province of British Columbia in regards to all Proceedings, consents, actions and meetings of the Purchaser Shareholders and the board of directors of the Purchaser.

5.8 Actions and Proceedings

Except as disclosed in the Purchaser Documents, to the best knowledge of the Purchaser, there is no basis for and there is no claim, charge, arbitration, grievance, action, suit, judgment, demand, investigation or Proceeding by or before any Governmental Body or arbiter now outstanding or pending or, to the best knowledge of the Purchaser, threatened against or affecting the Purchaser which involves any of the Business that, if adversely resolved or determined, would have a Material Adverse Effect on the Purchaser. There is no reasonable basis for any claim or action that, based upon the likelihood of its being asserted and its success if asserted, would have a Material Adverse Effect on the Purchaser.

5.9 Compliance

To the best knowledge of the Purchaser:

- a) the Purchaser is in compliance with, is not in default or violation in any material respect under, and has not been charged with or received any notice at any time of any material violation of any Applicable Laws related to its Business or the operations of the Purchaser.
- b) the Purchaser is not subject to any judgment, Order or decree entered in any lawsuit or Proceeding applicable to its Business and operations that would have a Material Adverse Effect on the Purchaser.

5.10 Filings, Consents and Approvals

Other than the approval of the Exchange, to the best knowledge of the Purchaser, no filing or registration with, no notice to and no permit, authorization, consent, or approval of any public or Governmental Body or any other Person is necessary for the consummation by the Purchaser of the Transaction or to continue to conduct its Business after the Closing in a manner which is consistent with that in which it is presently conducted.

5.11 Public Filings

The Purchaser has furnished or made available to the Members a true and complete copy of each report and document filed by the Purchaser with the Securities Authorities (collectively, and as such documents have since the time of their filing been amended, the "Purchaser Documents"). As of their respective dates, the Purchaser Documents complied in all material respects with the requirements of Applicable Securities Laws. The Purchaser Documents constitute all of the documents and reports that the Purchaser was required to file with and the rules and regulations promulgated thereunder by Applicable Securities Laws. No Securities Authority has initiated any inquiry, investigation or Proceeding in respect of the Purchaser and the Purchaser is not aware of any event and does not have any information which would result in any Securities Authority initiating an inquiry, investigation or Proceeding or otherwise affect the Purchaser Shares. The Purchaser is a "reporting issuer" under Applicable Securities Laws in British Columbia and Alberta and is not in default of any material requirements of any Applicable Securities Laws in such jurisdictions.

5.12 Financial Representations

- a) Included with the Purchaser Documents are true, correct, and complete copies of the Purchaser Financial Statements.
- b) The Purchaser Financial Statements:
 - (i) are in accordance with the books and records of the Purchaser;
 - (ii) present fairly the financial condition of the Purchaser as of the respective dates indicated and its results of operations for such periods; and
 - (iii) have been prepared in accordance with US GAAP.
- c) Other than the costs and expenses incurred in connection with the negotiation and consummation of the Transaction, the Purchaser does not have any material Liabilities or obligations, net of cash, either direct or indirect, matured or unmatured, absolute, contingent or otherwise, that exceed \$50,000, which:
 - (i) are not set forth in the Purchaser Financial Statements or have not heretofore been paid or discharged;
 - (ii) did not arise in the regular and ordinary course of business; or
 - (iii) have not been incurred in amounts and pursuant to practices consistent with past business practice, in or as a result of the regular and ordinary course of its Business since the Purchaser Accounting Date.
- d) Except to the extent reflected or reserved against in the Purchaser Financial Statements or incurred subsequent to the Purchaser Accounting Date in the ordinary and usual course of the business of the Purchaser, the Purchaser does not have any outstanding Indebtedness or any Liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any Liabilities or obligations incurred in the ordinary and usual course of business since the Purchaser Accounting Date have not had a Material Adverse Effect on the Purchaser.

- e) Since the Purchaser Accounting Date, there have not been:
 - (i) any changes in the condition or operations of the Business of the Purchaser, the Purchaser's assets or the financial affairs of the Purchaser which have caused, individually or in the aggregate, a Material Adverse Effect on the Purchaser; or
 - (ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to the Purchaser, which has or may cause a Material Adverse Effect on the Purchaser.

The Purchaser has not received any advice or notification from its independent chartered accountants that the Purchaser has used any improper accounting practice that would have the effect of not reflecting or incorrectly reflecting in the Purchaser Financial Statements or the books and records of the Purchaser, any properties, assets, Liabilities, revenues, or expenses. The books, records and accounts of the Purchaser accurately and fairly reflect, in reasonable detail, the assets and Liabilities of the Purchaser. The Purchaser has not engaged in any transaction, maintained any bank account, or used any funds of the Purchaser, except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Purchaser.

5.13 Absence of Undisclosed Liabilities

The Purchaser has no material Liabilities or obligations either direct or indirect, matured or unmatured, absolute, contingent or otherwise, other than: (i) payments contemplated by this Agreement to be made by the Purchaser at Closing; and (ii) reasonable accounting and legal fees of the Purchaser incurred in connection with the Transaction.

5.14 Books and Records

The books of account, minute books, stock record books, and other records of the Purchaser are complete and correct and have been maintained in accordance with sound business practices, including the maintenance of an adequate system of internal controls. The minute books of the Purchaser contain accurate and complete records of all meetings held, and corporate action taken by, the respective shareholders, board of directors, and committees of the board of directors of the Purchaser, and no meeting of any such shareholders, board of directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Purchaser.

5.15 Tax Matters

- a) As of the date hereof:
 - (i) the Purchaser has timely filed all Tax Returns in connection with any Taxes which are required to be filed on or prior to the date hereof, taking into account any extensions of the filing deadlines which have been validly granted to it; and
 - (ii) all such Tax Returns are true and correct in all material respects.

- b) The Purchaser has paid all Taxes that have become or are due with respect to any period ended on or prior to the date hereof and has established an adequate reserve therefore on its balance sheets for those Taxes not yet due and payable, except for any Taxes the non-payment of which will not have a Material Adverse Effect on the Purchaser.
- c) The Purchaser is not presently under and has not received notice of, any contemplated investigation or audit by any Governmental Body concerning any fiscal year or period ended prior to the date hereof.
- d) To the best knowledge of the Purchaser, the Purchaser Financial Statements contain full provision for all Taxes including any deferred Taxes that may be assessed to the Purchaser for the accounting period ended on the Purchaser Accounting Date or for any prior period in respect of any transaction, event or omission occurring, or any profit earned, on or prior to the Purchaser Accounting Date or for which the Purchaser is accountable up to such date and all contingent Liabilities for Taxes have been provided for or disclosed in the Purchaser Financial Statements.

5.16 Absence of Changes

Since the Purchaser Accounting Date, except as disclosed in the Purchaser Documents and except as contemplated in this Agreement, the Purchaser has not:

- a) incurred any Liabilities, other than Liabilities incurred in the ordinary course of business consistent with past practice, or discharged or satisfied any Lien or Encumbrance, or paid any Liabilities, other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any Liabilities of which the failure to pay or discharge has caused or will cause any Material Adverse Effect to it;
- b) made or suffered any amendment or termination of any Material Contract to which it is a party or by which it is bound, or cancelled, modified or waived any substantial debts or claims held by it or waived any rights of substantial value, other than in the ordinary course of business;
- c) declared, set aside or paid any dividend or made or agreed to make any other distribution or payment in respect of the Purchaser Shares or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or acquire any of the Purchaser Shares;
- d) made commitments or agreements for capital expenditures or capital additions or betterments exceeding in the aggregate \$10,000;
- e) entered into any transaction other than in the ordinary course of business consistent with past practice; or
- f) agreed, whether in writing or orally, to do any of the foregoing.

5.17 Absence of Certain Changes or Events

Since the Purchaser Accounting Date, except as and to the extent disclosed in the Purchaser Documents, there has not been:

- a) a Material Adverse Effect with respect to the Purchaser; or
- b) any material change by the Purchaser in its accounting methods, principles or practices.

5.18 Material Contracts and Transactions

Other than as expressly contemplated by this Agreement, there are no Material Contracts to which the Purchaser is a party, except as previously disclosed to the Members or as disclosed in the Purchaser Documents. The Purchaser shall deliver to the Target a copy of each Material Contract of the Purchaser. Each Material Contract of the Purchaser is in full force and effect, and there exists no material breach or violation of or default by the Purchaser under any Material Contract of the Purchaser, or any event that with notice or the lapse of time, or both, will create a material breach or violation thereof or default under any Material Contract by the Purchaser. To the best knowledge of the Purchaser, the continuation, validity and effectiveness of each Material Contract of the Purchaser will in no way be affected by the consummation of the Transaction. There exists no actual or threatened termination, cancellation or limitation of, or any amendment, modification or change to, any Material Contract of the Purchaser.

5.19 Certain Transactions

Except as previously disclosed to the Members or as disclosed in the Purchaser Documents, the Purchaser is not a guarantor or indemnitor of any Indebtedness of any Person.

5.20 Internal Accounting Controls

The Purchaser maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with US GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

5.21 Listing and Maintenance Requirements

The Purchaser Shares are currently listed on the Exchange and the Purchaser has not, in the 12 months preceding the date hereof, received any notice from the Exchange to the effect that the Purchaser is not in compliance with the listing or maintenance requirements of the Exchange. No Securities Authority has issued any Order preventing or suspending the trading of the Purchaser Shares, save and except for the trading of the Purchaser Shares being halted in connection with the Transaction, or prohibiting the issuance of the Consideration Shares to be delivered hereunder, and, to the Purchaser's knowledge, no Proceedings for such purpose are pending or threatened.

5.22 Undisclosed Information

- a) The Purchaser does not have any specific information relating to the Purchaser which is not generally known or which has not been disclosed to the Members and which could reasonably be expected to have a Material Adverse Effect on the Purchaser.
- b) No representation or warranty of the Purchaser in this Agreement omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

5.23 Other Representations

All statements contained in any certificate or other instrument delivered by or on behalf of the Purchaser pursuant hereto or in connection with the Transaction will be deemed to be representations and warranties by the Purchaser hereunder.

5.24 Survival

Notwithstanding the Closing and the issuance of the Consideration Shares or the waiver of any condition in this Agreement by the Target or the Members, as applicable, the representations, warranties, covenants and agreements of the Purchaser hereunder will (except where otherwise specifically provided for in this Agreement) survive the Closing and will continue in full force and effect for six (6) months after the Closing Date.

5.25 Reliance

The Purchaser acknowledges and agrees that the Target and the Members have entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Target or the Members, and that no information which is now known or should be known or which may hereafter become known by the Target or the Members or their respective professional advisers, on the Closing Date, will limit or extinguish the right to indemnification hereunder.

ARTICLE 6 **CLOSING**

6.1 Closing Date and Location

The Transaction will be completed at 11:00 a.m. (Pacific time) on or before the Closing Date, at the offices of Alexander Holburn Beaudin + Lang LLP, or at such other location and time as is mutually agreed to by the Purchaser and the Target. Notwithstanding the location of the Closing, each party agrees that the Closing may be completed by the exchange of undertakings between the respective legal counsel for the Purchaser and the Target, provided such undertakings are satisfactory to each party's respective legal counsel.

6.2 Target and Members Closing Documents

On the Closing Date, the Target and the Members will deliver, or cause to be delivered, to the Purchaser the documents set forth in Section 9.1 and such other documents as the Purchaser may reasonably require to effect the Transaction.

6.3 Purchaser Closing Documents

On the Closing Date, the Purchaser will deliver, or cause to be delivered, to the Target and the Members the documents set forth in Section 10.1 and such other documents as the Target may reasonably require to effect the Transaction.

ARTICLE 7
CONDUCT OF BUSINESS PRIOR TO CLOSING

7.1 Conduct of Business of the Target

The Target covenants and agrees that, during the period from the date of this Agreement until the earlier of the Closing Date and the date on which this Agreement is terminated in accordance with its terms, unless the Purchaser shall otherwise agree in writing (such agreement not to be unreasonably withheld or delayed), except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- a) the Business of the Target shall be conducted only in the ordinary course of business and consistent with past practice, and the Target shall use its commercially-reasonable efforts to maintain and preserve its Business, the Target Assets and business relationships; and
- b) the Target shall not (unless otherwise contemplated in this Agreement):
 - (i) make any capital expenditures, additions or improvements or commitments for the same which individually or in the aggregate exceed \$10,000, other than in the ordinary course of business;
 - (ii) acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person or other business organization or division or acquire or agree to acquire any material assets;
 - (iii) enter into any Material Contracts regarding its business operations, including joint ventures, partnerships or other arrangements;
 - (iv) make any material change in accounting procedures or practices;
 - (v) mortgage, pledge or hypothecate any of the Target Assets or subject any of the Target Assets to any Encumbrance;
 - (vi) other than in the ordinary course of business, enter into any agreement or arrangement granting any rights to purchase or lease any of the Target Assets or rights or requiring the consent of any Person to the transfer, assignment or lease of any Target Assets or rights;
 - (vii) other than in the ordinary course of business, enter into any other material transaction, or any amendment of any Contract which is material to its Business;
 - (viii) sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or the Target Assets or otherwise) any of the Target Assets;
 - (ix) enter into any Agreement resulting in a change of control of the Target;
 - (x) other than in the ordinary course of business, cancel, waive or compromise any Indebtedness or claims, including any accounts payable and receivable;

- (xi) settle any outstanding claim, dispute, litigation matter or tax dispute; or
- (xii) enter into any agreement or understanding to do any of the foregoing.

7.2 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 Closing Date and the date on which this Agreement is terminated in accordance with its terms, unless the Target shall otherwise agree in writing (such agreement not to be unreasonably withheld or delayed), except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- a) the Purchaser shall use its best efforts to ensure that the Purchaser Shares are continuously listed and posted for trading on the Exchange; and
- b) the Purchaser shall not (unless otherwise contemplated in this Agreement):
 - (i) amend or propose to amend its Charter Documents;
 - (ii) split, combine or reclassify any of its securities or declare or make any distribution of its securities unless such split, combination or reclassification applies to the Consideration Shares equally.
 - (iii) other than in the ordinary course of business: (i) enter into any Contract, commitment or agreement under which it has outstanding Indebtedness; or (ii) make any loan or advance to any Person;
 - (iv) acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or otherwise) any Person or other business organization or division or acquire or agree to acquire any material assets;
 - (v) enter into any Material Contracts regarding its business operations, including joint ventures, partnerships or other arrangements;
 - (vi) make any material change in accounting procedures or practices;
 - (vii) enter into any other material transaction, or any amendment of any Contract, which is material to its Business;
 - (viii) enter into any agreement resulting in a change of control of the Purchaser;
 - (ix) settle any outstanding claim, dispute, litigation matter, or tax dispute; or
 - (x) enter into any agreement or understanding to do any of the foregoing.

ARTICLE 8
ADDITIONAL COVENANTS OF THE PARTIES

8.1 Consents

The parties covenant and agree that they will use commercially reasonable efforts to obtain the consents, renunciations and approvals of third parties which are necessary to the completion of the Transaction, provided that such consents, renunciations or approvals may be validly given by such third parties in accordance with relevant Contracts or Applicable Laws.

8.2 Access for Investigation

- a) Between the date of this Agreement and the Closing Date, the Target will:
- (i) afford the Purchaser, the Purchaser's solicitors and the Purchaser's representatives, advisors, prospective lenders and their representatives (collectively, the "**Purchaser's Advisors**") full and free access to the Target's personnel, properties, Contracts, books and records, and other documents and data, in each case during normal business hours, upon a reasonable number of occasions, upon reasonable notice and in a manner calculated to minimize disruption of the Target's Business;
 - (ii) furnish the Purchaser and the Purchaser's Advisors with copies of all such Contracts, books and records, and other existing documents and data, as the Purchaser may reasonably request; and
 - (iii) furnish the Purchaser and the Purchaser's Advisors with such additional financial, operating, and other data and information, as the Purchaser may reasonably request.
- b) Between the date of this Agreement and the Closing Date, the Purchaser will:
- (i) afford the Target and its representatives, legal and advisors and prospective lenders and their representatives (collectively, the "**Target's Advisors**") full and free access to the Purchaser's personnel, properties, Contracts, books and records, and other documents and data, in each case during normal business hours, upon a reasonable number of occasions, upon reasonable notice and in a manner calculated to minimize disruption of the Purchaser's Business;
 - (ii) furnish the Target and the Target's Advisors with copies of all such Contracts, books and records, and other existing documents and data, as the Target may reasonably request; and
 - (iii) furnish the Target and the Target's Advisors with such additional financial, operating, and other data and information, as the Members may reasonably request.

8.3 Required Filings

As promptly as practicable after the date of this Agreement, each of the Target and the Purchaser will make all filings required by Legal Requirements to be made by such party in order to consummate the Transaction. Between the date of this Agreement and the Closing Date, the Target and the Members will cooperate with the Purchaser with respect to all filings that the Purchaser elects to make or is required by Legal Requirements to make in connection with the Transaction.

8.4 Collection of Personal Information

The Members acknowledge and consent to the fact that the Purchaser is collecting the Members' personal information which may be disclosed by the Purchaser to:

- a) the Exchange or other Securities Authorities;
- b) the Purchaser's registrar and transfer agent;
- c) Canadian tax authorities; and
- d) authorities pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada).

By executing this Agreement, each of the Members are deemed to be consenting to the foregoing collection, use and disclosure of each of the Members' personal information and to the retention of such personal information for as long as permitted or required by law or business practice. Each of the Members also consents to the filing of copies or originals of any of the Members' documents described herein as may be required to be filed with the Exchange or any Securities Authority in connection with the Transaction.

8.5 Notification

Between the date of this Agreement and the Closing Date, each of the parties to this Agreement will promptly notify the other parties in writing if any such party becomes aware of any fact or condition that causes or constitutes a breach of any of the representations and warranties set forth herein, as of the date of this Agreement, or if such party becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Between the date of this Agreement and the Closing Date, each party hereto will promptly notify the other parties hereto of the occurrence of any breach of any covenant set forth herein or of the occurrence of any event that may make the satisfaction of the conditions set forth herein impossible or unlikely.

8.6 Best Efforts

Between the date of this Agreement and the Closing Date, the parties will use their best efforts to cause the conditions contained in this Agreement to be satisfied.

8.7 Disclosure of Confidential Information

Until the Closing Date and, if this Agreement is terminated without consummation of the Transaction, then after such termination, the Purchaser, the Target and each of the Members will maintain in confidence, will cause their respective directors, officers, employees, agents, and advisors to maintain in confidence, and will not use to the detriment of another party or divulge to any third parties, other than their respective legal and financial advisors, auditors, representatives and any other Governmental Bodies having jurisdiction, any confidential written, oral, or other information obtained during the course of the investigations in connection with this Agreement or the Transaction, unless:

- a) such information is already known to such party or to others not bound by a duty of confidentiality or such information becomes publicly available through no fault of such party;
- b) the information was already available to such party or its representatives on a non-confidential basis;

- c) the use of such information is necessary or appropriate pursuant to Applicable Securities Laws or in making any filing or obtaining any consent or approval required for the consummation of the Transaction; or
- d) the furnishing or use of such information is required by or necessary or appropriate in connection with legal Proceedings.

8.8 Public Notices

The parties agree that they will not release or issue any reports or statements or make any public announcements relating to this Agreement or the Transaction without the prior written consent of the other party, except as may be required upon written advice of counsel to comply with Applicable Laws after consulting with the other party hereto and seeking their reasonable consent to such announcement.

ARTICLE 9 **PURCHASER'S CONDITIONS PRECEDENT**

9.1 Purchaser's Conditions

The obligation of the Purchaser to complete the Transaction will be subject to the satisfaction of, or compliance with, at or before the Closing Date, the conditions precedent set forth below. The Closing will be deemed to mean a waiver of all conditions to Closing. These conditions precedent are for the benefit of the Purchaser and may be waived by the Purchaser in its sole discretion:

- a) the representations and warranties of the Target, and each of the Members set forth in this Agreement will be true, correct and complete in all material respects as of the Closing Date and with the same effect as if made at and as of the Closing Date and the Purchaser will have received from the Target a certificate executed by the managers (as applicable) of the Target certifying that the representations and warranties of the Target set forth in this Agreement are true and correct in all material respects as at the Closing Date;
- b) the Target and the Members will have performed and complied with all of their respective material obligations, covenants and agreements required hereunder;
- c) all required approvals, consents, authorizations and waivers relating to the consummation of the Transaction will have been obtained;
- d) the approval of the board of directors of the Purchaser and the Target for the Transaction will have been obtained;
- e) if applicable, the approval of the Purchaser Shareholders for the Transaction will have been obtained;

- f) this Agreement, the Transaction Documents and all other documents necessary or reasonably required to consummate the Transaction, all in form and substance reasonably satisfactory to the Purchaser, will have been executed and delivered to the Purchaser;
- g) no claim will have been asserted or made that any Person (other than the Purchaser or the Members) is the holder or the beneficial owner of, or has the right to acquire or to obtain beneficial ownership of, any of the Units or any other voting, equity, or ownership interest in, the Target or (other than the Members) is entitled to all or any portion of the Consideration Shares;
- h) no Material Adverse Effect will have occurred with respect to the Target's Business or the Units, however arising;
- i) no Order (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Body which prohibits, restrains, enjoins or restricts the consummation of the Transaction or the right of the Purchaser to own the Shares, provided, however, that the parties to this Agreement shall use their reasonable best efforts to cause any such Order to be vacated or lifted;
- j) the Purchaser and the Exchange shall have received a copy of the Target Financial Statements from the Target, in a form acceptable to the Exchange;
- k) the Units will have been delivered to the Purchaser;
- l) the Purchaser will have received from the Target, the following closing documentation:
 - (i) a certified copy of resolutions of the managers of the Target authorizing the transfer of the Units to the Purchaser and the registration of the Units in the name of the Purchaser.;
 - (ii) a certified copy of the relevant records of the Target showing the Purchaser as the registered owner of the Units;
 - (iii) all such instruments of transfer, duly executed, which in the opinion of the Purchaser, acting reasonably, are necessary to effect and evidence the transfer of the Shares to the Purchaser free and clear of all Encumbrances;
 - (iv) the corporate minute books and all other books and records and material contracts of the Target; and
 - (v) escrow agreements executed by the Members as applicable and as required by the Exchange.

9.2 Waiver/Survival

The conditions set forth in this Article 9 are for the exclusive benefit of the Purchaser and may be waived by the Purchaser in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, the completion of the Transaction will not prejudice or affect in any way the rights of the Purchaser in respect of the warranties and representations of the Target and the Members in this Agreement, and the representations and warranties of the Target and the Members in this Agreement will survive the Closing and issuance of the Consideration Shares for the applicable periods set out in Sections 3.24 and 4.5, as applicable.

9.3 Covenant of the Target and the Members

The Target and the Members hereby jointly and severally covenant to deliver all of the closing documentation set out in Section 9.1.

ARTICLE 10 TARGET'S AND MEMBERS' CONDITIONS PRECEDENT

10.1 Target's and Members' Conditions

The obligation of the Target and the Members to complete the Transaction will be subject to the satisfaction of, or compliance with, at or before the Closing Date, the conditions precedent set forth below. The Closing will be deemed to mean a waiver of all conditions to Closing. These conditions precedent are for the benefit of the Target and the Members and may be waived by the Target in its discretion:

- a) the representations and warranties of the Purchaser set forth in this Agreement will be true, correct and complete in all respects as of the Closing Date and with the same effect as if made at and as of Closing and the Target will have received from the Purchaser a certificate executed by an officer of the Purchaser certifying that the representations and warranties of the Purchaser set forth in this Agreement are true and correct as at the Closing Date;
- b) the Purchaser will have performed and complied with all of the obligations, covenants and agreements to be performed and complied with by it hereunder;
- c) all required approvals, consents, authorizations and waivers relating to the consummation of the Transaction shall have been obtained, including the acceptance by the Exchange of the Transaction;
- d) the approval of the board of directors of the Purchaser and the Target for the Transaction will have been obtained;
- e) if applicable, the approval of the Purchaser Shareholders for the Transaction will have been obtained;
- f) this Agreement, the Transaction Documents and all other documents necessary or reasonably required to consummate the Transaction, all in form and substance satisfactory to the Target will have been executed and delivered to the Target;
- g) the Consideration Shares will have been delivered to the Members; and
- h) no Order (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Body which prohibits, restrains, enjoins or restricts the consummation of the Transaction, provided, however, that the parties to this Agreement shall use their reasonable best efforts to cause any such Order to be vacated or lifted.

10.2 Waiver/Survival

The conditions set forth in this Article 10 are for the exclusive benefit of the Target and the Shareholders and may be waived by the Target and the Members in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, completion of the Transaction by the Target and the Members will not prejudice or affect in any way the rights of the Target and the Members in respect of the warranties and representations of the Purchaser set forth in this Agreement, and the representations and warranties of the Purchaser in this Agreement will survive the Closing and issuance of the Consideration Shares for the applicable period set out in Section 5.24.

10.3 Covenant of the Purchaser

The Purchaser covenants to deliver all of the closing documentation set out in Section 10.1.

ARTICLE 11 **TERMINATION**

11.1 Termination

This Agreement may be terminated by written notice given by the terminating party to the other parties hereto, at any time prior to the Closing:

- a) by mutual written consent of each of the Purchaser and the Target;
- b) by the Purchaser, if there has been a material misrepresentation, material breach or non-performance by the Target or a Member of any material representation, warranty, covenant or agreement set forth in this Agreement on the part of the Target or a Member that is not cured, to the reasonable satisfaction of the Purchaser, within seven (7) days after notice of such breach is given by the Purchaser (except that no cure period will be provided for a breach by the Target or a Member that, by its nature, cannot be cured);
- c) by the Target, if there has been a material misrepresentation, material breach or non-performance by the Purchaser of any material representation, warranty, covenant or agreement set forth in this Agreement on the part of the Purchaser that is not cured, to the reasonable satisfaction of the Target, within seven (7) days after notice of such breach is given by the Target (except that no cure period will be provided for a breach by the Purchaser that by its nature cannot be cured);
- d) by either of the Purchaser or the Target if any permanent injunction or other Order of a Governmental Body of competent authority preventing the consummation of the Transaction has become final and nonappealable;
- e) by either of the Purchaser or the Target, if a condition for the terminating party's benefit has not been satisfied or waived; or
- f) by either the Purchaser or the Target, if the Closing has not occurred on or before the Closing Date (provided, that the right to terminate this Agreement under this Section 11.1f) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the Transaction by such date).

11.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 11.1, this Agreement will be of no further force or effect and there shall be no obligation on the part of the parties to this Agreement, except with respect to Section 8.7 which will survive such termination, provided, however, that no termination of this Agreement will relieve any party of liability for any breaches of this Agreement that are based on a wrongful refusal or failure to perform any obligations under this Agreement.

11.3 Waivers and Extensions

At any time prior to the Closing, each of the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of another party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party to be bound thereby.

ARTICLE 12 **GENERAL**

12.1 Expenses

Subject to Section 2.2(e), all costs and expenses incurred in connection with the preparation of this Agreement and the Transaction will be paid by the party incurring such expenses.

12.2 Assignment

No parties to this Agreement may assign any of their respective rights under this Agreement without the prior consent of each of the other parties. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of each of the parties, as applicable. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns, as applicable.

12.3 Notices

Any notice required or permitted to be given under this Agreement will be in writing and may be given by delivering, sending by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy, or sending by prepaid registered mail, the notice to the following address or number:

If to the Target or the Members:

ERS Holdings, LLC

[REDACTED]
[REDACTED]

Attention: Ross Franklin
Email: rossf44@hotmail.com

Pat Rolfes
[REDACTED]
[REDACTED]

With a copy (which will not constitute notice) to:

Hampton Holley LLP
Suite 100 - 2101 East Coast Highway
Corona Del Mar, CA 92625

Attention: Paul Tobin
Telephone: 949-718-4558
Facsimile: 949-718-4580

If to the Purchaser:

Pivot Pharmaceuticals Inc.
1275 West 6th Avenue
Vancouver, BC V6H 1A6

Attention: Patrick Frankham
Email: pfrankham@pivotpharma.com
Facsimile: (604) 738-7134

With a copy (which will not constitute notice) to:

Alexander Holburn Beaudin + Lang LLP
Barristers + Solicitors
2700 - 700 West Georgia Street
Vancouver, BC V7Y 1B8

Attention: Stewart L. Muglich
Telephone: 604-484-1700
Facsimile: 604-484-9700

(or to such other address or number as any party may specify by notice in writing to another party).

Any notice delivered or sent by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy on a Business Day will be deemed conclusively to have been effectively given on the day the notice was delivered, or the transmission was sent successfully to the number set out above, as the case may be. Any notice sent by prepaid registered mail will be deemed conclusively to have been effectively given on the third Business Day after posting; but if at the time of posting or between the time of posting and the third Business Day thereafter there is a strike, lockout, or other labour disturbance affecting postal service, then the notice will not be effectively given until actually delivered.

12.4 Governing Law; Venue

This Agreement, the legal relations between the parties and the adjudication and the enforcement thereof, shall be governed by and interpreted and construed in accordance with the substantive laws of the Province of British Columbia without regard to applicable choice of law provisions thereof. The parties hereto agree that any Proceeding arising out of or relating to this Agreement or the Transaction will be brought in a suitable court located in the Province of British Columbia and each party hereto irrevocably submits to the exclusive jurisdiction of those courts.

12.5 Severability

If any covenant or other provision of this Agreement is invalid, illegal, or incapable of being enforced by reason of any rule of law or public policy, then such covenant or other provision will be severed from and will not affect any other covenant or other provision of this Agreement, and this Agreement will be construed as if such invalid, illegal, or unenforceable covenant or provision had never been contained in this Agreement. All other covenants and provisions of this Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

12.6 Independent Legal Advice

Each of the Members acknowledges that he has had independent legal advice regarding the execution of this Agreement, or has been advised of his respective right to obtain independent legal advice, and if he has not in fact obtained independent legal advice, such Member acknowledges herewith that he understands the contents of this Agreement and that he is executing the same voluntarily and without pressure from the other parties or anyone on their behalf.

12.7 Entire Agreement

This Agreement, the schedules attached hereto and the other Transaction Documents contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior arrangements and understandings, both written and oral, expressed or implied, with respect thereto. Any preceding correspondence or offers are expressly superseded and terminated by this Agreement.

12.8 Further Assurances

The Purchaser, the Target and the Members, upon the request of any other party to this Agreement, whether before or after the Closing, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect complete consummation of the Transaction.

12.9 Regulatory Approval

This Agreement is subject to regulatory approval, including, without limitation, approval of the Exchange.

12.10 Enurement

This Agreement and each of the terms and provisions hereof will enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, personal representatives, successors and assigns.

12.11 Time

Time is of the essence of this Agreement.

12.12 Waiver

No failure on the part of any party to this Agreement to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any party hereto in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No party to this Agreement shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

12.13 Force Majeure

The obligations of the parties hereto and the time frames established in this Agreement shall be suspended to the extent and for the period that performance is prevented by any cause beyond either party's reasonable control, whether foreseeable or unforeseeable, including, without limitation, labour disputes, acts of God, laws, regulations, Orders, proclamations or requests of any governmental authority, inability to obtain on reasonable terms required permits, licenses, or other authorizations, or any other matter similar to the above.

12.14 Amendment

This Agreement may not be amended except by an instrument in writing signed by each of the parties.

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12.15 Counterparts and Facsimile Transmission

This Agreement may be executed in several counterparts, each of which will be deemed to be an original and all of which will together constitute one and the same instrument and delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date set forth on page one of this Agreement.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

ERS HOLDINGS, LLC

Per: “Ross Franklin”
Authorized Signatory

Per: “Ed Rosenthal”
Authorized Signatory

PIVOT PHARMACEUTICALS INC.

Per: “Patrick Frankham”
Authorized Signatory

SCHEDULE A

LIST OF MEMBERS

Name and Address	Signature	Number of Shares Held	Number of Consideration Shares to be Received	Cash Consideration (All USD)		
				Closing Date	Six Months after Closing Date	Twelve Months after Closing Date
Ross Franklin Address: [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]	X					
		32.25%	1,612,500	107,500	107,500	107,500
Patrick Rolfes Address: [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]	X					
		15%	750,000	50,000	50,000	50,000

Ed Rosenthal						
Address:						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]	X					
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
		32.25%	1,612,500	107,500	107,500	107,500

Milner Adkins LLC						
Address:						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
[Redacted]						
		15%	750,000	50,000	50,000	50,000

Harley April						
[Redacted]						
[Redacted]						
[Redacted]						
Payment Instructions:						

		2.5%	125,000	8,333	8,333	8,333

Landon Long						
Address:						
[Redacted]						
[Redacted]						
Payment Instructions:						

		2%	100,000	6,667	6,667	6,667

Karen Freese						
Address:						
[Redacted]						
[Redacted]						
Payment Instructions:						

		1%	50,000	3,333	3,333	3,333

Total		100%	5,000,000	333,333	333,333	333,333
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THIS ROYALTY AGREEMENT (this “*Agreement*”) is entered into as of March 1, 2018 (the “*Effective Date*”), by and between **Pivot Pharmaceuticals Inc.**, a corporation amalgamated under the Canada Business Corporations Act and having its head office at #300-1275 West 6th Avenue, Vancouver, British Columbia Canada, V6H 1A6, (“*Company*” or “*Pivot*”), and **AquaBrew Inc.**, a California corporation doing business as “Cafejo” (“*Cafejo*”). Pivot and Cafejo are sometimes referred to herein individually as a “*Party*” and collectively as “*Parties*.”

RECITALS

Whereas, the Company is a party to that certain Exchange Agreement pursuant to which it will buy all of the Units of ERS Holdings LLC, a California limited liability company (“ERS”); and

Whereas, after buying ERS the Company will be seeking to commercialize certain proprietary technology related to powderization of oils (the “Technology”), which it intends to utilize in its global business, and

Whereas, Cafejo has particular experience with the commercialization of products using intellectual property such as the Technology that it is willing to provide to the Company in exchange for a royalty; and

Whereas, Pivot and Cafejo desire to enter into this Agreement.

Now, Therefore, in consideration of the above premises and the mutual covenants and agreements set forth below, the Parties hereto agree as follows.

ARTICLE 1

DEFINITIONS

As used in this Agreement, the following words and phrases shall have the following meanings:

“**Affiliate**” means, with respect to a Party, any Person directly or indirectly controlling, controlled by, or under common control with, such Party. For purposes of this Agreement, the term “controlled” (including the terms “controlled by” and “under common control with”) as used in this context, means the direct or indirect ability or power to direct or cause the direction of management policies of a Person or otherwise direct the affairs of such Person, whether through ownership of equity, voting securities, beneficial interest, by contract or otherwise. Control shall be presumed to exist where a Party controls 50% or more of the outstanding voting securities of an entity.

“**Agreement**” means this Royalty Agreement, together with any amendments to or restatements of this Royalty Agreement.

“**Applicable Laws**” means all applicable laws, ordinances, rules and regulations of any kind whatsoever of any governmental (including international, foreign, federal, state, provincial and local) or regulatory authority, including, without limitation, all laws, ordinances, rules and regulations promulgated by the FDA, European Medicines Evaluation Agency or any other foreign equivalent of the FDA.

“ **Calendar Quarter** ” means, as applicable, the three (3) month period ending on March 31, June 30, September 30 or December 31. The initial Calendar Quarter will be deemed to begin on the Effective Date and end on the expiration of that Calendar Quarter in which the Effective Date falls.

“ **Compound** ” means any ingredient for a Product that is created or processed by use of the Technology.

“ **Confidential Information** ” means information received (whether disclosed in writing, electronically, orally or by observation) by one Party (the “ **Receiving Party** ”) from the other Party (the “ **Disclosing Party** ”) pursuant to this Agreement unless in each case such information, as shown by competent evidence:

(a) was known to the Receiving Party or to the public prior to the Disclosing Party’s disclosure, as demonstrated by contemporaneous written records;

(b) became known to the public, after the Disclosing Party’s disclosure hereunder, other than through a breach of the confidentiality provisions of this Agreement by the Receiving Party or any Person to whom such Receiving Party disclosed such information;

(c) was subsequently disclosed to the Receiving Party by a Person having a legal right to disclose, without any restrictions, such information or data; or

(d) was developed by the Receiving Party independently of the Disclosing Party’s Confidential Information.

“ **Damages** ” means any and all costs, losses, claims, demands for payment, government enforcement actions, liabilities, fines, penalties, expenses, court costs and reasonable fees and disbursements of counsel, consultants and expert witnesses incurred by a Party hereto or its Affiliates (including any court-imposed interest in connection therewith).

“ **Effective Date** ” shall have the meaning set forth in the first paragraph hereof.

“ **GAAP** ” means U.S. Generally Accepted Accounting Principles, consistently applied.

“ **Net Sales** ” shall mean, with respect to a Product, the gross amount invoiced by Pivot or an Affiliate to a Third Person in the Territory, less:

(a) Trade, quantity and cash discounts allowed;

(b) Commissions, discounts, refunds, rebates (including, but not limited to, wholesaler or distributor inventory management fees), chargebacks, retroactive price adjustments, and any other allowances which effectively reduce the net selling price;

(c) Actual Product returns and allowances;

(d) Sales taxes, VAT and similar taxes to the extent that such are detailed in the invoice and included in the gross amount invoiced for such Product; and

(e) Reserves or allowances for bad debt or uncollectible amounts.

Such amounts shall be determined from the books and records of the entity selling the Product, maintained in accordance with Generally Accepted Accounting Principles consistently applied. In determining such amounts, the seller will use such its then current standard procedures and methodology, including Pivot's then current standard exchange rate methodology for the translation of foreign currency sales into U.S. Dollars, consistently applied.

"**Person**" means a natural person, a corporation, a partnership, a trust, a joint venture, a limited liability company, any governmental authority, or any other entity or organization.

"**Product**" means any composition or product that comprises, includes or incorporates a Compound and is made available for sale to any Third Person by the Company or an Affiliate, distributor or reseller.

"**Sales Report**" shall have the meaning set forth in Section 3.2.

"**Services**" means commercially reasonable efforts by Cafejo (without the obligation to expend funds to do so) to provide advice from time to time to assist Pivot and its Affiliates as Pivot seeks to commercialize the Technology.

"**Territory**" means all countries of the world.

"**Third Person**" means Persons other than the Parties or Affiliates thereof.

ARTICLE 2

CONSIDERATION

2.1 Royalty Payments. Subject to and upon the terms and conditions set forth in this Agreement, in exchange for the Services the Company shall pay Cafejo a royalty on sales of Products sold or otherwise commercialized by the Company and/or any Affiliate in the Territory during each Calendar Quarter equal to [REDACTED] of the amount of Net Sales with respect to any and all Products sold in the Territory during such Calendar Quarter. Prior to the first sale of any Product, the Company shall provide written notice to Cafejo of the nature of the Product, its sale price and market, and other reasonable details to inform Cafejo of the nature of that Product, including any updates or enhancements to a Product.

2.2 Royalty Payments, Record Retention. The Company shall pay royalties due under Section 2.1 concurrently with the remittance of the royalty report in accordance with this Section 2.2. Each such payment shall be made by Pivot to Cafejo not later than thirty (30) days from the end of the Calendar Quarter to which a payment relates. All amounts payable to Cafejo under Section 2.1 shall be paid by electronic wire transfer in immediately available funds to an account designated in writing by Cafejo. Company shall keep and maintain (and shall cause its Affiliates and any Third Person involved in Product sales to keep and maintain) proper, complete and accurate books and records in such form and detail as is necessary to ascertain Company's compliance with the financial terms of this Agreement including without limitation such records as are necessary to verify royalty payments owed under Section 2.1. Such records shall be kept in accordance with GAAP, consistently applied. Company shall preserve (and to the extent applicable, will cause its Affiliates and any Third Person to preserve) such records made in any calendar year for a period of three (3) years following the close of that calendar year. Beginning with the first commercial sale of a Product, Company shall furnish Cafejo with a quarterly report (a "**Sales Report**") on Net Sales of any and all Products within sixty (60) days after the end of each Calendar Quarter, which Sales Report shall set forth in reasonable detail on a Product-by-Product and country-by-country basis: (i) the Net Sales with respect to such Product during such Calendar Quarter in such country broken down between Company and any Affiliates; and (ii) the total royalties due under Section 2.1 during such Calendar Quarter in such country broken down between Company and any Affiliates and the basis of the calculation thereof. If Company creates or receives any sales forecasts with respect to Products, then Company will provide such forecast to Cafejo.

2.3 Audits. During the term of this Agreement, Cafejo shall, not more than once each year, have the right to have independent certified public accountants selected by Cafejo and approved by the Company (such approval not be unreasonably withheld, conditioned or delayed) audit the Company's and Affiliate's records for the purpose of determining the accuracy of payments due or paid to Cafejo under Section 2.1. The independent certified public accountants shall keep confidential any information obtained during such audit. If it is determined that additional royalties are owed to Cafejo during such period, the Company will pay Cafejo the additional royalties within thirty (30) days of the date the independent certified public accountants' written report is provided to Company. In the event that such audit discloses that the actual royalties or other amounts payable by Company to Cafejo are less than the royalties or other amounts paid by Company, then Company may credit any overpayment based on the results disclosed by such audit against future royalties due Cafejo. The fees charged by such accounting firm will be paid by Cafejo unless any additional royalties owed exceed two percent (2%) of the royalties paid for the applicable period, in which case such fees shall be payable by the Company.

ARTICLE 3

TERM

3.1 Term. This Agreement shall be in full force and effect from the Effective Date. It shall remain in full force and effect indefinitely, and payments shall be due to Cafejo on an ongoing basis, unless:

(a) Cafejo shall breach this Agreement and fail to take reasonable commercial steps to cure such breach within thirty (30) days of receipt of written notice of the breach from Pivot; or

(b) Cafejo shall make an assignment for the benefit of creditors or be finally adjudicated a bankrupt.

Notwithstanding the foregoing, in the event of a breach under Section 3.1(a) of this Agreement that is not cured by Cafejo, this Agreement shall be and remain in full force and effect for all Products that are available in the marketplace prior to the date of breach by Cafejo, and payments under Section 2.1 shall continue to be paid by the Company in respect of such Products.

ARTICLE 4

MISCELLANEOUS PROVISIONS

4.1 Expenses.

All costs and expenses incurred in connection with the preparation of this Agreement will be paid by the party incurring such expenses.

4.2 Assignment.

This Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and assigns of the parties. Cafejo shall have the right to assign this Agreement and the right to payments due hereunder to another Person by notice to Pivot in writing. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns.

4.3 Notices.

Any notice required or permitted to be given under this Agreement will be in writing and may be given by delivering, sending by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy, or sending by prepaid registered mail, the notice to the following address or number:

If to Cafejo:

[REDACTED]
[REDACTED]
[REDACTED]

If to the Pivot:

Pivot Pharmaceuticals Inc.
1275 West 6th Avenue
Vancouver, BC V6H 1A6

Attention: Patrick Frankham
Email: pfrankham@pivotpharma.com
Facsimile: (604) 738-7134

With a copy (which will not constitute notice) to:

Alexander Holburn Beaudin + Lang LLP
Barristers + Solicitors
2700 - 700 West Georgia Street
Vancouver, BC V7Y 1B8

Attention: Stewart L. Muglich
Telephone: 604-484-1700
Facsimile: 604-484-9700

(or to such other address or number as any party may specify by notice in writing to another party).

Any notice delivered or sent on a business day by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed conclusively to have been effectively given on the day the notice was delivered, or the transmission was sent successfully to the number set out above, as the case may be. Any notice sent by prepaid registered mail will be deemed conclusively to have been effectively given on the third business day after posting; but if at the time of posting or between the time of posting and the third business day thereafter there is a strike, lockout, or other labour disturbance affecting postal service, then the notice will not be effectively given until actually delivered.

4.4 Governing Law; Venue.

This Agreement, the legal relations between the parties and the adjudication and the enforcement thereof, shall be governed by and interpreted and construed in accordance with the substantive laws of the United States and of the State of California, without regard to applicable choice of law provisions thereof. The parties hereto agree that any legal proceeding arising out of or relating to this Agreement will be brought in a suitable court located in Orange County, California and each party hereto irrevocably submits to the exclusive jurisdiction of those courts.

4.5 Severability.

If any covenant or other provision of this Agreement is invalid, illegal, or incapable of being enforced by reason of any rule of law or public policy, then such covenant or other provision will be severed from and will not affect any other covenant or other provision of this Agreement, and this Agreement will be construed as if such invalid, illegal, or unenforceable covenant or provision had never been contained in this Agreement. All other covenants and provisions of this Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

4.6 Independent Legal Advice.

Each party acknowledge that it has had independent legal advice regarding the execution of this Agreement, or has been advised of its respective right to obtain independent legal advice, and if it has not in fact obtained independent legal advice, such party acknowledges that he understands the contents of this Agreement and that it is executing the same voluntarily and without pressure from the other party or anyone on its behalf.

4.7 Entire Agreement.

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior arrangements and understandings, both written and oral, expressed or implied, with respect thereto. Any preceding correspondence or offers are expressly superseded and terminated by this Agreement.

4.8 Further Assurances.

Each party, upon the request of the other party to this Agreement, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect the intent and purposes of this Agreement.

4.9 Enurement.

This Agreement and each of the terms and provisions hereof will enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, personal representatives, successors and assigns.

4.10 Time.

Time is of the essence of this Agreement.

4.11 Waiver.

No failure on the part of a party to this Agreement to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any party hereto in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No party to this Agreement shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

4.12 Amendment.

This Agreement may not be amended except by an instrument in writing signed by each of the parties.

4.13 Counterparts and Facsimile Transmission.

This Agreement may be executed in several counterparts, each of which will be deemed to be an original and all of which will together constitute one and the same instrument and delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date set forth on page one of this Agreement.

4.14 No Joint Venture.

Nothing contained in this Agreement will be construed as creating a joint venture, agency, partnership or employment relationship between the parties hereto, nor will any party have the right, power or authority to create any obligation or duty, express or implied, on behalf of the other party.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

AquaBrew Inc. d/b/a Cafejo

By: "Patrick Rolfes"

Patrick Rolfes

Its: CEO

PIVOT PHARMACEUTICALS INC.

By: "Patrick Frankham"

Patrick Frankham

President & CEO

THIS EMPLOYMENT AGREEMENT dated for reference March 1, 2018

BETWEEN:

PIVOT PHARMACEUTICALS INC., a corporation amalgamated under the Canada Business Corporations Act and having its head office at #300-1275 West 6th Avenue, Vancouver, British Columbia Canada, V6H 1A6 (the "Company")

AND:

PATRICK ROLFES, of [REDACTED]
[REDACTED]
(the "Executive")

(collectively the "Parties")

WHEREAS:

- A. The Executive has valuable skills and experience which will be of assistance to the Company in managing its business and growing its business in California and elsewhere.
- B. The Company wishes to employ the Executive as **President of its US subsidiary** and the Executive desires to be employed by the Company upon the terms set out in this Agreement.
- C. The Company wishes to have the option to receive the services of Executive as a consultant for an initial period, and Executive is willing to provide services in that capacity.

THEREFORE the Parties agree as follows:

ARTICLE 1 DUTIES AND RESPONSIBILITIES

1.1 Position

The Executive will be employed by the Company as the **President** of the Company's wholly owned subsidiary located in the State of California, ERS Holdings LLC ("ERS"). The Executive shall at all times be the most senior executive in the subsidiary, responsible for operational and financial management of the subsidiary, and reporting directly to the CEO of the Company.

1.2 Term

The Executive's employment will commence not later than June 1, 2018, and will continue until otherwise terminated in accordance with the provisions of this Agreement. From March 1, 2018 until May 31, 2018, Executive shall provide services to ERS as a consultant at compensation levels consistent with those applicable to his employment (subject as to the method of compensation to Section 2.1 below).

1.3 Performance of Duties

The Executive shall perform such services and duties as are normally provided by a **President** of a company in a business and of a size similar to the Company, and such other services and duties as may reasonably be assigned from time to time by the Chief Executive Officer (CEO). The Executive may serve as a director and/or officer of the Company upon request of the Chairman of the Board and any subsidiary or affiliated corporate entities of the Company ("Affiliates") without any additional compensation beyond that which is set out herein.

1.4 Full Time and Attention

The Executive shall devote substantially all of his working time and attention and shall exert his commercially reasonable best efforts, knowledge, skill and energy to the performance of the Executive's duties with the Company. The Executive will not, without obtaining the prior written consent of the CEO, assume any other employment or engage in any other business or occupation or become a director (other than by AquaBrew, Inc. d/b/a **Caféjo, Anaheim, CA**), officer, employee, agent or consultant for any other company, firm or individual while in the service of the Company, provided that the Executive may, acting reasonably, continue his current role for the non-profit Newport Aquatic Center, and otherwise donate his time to charities and other not-for-profit organizations with the consent of the CEO, which consent will not be unreasonably withheld. The Executive is a fiduciary of the Company and shall act honestly and in good faith and at all times in the best interests of the Company.

1.5 Principal office location

The Executive's principal office location shall to be determined **subsequent to signing a suitable building lease**, or, subject to 7.1(b), at such other location as shall be approved by the CEO, provided that any office location at which Executive shall work may not be more than fifteen (miles) from Executives' home in Newport Beach, California without the prior express written consent of Executive.

1.6 Reporting

The Executive shall report directly to the CEO of the Company.

1.7 Rules and Policies

The Executive will comply with all legal directions from the CEO or the Board of the Company, and all rules and policies of the Company as established by the Company from time to time. The Executive acknowledges that the Company may, from time to time, amend, alter, change or delete policies to meet the business needs of the Company and that upon receiving notice of such policies, the Executive's employment will be governed by such revised policies.

1.8 Travel

The Executive shall be available for such business related travel as may be required for the purposes of carrying out the Executive's duties and responsibilities.

ARTICLE 2 REMUNERATION AND BENEFITS

2.1 Annual Base Salary

The Company shall pay, or provide to the Executive, for his services under this Agreement (as a consultant or as an employee, as the case may be), an annual base salary of ██████████ per year ["Base Salary"] payable semi-monthly on the fifteenth and the second last banking day of the month. For the period from March 1, 2018 through May 31, 2018, the Company shall have the option to pay Executive his monthly salary in Company stock. If the Company elects to do so, Executive will be paid the Base Salary due for that month on the last day of each month, and the Company shall deliver to Executive the number of shares of Company stock required to pay that Base Salary determined by reference to the average closing price of the Company's stock on the Exchange for the trading days of that month. Should the fifteenth day of any month not be a business day, the Base Salary otherwise due on such date shall be paid to the Executive on the immediately preceding business day.

2.2 Annual Review

The Base Salary referred to in subsection 2.1 shall be reviewed in the last quarter of each fiscal year of the Company by the Board or Compensation Committee of the Board (the "Committee"), in consultation with the Executive. Any increases to Base Salary will be at the sole discretion of the Board. Base Salary may not be reduced without the Executive's consent.

2.3 Bonuses

(a) The Executive will be eligible for an annual bonus of up to ██████████ percent of Base Salary (the "Bonus"), and with a target Bonus of ██████████ ██████████ of Base Salary based on achievement of key performance indicators ("KPIs") agreed between the CEO and the Executive at the start of each fiscal year.. The Board may, in its sole discretion, in addition to the foregoing, and whether or not any KPIs have been approved, pay a bonus to the Executive from time to time based on the Executive's performance. If a Bonus is declared by the Board, it will be payable within the first quarter of each subsequent fiscal year.

Bonus eligibility is conditional upon the Executive remaining in the active employment of the Company for the entire fiscal year of the Company if the Executive is terminated for Cause (as defined below). If prior to Company's fiscal year end either (a) the Executive's active employment with the Company ceases for any reason except for Cause, or (b) the Executive has given or received notice of termination except for Cause, the Executive will be eligible for a pro-rated Bonus payment for that portion of that year in which Executive has been employed.

2.4 Option Award

To compensate the Executive for the risk he is taking in leaving secure employment and provide an additional incentive to commence employment with the Company and to further align his interests with the shareholders, the Company will make a one-time award of stock options to purchase **a number of** common shares of the Company to be determined not later than **December 31, 2018** in accordance with the Company's then-current Equity Compensation Plan applicable to senior executives of the Company, exercisable over a five year term, of which one-third will vest on the anniversary of the date of grant in each of the following three years. The number of options awarded to Executive shall be consistent with amounts awarded to other senior executives of the Company.

Any stock options, or any portion of them, which have not vested on or prior to the date of termination of the Executive's services or employment shall terminate on the date of termination of employment, regardless of any notice period, arising under contract, statute, common law or otherwise.

2.5 Reimbursement of Expenses

The Company shall reimburse the Executive for all reasonable expenses incurred by him in the performance of this Agreement provided that the Executive provides the Company with written expense accounts and receipts with respect to each calendar month. Executive will be provided with a Company issued credit card for business expenses (subject to providing documentation), and a cellular phone .

2.6 Insurance

At this time (and for the period consulting services are provided by Executive) the Company shall not provide the Executive with group life, long-term disability, extended medical and dental insurance coverage. As the company enters into healthcare insurance agreement with a provider in accordance with the policies and procedures of the Company in effect and, to the extent permissible by law, the Company shall extend medical and dental insurance coverage to the Executive, the Executive's wife, and Executive's child dependents when feasible.

The Company will regularly review its insurance coverage, as well as its insurance carriers, and accordingly, reserves the right to amend or discontinue insurance coverage and change its insurance carriers where deemed appropriate upon notice to the Executive.

2.7 Directors and Officers Liability Insurance

Throughout the term of this Agreement, the Executive will be covered by the Company's directors and officers liability insurance policy or equivalent.

2.8 Vacation

The Executive shall be entitled to ■■■ weeks paid vacation for each fiscal year of the Company. Payment of all vacation pay will be at Base Salary. The Executive is required to arrange vacation time off to suit the needs of the Company and the Executive will provide notification of the Executive's planned vacation to the Chair of the Board and the Human Resources department. Unused vacation time in any given year may be carried forward by the Executive. On leaving the employment of the Company for whatever reason, the Company will pay the Executive any accrued but unpaid vacation pay up to the date the Executive's employment ceases.

2.9 Other Benefits

In addition to any other compensation or benefits to be received by the Executive pursuant to this Agreement, the Executive shall be entitled to participate in all benefits which the Company may from time to time provide to its senior employees, including the granting of additional stock options as approved by the Board or a Board committee.

ARTICLE 3 NON-SOLICITATION AND NON-INTERFERENCE

3.1 Terms

During the term of this Agreement and for 24 months following the termination of this Agreement, the Executive shall not, directly or indirectly:

- (a) with respect to activities relating to the business of the Company, solicit or entice away any client of the Company who was a client or supplier of the Company or any of its Affiliates within the period of one year prior to the date of termination of the Executive's employment;
- (b) solicit, offer to employ, engage or accept as an employee any person who was employed or engaged by the Company or any of its affiliates during any part of the 12 months immediately preceding the date of termination of the Executive's employment;
- (c) take advantage of, derive a benefit or otherwise profit from any business opportunities in the Company's industry and product line that the Executive became aware of as a consequence of his employment with the Company (which, for greater certainty, shall not include publicly available information), even if the Company does not take advantage of or exploit such opportunities;
- (d) advise any person or entity not to do business with the Company or any of its Affiliates or otherwise take any action which may reasonably result in the relations between the Company or any of its Affiliates and any of its employees or customers or potential employees or customers being impaired; or
- (e) assist any person or entity to do any things set out in clauses (a) through (d) above.

ARTICLE 4 CONFIDENTIALITY AND NON-DISCLOSURE

4.1 Confidential Information

The term "Confidential Information" means any and all information concerning any aspect of the Company not publicly disclosed, which the Executive may receive or develop as a result of his employment by or involvement with the Company, and including all clinical data, concepts, programs, processes, technical information, trade secrets, systems, business strategies, financial information and other information unique to the Company, its customers or principals. All Confidential Information, including notes, diagrams, reports, notebook pages, memoranda, biological and chemical materials and any excerpts thereof that include Confidential Information are the property of the Company or parties for whom the Company acts as agent or who are customers of the Company, as the case may be, and are strictly confidential to the Company and/or such parties. The Executive shall not make any unauthorized disclosure or use of, and shall use his commercially reasonable best efforts to prevent unauthorized disclosure or use of, such Confidential Information.

4.2 Use of Confidential Information

Except in the necessary course of the business of the Company or as otherwise authorized by the Company, and in accordance with such restrictions or conditions as the Company may impose from time to time, the Executive will not:

- (a) duplicate, transfer or disclose, nor allow any other person to duplicate, transfer or disclose any of the Company's Confidential Information;
- (b) use the Company's Confidential Information without the prior written consent of the Company;
- (c) incorporate, in whole or in part, within any domestic or foreign patent application any proprietary or Confidential Information disclosed by the Company; or
- (d) use the Confidential Information for any purpose, other than the benefit of the Company.

4.3 Protection of Confidential Information

The Executive will safeguard all Confidential Information at all times so that it is not exposed to or used by unauthorized persons, and will exercise at least the same degree of care used to protect the Executive's own Confidential Information.

4.4 Exception

The restrictive obligations set forth above shall not apply to the disclosure or use of any information which:

- (a) is publicly known under circumstances involving no breach of this Agreement by the Executive;
- (b) is already known to the Executive at the time of receipt of the Confidential Information;
- (c) is lawfully made available to the Executive by a third party; or
- (d) is disclosed by the Executive pursuant to a requirement of a governmental department or agency or disclosure is otherwise required by operation of law, provided that the Executive gives notice in writing to the Company of the required disclosure immediately upon being advised of such required disclosure and provided also that the Executive delays such disclosure so long as it is reasonably possible in order to permit the Company to appeal or otherwise oppose such required disclosure and provides the Company with such assistance as the Company may reasonably require in connection with such appeal or other opposition.

ARTICLE 5 INTELLECTUAL PROPERTY

5.1 Disclosure of Works

The Executive, acting in good faith, shall promptly disclose in writing to the Company all discoveries, inventions, ideas, developments, improvements, methodologies, designs, research data, know-how, works, creations and intellectual property (whether or not the same are capable of patent, copyright, industrial design or other intellectual property protection) developed, created, made, conceived or contributed to, solely or jointly, in whole or in part, by the Executive, during the period of his or her employment or engagement with the Company or within the period immediately following the resignation or termination of the Executive set forth in section 5.2 below (the "Period"), whether foreseeable or unforeseeable, and whether or not developed, created, made, conceived or contributed to prior to the execution of this Agreement, outside of Company time or at any premises other than the Company's, which, wholly or partially:

- (a) are related to the business or research and development of the Company;
- (b) resulted from or with the use of any resources or facilities of the Company;
- (c) resulted from or in connection with the Executive's activities, duties or services for the Company; or
- (d) were a result of using any proprietary or Confidential Information of the Company;

(collectively, the "Works").

5.2 "Period"

The "Period" for Works described in section 5.1(a) is the greater of 1 year and the period, if any, during which the Executive is subject to a restriction on competition pursuant to any employment or consulting agreement entered into, or which may hereafter be entered into, with the Company. The "Period" for Works described in section 5.1 (b), 5.1 (c) and 5.1 (d) is indefinite.

5.3 Ownership of Works

The Executive specifically acknowledges that all Works are works deemed to be made in the course of or as a result of his or her employment or engagement with the Company, and all right, title and interest in and to such Works shall vest in and be the exclusive property of the Company upon their creation. In addition, the Executive hereby waives all moral rights which the Executive may have in such Works. The Executive further acknowledges that part of his or her compensation as an employee of, or consultant to, the Company is compensation in respect of the provisions contained in this Article 5.

5.4 Assignments

The Executive will, at the request of the Company, execute all necessary applications, assignments and other documents and provide all necessary assistance during and subsequent to his or her employment or engagement, without further compensation but at the expense of the Company, to enable the Company or its nominees to acquire, perfect and maintain all rights, title and interest in and to such Works including without limitation patent and copyright protection in any and all countries, and to permit the Company and its nominees to enforce such rights. The Executive shall assign to the Company all patents or copyright protection respecting such Works filed in the name of the Executive.

5.5 Records

The Executive will keep and maintain for the Company precise and up to date written records and materials for all Works, all copies of which shall be the property of the Company. The Executive shall not take any action, directly or by the assistance of any third party, which would adversely affect the value or the validity of legal protection of the records, materials or Works.

ARTICLE 6 CHANGE OF CONTROL

6.1 Definition of Change of Control

For the purposes of this Agreement, the occurrence of any one of the following shall be deemed to constitute a “change of control” (the “Change of Control”):

- (a) a change in the composition of the Board of Directors of the Company occurring within any two-year period, as a result of which fewer than a majority of such directors are Incumbent Directors. “Incumbent Directors” shall mean directors of the Company who either:
 - (i) are directors of the Company as of the date hereof, or
 - (ii) are appointed, or nominated for election in the Company’s proxy circular, as directors of the Company by the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination;
- (b) any transaction at any time and by whatever means pursuant to which any Person or any group of two or more Persons acting jointly or in concert (other than the Company or an Affiliate of the Company) hereafter acquires the direct or indirect “beneficial ownership” (**as defined in the Canada Business Corporations Act**) of, or acquires the right to exercise control or direction over, securities of the Company representing 50% or more of the then issued and outstanding voting securities of the Company in any manner whatsoever, including, without limitation, as a result of a take-over bid, an issuance or exchange of securities, an amalgamation of the Company with any other entity, an arrangement, a capital reorganization or any other business combination or reorganization;
- (c) the sale, assignment or other transfer of all or substantially all of the assets of the Company to a Person or any group of two or more Persons acting jointly or in concert (other than the Company or an Affiliate of the Company);
- (d) the dissolution or liquidation of the Company except in connection with the distribution of assets of the Company to one or more Persons which were Affiliates of the Company prior to such event;

- (e) the occurrence of a transaction requiring approval of the Company's shareholders whereby the Company is acquired through consolidation, merger, an exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise by any other Person or any group of two or more Persons acting jointly or in concert (other than a short form amalgamation or an exchange of securities with an Affiliate of the Company); or
- (f) the Board passes a resolution to the effect that for the purposes of this Agreement a Change of Control has occurred;

provided that an event described in subsection (b), (c), (d), or (e) shall not constitute a Change of Control where (i) such event occurs as a result of an internal reorganization or restructuring of the Company; or (ii) persons who were holders of the Company's voting securities immediately prior to any such event hold as a result of the event a majority of the voting securities of either (1) the entity resulting from the event or (2) an entity which directly or indirectly holds beneficial ownership of 100% of the voting securities of the entity resulting from the event, and the proportionate voting power among such persons immediately after the event is substantially the same as the proportionate voting power such persons held in the Company's voting securities immediately prior to the event.

6.2 Interpretation

For purposes of Article 6:

- (a) all references to "Company" shall mean the successor of the Company or in the event of an event contemplated in clause (ii) of the last paragraph of Section 6.1, means (1) the entity resulting from the event or (2) the entity which directly or indirectly holds beneficial ownership of 100% of the voting securities of the entity resulting from the event in which persons who were holders of the Company's voting securities immediately prior to any such event hold a majority of the voting securities;
- (b) all references to "Board of Directors" or "directors" shall mean the Board or directors on the Board of the Company;
- (c) "Control Person" means a person who, either alone or together with any person acting jointly or in concert with such person, beneficially owns, or exercises control or direction over, 20 per cent or more of the outstanding voting or equity securities of any class of the Company;
- (d) "Person" includes an individual, company, partnership, party, trust, fund, association and any other organized group of persons and the personal or other legal representative of a person to whom the context can apply according to law;
- (e) a Person shall be deemed to be an "Affiliate" of another Person if one of them is Controlled by the other or if both are Controlled by the same person;

- (f) a Person (First Person) is considered to "Control" another Person (Second Person) if the First Person, directly or indirectly, has the power to direct the management and policies of the Second Person by virtue of:
 - (i) ownership of or direction over voting securities in the Second Person,
 - (ii) a written agreement or indenture,
 - (iii) being the general partner or controlling the general partner of the Second Person, or
 - (iv) being a trustee of the Second Person.

ARTICLE 7 TERMINATION

7.1 Termination by the Executive

The Executive may terminate his employment under this Agreement:

- (a) at any time upon providing 60 days notice in writing to the Company, provided that the Company may, at its discretion, advance the effective date of his resignation or retirement;
- (b) for Good Reason, within 180 days of the date on which there is a Change of Control, by providing thirty (30) days' written notice setting out in reasonable detail the basis upon which the Executive is claiming Good Reason.

"Good Reason" shall mean any of the following, unless the Executive gives his express written consent thereto:

- (a) a material adverse change in the Executive's status or position as an officer or employee of the Company. Such material adverse change shall include without limitation any material adverse change in status or position as a result of a material diminution in the Executive's title, duties or responsibilities, or the assignment to the Executive of any duties or responsibilities which are materially inconsistent with such status or position;
- (b) a reduction in Base Salary or any material reduction in any of the benefits, perquisites or allowances which the Executive is eligible to receive or is provided during employment; provided, however, that the Company shall be entitled to alter or to discontinue any benefits, perquisites or allowances so long as the Executive's overall compensation following such alteration or discontinuance is not materially less than the Executive's overall compensation prior to such alteration or discontinuance;

- (c) any action by the Company that materially and adversely affects the Executive's participation in or reduces the Executive's rights or entitlements pursuant to any incentive, bonus, share option, restricted share unit or other equity or long-term compensation plan without providing the Executive with replacement rights or entitlements which are no less favourable; provided, however, that "Good Reason" shall not include variations in the amount, if any, of annual incentive bonuses awarded to the Executive based on the Company's good faith determination of achievement of objectives;
- (d) the Company requiring the Executive to change his primary office location more than the distance set forth in Section 1.5 from his home to the Company's designated corporate offices located in Orange County, California; or
- (e) any other action by the Company which would constitute constructive dismissal at law.

Notwithstanding the foregoing, the Executive must give notice to the Company within 90 days following the Executive's knowledge of an event constituting Good Reason describing the alleged failure or action by the Company and advising of the Executive's intention to terminate the Executive's employment for Good Reason. The Company shall then have 20 business days to correct such failure or action following the delivery by the Executive of such written notice (the "Cure Period"). If the Executive fails to provide such notice within 90 days, such event shall not constitute Good Reason under this Agreement. In the event that the Company does not correct such failure or action, the Executive shall be deemed to have resigned the Executive's employment for "Good Reason" at the end of the Cure Period.

7.2 Termination by the Company Without Notice and Involuntary Termination

This Agreement and the Executive's employment with the Company may be terminated, without the Company being obligated to provide the Executive with advance notice of termination or pay in lieu of such notice, whether under contract, statute, common law or otherwise if:

- (a) The Executive dies or becomes permanently disabled; or
- (b) the Executive's employment is terminated by the Company for Cause, which shall include without limitation:
 - (i) the Executive acting unlawfully, dishonestly, or in bad faith with respect to the business of the Company to the extent that it has a material and adverse effect on the Company;
 - (ii) the conviction of the Executive of an indictable offence under the Criminal Code involving fraud or dishonesty in respect of the Company;
 - (iii) A material breach or default of any term of this Agreement if such material breach or default has had a material adverse effect on the Company and has not been remedied within 30 days after written notice of the material breach or default has been delivered by the Company to the Executive or is incapable of being remedied; and
 - (iv) Any act or omission that would constitute cause at common law.

The Executive shall be deemed to have become permanently disabled if in any year during the employment period, because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, if the Executive has been continuously unable, as determined by two independent physicians of at least ten years' experience who are members in good standing of the An **Accredited College of Physicians and Surgeons or Qualified Health Insurer Medical Doctor**, to perform his duties for 180 consecutive days, or if, during any year of the employment period, the Executive has been unable, determined as set out above, to perform his duties for a total of 270 days, consecutive or not. The term "any year of the employment period" means any period of 12 consecutive months during the employment period.

7.3 Severance Payment for Termination by the Company Without Cause or under Section 7.1(b)

In the event of the termination of the Executive's employment pursuant to Section 7.1(b) of this Agreement, or the termination of the Executive's employment by the Company without cause and without prior notice, the Company shall provide the Executive with the following Separation Package:

- (a) starting the day after the date of termination, the Executive will be paid his Base Salary until the earlier of (i) 12 months following the date of termination (the "Continuance Period"). During the Continuance Period the Executive will not receive a Bonus. The Base Salary component of the Separation Package shall be payable in a lump sum;
- (b) All stock options awarded to Executive shall vest and be exercisable before termination.
- (c) Lump Sum - The Executive will be provided with a lump sum payment (less statutory deductions), equivalent to 100 per cent of the balance of the Base Salary which is owing for the remainder of the Continuance Period .
- (d) Continuation of Certain Benefits - As part of the Separation Package, the Executive will also be provided with a continuation of the following employment related benefits in place for the duration of the Continuance Period : medical and dental insurance coverage, excluding long term disability coverage, short term disability coverage, critical illness and life insurance coverage. Short and long term disability benefit coverage, critical illness and life insurance coverage will be discontinued upon termination or as soon after termination as permitted by applicable legislation. To the extent provided, continued coverage pursuant to the aforementioned benefit plans will be conditional on the Executive satisfying the terms and conditions required by the individual insurance policies.
- (e) Long-Term Incentive Awards – For the avoidance of any doubt, the Executive will not be eligible to receive any options or other equity or long-term incentive awards ("LTIA") for any period following the date of termination. All LTIA will be treated in accordance with their terms, as set out in the applicable Equity Compensation Plan.

7.4 Payment following Termination under Sections 7.1(a), 7.2(a), 7.2(b)

7.5 In the event of the termination of the Executive's employment pursuant to Sections 7.1(a), 7.2(a), 7.2(b) of this Agreement, the Company shall pay to the Executive the full amount of compensation accrued and payable pursuant to Section 2.1 of this Agreement as of the date of termination. The Executive will not be entitled to receive any further compensation or benefits whatsoever other than those which have accrued up to the Executive's date of termination. Separation Package Deemed Reasonable and Sufficient

- (a) The Executive acknowledges that the Separation Package provided pursuant to this Agreement, as applicable, supersedes and replaces any and all rights to reasonable notice of termination that the Executive might otherwise be entitled to at common law. The Executive agrees that the payments include all amounts owing for termination and/or severance pay under any contract, statute, common law or otherwise.
- (b) The Executive agrees not to disclose the terms or the nature of Separation Package, save and except to the Executive's immediate family or, to the extent that such disclosure is necessary, to obtain tax planning, legal or similar advice, to the Executive's legal and financial advisers, and as may be required by law. The Executive represents and warrants that his immediate family and advisors shall keep this release confidential.
- (c) Except as set out above in section 7.3 , the Executive will not be entitled to any other payments, benefits or compensation of any type upon termination.

7.6 Separation Package Conditional

- (a) **Compliance with Article 3, Article 4 and Article 5 of this Agreement**

The Company's obligation to pay to the Executive the Separation Package under this Article 7 is conditional upon the Executive's ongoing compliance with his obligations under this Agreement, including Article 3, Article 4 and Article 5. In the event that the Executive breaches these provisions and fails to cure such a breach within 30 days after written notice specifying the nature of the breach, (1) the Executive will remain bound by all of the terms of this Agreement, (2) all payments under the Separation Package will automatically cease, and the Executive will be required to return any payments already made pursuant to the Separation Package, (3) the Company will be under no further obligation to pay to the Executive any payments under the Separation Package subject to any payments that may be required to satisfy California law , and (4) the Company may seek injunctive or other relief as described in section 8.14 of this Agreement.

(b) **Cooperation**

The Company's obligation to pay to the Executive the Separation Package is conditional upon:

- (i) the Executive's continued performance of his assigned duties and responsibilities in a fully satisfactory manner in accordance with the Company's expectations while actively employed with the Company. This includes co-operating with the Company at all times to ensure the efficient and amicable transition of the duties and responsibilities of the Executive's position to the successor; and
- (ii) the Executive continuing, in good faith, to be available and to provide whatever reasonable assistance may be required by the Company from time to time with respect to matters with which the Executive was involved during his employment. The Company will reimburse the Executive for his time at his last Base Salary rate and for all reasonable out-of-pocket expenses incurred in connection with such assistance.

(c) **Release**

The Company's obligation to pay to the Executive the Separation Package is conditional upon the Executive signing, in the presence of a witness, a full and final release, in a form satisfactory to the Company, and delivering an original executed copy of the full and final release to the Company and its Affiliates on the Executive's termination date.

(d) **Effect of Non-Compliance**

If the Executive does not comply with his obligations as set out above or fails to execute the Release, the Executive will not be entitled to the Separation Package, but instead will receive only such payments as are required by applicable employment standards legislation.

7.7 Transition and Return of Property

In the event the Executive's employment is terminated for any reason, the Executive agrees to resign effective the same date from any office or directorship held with the Company or its Affiliates. The Executive will also deliver to the Company all books, records, lists, brochures and other property or intellectual property rights belonging to the Company or developed in connection with the business of the Company, and will execute such transfer documentation as is necessary to transfer such property or intellectual property rights to the Company. In addition, following termination of the Executive's employment with the Company, the Executive will provide the Company with all such assistance and cooperation as the Company may reasonably require to enable a smooth transition of the duties and responsibilities of the Executive to such other individual as the Company shall appoint provided the Company complies with Section 7.6(b)(ii).

7.8 Termination of Employment

For the purposes of this Agreement, the date of termination of employment shall be:

- (a) in the event of a termination of employment pursuant to Section 7.1, the earlier of the date specified in the Executive's written notice pursuant to Section 7.1, the day following the last day of the Cure Period, or, any other date specified by the Company as the Executive's last day of active service;
- (b) in the event of termination of employment pursuant to Section 7.2(a), the date specified by the Company; and

- (c) in the event of any other termination of employment, the date specified in the Company's written notice of termination or, if no date is specified therein or if notice is given by the Company other than in writing, the date on which the Company gives notice of termination to the Executive.

In the event of any conflict between the terms of this Agreement and the terms of any other agreement between the Executive and the Company, the terms of this Agreement in respect of the date of termination of employment shall govern.

ARTICLE 8 GENERAL

8.1 Personal Nature

The obligations and rights of the Executive under this Agreement are personal in nature, based upon the singular skill, qualifications and experience of the Executive.

8.2 Right To Use Employee's Name And Likeness

During the term of this Agreement, the Executive hereby grants to the Company the right to use the Executive's name, likeness and/or biography in connection with the services performed by the Executive under this Agreement and in connection with the advertising or exploitation of any project with respect to which the Executive performs services for the Company.

8.3 Legal Advice

The Executive hereby represents, warrants and acknowledges to the Company that he has had the opportunity to seek and was not prevented nor discouraged by the Company from seeking independent legal advice prior to the execution and delivery of this Agreement and that, in the event that he did not avail himself of that opportunity prior to signing this Agreement, he did so voluntarily without any undue pressure by the Company or otherwise, and agrees that his failure to obtain independent legal advice shall not be used by him as a defence to the enforcement of his obligations under this Agreement.

8.4 Waiver

No consent or waiver, express or implied, by any party to this Agreement of any breach or default by any other party in the performance of its obligations under this Agreement or of any of the terms, covenants or conditions of this Agreement shall be deemed or construed to be a consent or waiver of any subsequent or continuing breach or default in such party's performance or in the terms, covenants and conditions of this Agreement. The failure of any party to this Agreement to assert any claim in a timely fashion for any of its rights or remedies under this Agreement shall not be construed as a waiver of any such claim and shall not serve to modify, alter or restrict any such party's right to assert such claim at any time thereafter.

8.5 Notices

- (a) Any notice relating to this Agreement or required or permitted to be given in accordance with this Agreement shall be in writing and shall be personally delivered or mailed by registered mail, postage prepaid to the address of the parties set out on the first page of this Agreement. Any notice shall be deemed to have been received if delivered, when delivered, and if mailed, on the fifth day (excluding Saturdays, Sundays and holidays) after the mailing thereof. If normal mail service is interrupted by strike, slowdown, force majeure or other cause, a notice sent by registered mail will not be deemed to be received until actually received and the party sending the notice shall utilize any other services which have not been so interrupted or shall deliver such notice in order to ensure prompt receipt thereof.
- (b) Each party to this Agreement may change its address for the purpose of this Section 8.5 by giving written notice of such change in the manner provided for in this Section.

8.6 Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California, which shall be deemed to be the proper law hereof. The Parties hereby submit to the jurisdiction of the courts of California in and for the County of Orange for all actions related to this Agreement. All obligations of the parties under this Agreement are subject to receipt of all necessary approvals of the applicable securities regulatory authorities.

8.7 Severability

If any provision of this Agreement for any reason be declared invalid, such declaration shall not affect the validity of any remaining portion of the Agreement, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

8.8 Entire Agreement

This Agreement constitutes the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, and there are no representations or warranties, express or implied, statutory or otherwise other than set forth in this Agreement and there are no agreements collateral hereto other than as are expressly set forth or referred to herein. This Agreement cannot be amended or supplemented except by a written agreement executed by the Parties.

8.9 Arbitration

- (a) Any claim, controversy or dispute in connection with or arising out of or relating to this Agreement, including (without limitation) its negotiation, validity, existence, breach, termination, construction or application, or the rights, duties or obligations of any party to this Agreement, or the value of shares, shall be referred to and finally determined by arbitration by a single arbitrator (the "Arbitrator") in accordance with the rules of the American Arbitration Association ("AAA"), which shall conduct an arbitration in the city of Newport Beach, California in a manner consistent with its rules.

- (b) Any Party to the Agreement (the "Applicant") may commence arbitration by delivering a written notice (a "Complaint") to the Party against whom the Applicant seeks relief (the "Respondent"). In the Complaint, the Applicant shall describe the substance of the matter which is submitted to arbitration and name three (3) persons whom the Applicant is prepared to nominate as arbitrator, each of such persons to be independent of the Parties and qualified by education and training to pass upon the particular matter in dispute (an "Approved Arbitrator"). Within seven (7) days of the receipt of the Complaint, the Respondent shall by written notice to the Applicant select one of the three (3) persons named by the Applicant or provide the Applicant with a list of three (3) persons who are Approved Arbitrators. Within seven (7) days of receipt of the Respondent's list, by written notice to the Respondent, the Applicant shall select one of such persons, or provide a further list of three (3) Approved Arbitrators. The Parties shall continue to exchange lists of three (3) Approved Arbitrators in this fashion until an Approved Arbitrator is selected. If the Parties are unable to agree upon an Approved Arbitrator within sixty (60) days of the receipt by the Respondent of the Complaint, the Parties shall jointly provide a list of all of the proposed Arbitrators, with no indication of which Party nominated them, to the President of AAA in California (the "Appointer"). The Appointer shall appoint the Arbitrator from among the names on the list provided by the Parties, in his or her absolute discretion. If no Arbitrator is able to be appointed from the names on the list provided by the Parties, the Appointer shall appoint the Arbitrator by selecting an Approved Arbitrator without regard to the list, in his or her absolute discretion.
- (c) Neither the Parties nor their representatives shall communicate with any proposed Arbitrator at any time during the arbitrator-selection process prior to the appointment of the Arbitrator.
- (d) The Arbitrator's award shall be final and binding on the Executive and the Company. There shall be no appeal from the Arbitrator's award.
- (e) Notwithstanding the above, in the event that the Executive violates the covenants, provisions and restrictions contained in Article 3, Article 4 or Article 5, the Company and its Affiliates shall be authorized and entitled to obtain from any court of competent jurisdiction interim and permanent injunctive relief and an accounting of all profits and benefits arising out of such violation, which rights and remedies shall be cumulative and in addition to any other rights, damages or remedies to which the Company and its affiliates might otherwise be entitled.
- (f) In the event of any litigation arising in respect of this Agreement, the prevailing Party shall be entitled to recover its costs, including reasonable legal fees. The fees and expenses of the Arbitrator and costs of the arbitration facilities shall be periodically billed to and paid in equal proportions by the Parties to the Arbitration as the Arbitration proceeds. The Arbitrator shall have the power to award costs, including the fees and expenses of the Arbitrator and costs of the arbitration facilities, in whole or in part, upon hearing submissions by any Party requesting same, and any responding submissions from the other Party.
- (g) The arbitration, any awards and all proceedings in relation thereto shall be private and confidential between the Parties except to the extent that any disclosure is necessary for the purpose of any court proceedings under this section.

8.10 Non-Assignability

This Agreement shall not be assigned by any Party to this Agreement without the prior written consent of the other Party to this Agreement.

8.11 Burden And Benefit

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

8.12 Time

Time is of the essence of this Agreement.

8.13 Enforcement

All covenants, provisions and restrictions contained in this Agreement, and without limitation, the covenants, provisions and restrictions contained in Article 3, Article 4 and Article 5, are reasonable and valid, and the Executive hereby waives all defences to the strict enforcement of such covenants, provisions and restrictions by the Company. Article 3, Article 4, Article 5 and Article 7 shall survive the termination of this Agreement, and the Company's obligation to provide any severance payments or related continuation of benefits subsequent to the Executive's termination of employment is conditional upon the Executive's ongoing compliance with these obligations.

8.14 Equitable Remedies

The Executive acknowledges that any breach by him of any provision of Article 3, Article 4 or Article 5 may result in material damage to the Company which cannot be adequately compensated by a monetary award, and consents to the issuance of an injunction or other equitable remedy to prohibit, prevent or enjoin any such breach.

8.15 Currency

All dollar amounts set forth or referred to in this Agreement refer to US currency.

8.16 Withholding

All payments made by the Company to the Executive or for the benefit of the Executive shall be less applicable withholdings and deductions.

8.17 Recitals

The Executive and the Company acknowledge and agree that the provisions contained in the preamble or recitals section of this Agreement form part of this Agreement and may be relied upon by either Party when interpreting this Agreement.

8.18 Interpretation

The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and the Agreement shall be interpreted without regard to any presumption or other rule requiring interpretation of the Agreement more strongly against the Party causing it to be drafted.

It is the intention of the parties to this Agreement to comply with California law with respect to the rights and duties of the parties pursuant to this Agreement.

8.19 Counterparts

This Agreement may be executed in counterparts and such counterparts together shall constitute one and the same instrument.

8.20 Acceptance of Agreement

This document constitutes an offer of employment which is open for acceptance by the Executive until Midnight February 28th, 2018 by delivering to the Company at the address specified above a copy of this document duly signed by the Executive, failing which this offer of employment will expire and be null and void.

IN WITNESS OF WHICH the Company has duly executed this Agreement:

PIVOT PHARMACEUTICALS INC.

By: “Patrick Frankham”
Name: Patrick Frankham, PhD, MBA
Title: Chief Executive Officer

ACCEPTED AND AGREED by the Executive as of February 26, 2018 (date)

“Sarah Atherton”
Witness

“Patrick Rolfes”
Patrick Rolfes

EXCHANGE AGREEMENT

THIS AGREEMENT is made effective as of the 2nd day of March, 2018.

AMONG:

THRUDERMIC LLC, a limited liability company incorporated pursuant to the laws of North Carolina and having an address at 4843 Gate Post Lane, Wilmington, NC 28412

(the “**Target**”)

AND:

DR. JOSEPH BOROVSKY, of [REDACTED] (“**Borovsky**”)

AND:

DR. LEONID LURYA, of [REDACTED] (“**Lurya**” and, together with Borovsky, the “**Members**”)

AND:

PIVOT PHARMACEUTICALS INC., a company incorporated pursuant to the laws of British Columbia and having an address at #300-1275 West 6th Avenue, Vancouver, BC V6H 1A6

(the “**Purchaser**”)

WHEREAS:

A. Borovsky is the registered and beneficial owner of all the issued and outstanding units in the capital of the Target as described in Schedule A hereto (the “**Units**”);

B. The Target was created starting in November 2017 as a service company to facilitate research and development in transdermal drug delivery applications;

C. Lurya holds certain registered patents and Borovsky has extensive experience and know how in the transdermal drug delivery applications all of which are used in connection with the business of the Target and all of which are more particularly described in Schedule B hereto (collectively, the “**IP**”);

D. The Purchaser has made an offer to pay \$1.00 (USD) in connection with the acquisition of the equity of the Target plus certain closing costs and issue a total of 250,000 common shares in the capital of the Purchaser to each of Borovsky and Lurya as consideration for the acquisition by the Purchaser of all the IP; and

E. Upon the terms and subject to the conditions set forth in this Agreement, the Members have agreed to sell to the Purchaser and the Purchaser has agreed to purchase all the Members’ legal and beneficial right, title and interest in and to the IP and upon the terms and subject to the conditions set forth in this Agreement, Borovsky has agreed to sell to the Purchaser and the Purchaser has agreed to purchase all of Borovsky’s legal and beneficial right, title and interest in and to the Units such that, at Closing (as defined herein), the Target will become a wholly-owned subsidiary of the Purchaser and all of the IP will be owned by the Purchaser.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following words and phrases will have the following meanings:

- a) “**Affiliate**” with respect to any specified Person at any time, means each Person directly or indirectly through one or more intermediaries controlling, controlled by or under direct or indirect common control with such specified Person at such time;
- b) “**Agreement**” means this Exchange Agreement and Schedules attached hereto, as it may from time to time be supplemented or amended;
- c) “**Applicable Laws**” means, with respect to any Person, any domestic (whether federal, state, territorial, provincial, municipal or local) or foreign statute, law, ordinance, rule, administrative interpretation, regulation, Order, writ, injunction, directive, judgment, decree or other requirement, all as in effect as of the Closing, of any Governmental Body applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents (in connection with such officer’s, director’s, employee’s, consultant’s or agent’s activities on behalf of such Person or any of its Affiliates), including all Applicable Securities Laws;
- d) “**Applicable Securities Laws**” means applicable securities laws in all jurisdictions relevant to the issuance of the Consideration Shares to the Members pursuant to the terms of this Agreement, including: (a) the BC Act or the equivalent legislation in each province and territory of Canada; (b) the U.S. Securities Act of 1933, as amended, (c) the U.S. Securities Exchange Act of 1934, as amended (d) the rules, regulations, instruments and policies adopted by the Securities Authorities; and (e) the relevant policies and regulations of the Exchange and the Principal U.S. Market, each as amended from time to time;
- e) “**Background Rights**” shall mean information, know-how and intellectual property rights relating the development of the IP made prior to the Closing Date;
- f) “**BC Act**” means the *Securities Act* (British Columbia) and the regulations made under that enactment, as amended;
- g) “**BCBCA**” means the *Business Corporation Act* (British Columbia), and the regulations made under that enactment, as amended;
- h) “**Business**” means the business currently and heretofore carried on by the Target;
- i) “**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in British Columbia, Canada are authorized or required by law to close;
- j) “**Charter Documents**” means the articles, notice of articles, by-laws, articles of incorporation or other constating documents of a party to this Agreement;

- k) “**Closing**” means the closing of the Transaction pursuant to the terms of this Agreement on the Closing Date;
- l) “**Closing Date**” means March 2, 2018 or such other date as the Purchaser, the Target and the Members may mutually agree to in writing;
- m) “**Consideration Shares**” means the 500,000 validly issued, fully paid and non-assessable Purchaser Shares to be issued to the Members on the Closing Date, at a deemed price of US \$1.14 per Consideration Share or such other deemed price as is mutually agreed to by the parties hereto, subject to any required escrow agreement pursuant to policies of the Exchange;
- n) “**Contracts**” means all contracts, agreements, options, leases, licences, sales and purchase orders, commitments and other instruments of any kind, whether written or oral, to which the Target or the Purchaser, as applicable, is a party on the Closing Date;
- o) “**Damages**” means all demands, claims, actions, causes of action, assessments, Losses, damages, costs, expenses, Liabilities, judgments, awards, fines, sanctions, penalties, charges and amounts paid in settlement (net of insurance proceeds actually received), including: (i) reasonable interest on cash disbursements in respect of any of the foregoing; and (ii) reasonable costs, fees and expenses of attorneys, accountants and other agents of, or other Persons retained by, a Person;
- p) “**Encumbrance**” means any Lien, claim, charge, pledge, hypothecation, security interest, mortgage, title retention agreement, option or encumbrance of any nature or kind whatsoever, other than: (i) statutory Liens for Taxes not yet due and payable; (ii) such imperfections of title, easements and encumbrances, if any, that will not result in a Material Adverse Effect; and (iii) with respect to the Target, the Permitted Encumbrance;
- q) “**Exchange**” means the Canadian Securities Exchange;
- r) “**Governmental Authorization**” means any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Body;
- s) “**Governmental Body**” means any: (i) nation, state, county, city, town, village, district, or other jurisdiction of any nature; (ii) federal, state, provincial, local, municipal, foreign, or other government; (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal), including, without limitation, the United States Securities and Exchange Commission; (iv) multi-national organization or body; or (v) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature;
- t) “**Indebtedness**” means all obligations, contingent (to the extent required to be reflected in financial statements prepared in accordance with US GAAP) and otherwise, which in accordance with US GAAP should be classified on the obligor’s balance sheet as Liabilities, including without limitation, in any event and whether or not so classified: (a) all debt and similar monetary obligations, whether direct or indirect; (b) all Liabilities secured by any mortgage, pledge, security interest, Lien, charge or other Encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (c) all agreements of guarantee, support, indemnification, assumption or endorsement and other contingent obligations whether direct or indirect in respect of Indebtedness or performance of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase Indebtedness, or to assure the owner of Indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the Indebtedness held by such owner or otherwise; (d) obligations to reimburse issuers of any letters of credit; and (e) capital leases;

u) “**Legal Requirement**” means any federal, state, provincial, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute or treaty;

v) “**Liabilities**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, determined, determinable or otherwise, whether or not the same is required to be accrued on the financial statements of such Person;

w) “**Lien**” means, with respect to any asset, any mortgage, assignment, trust or deemed trust (whether contractual, statutory or otherwise arising), title defect or objection, lien, pledge, charge, security interest, hypothecation, restriction, Encumbrance or charge of any kind in respect of such asset;

x) “**Losses**” means any and all demands, claims, actions or causes of action, assessments, losses, Damages, Liabilities, costs and expenses, including, without limitation, interest, penalties, fines and reasonable attorneys, accountants and other professional fees and expenses, but excluding any indirect, consequential or punitive Damages suffered by the Purchaser, the Target or the Members, including Damages for lost profits or lost business opportunities;

y) “**Material Adverse Change**” means, in respect of the Purchaser or the Target, any one or more changes, events or occurrences which may have a Material Adverse Effect, and “**Material Adverse Effect**” means, in respect of the Purchaser or the Target, any state of facts which, in any case, either individually or in the aggregate are, or would reasonably be expected to be, material and adverse to the business, assets or financial condition of the Purchaser or the Target, respectively, provided that a Material Adverse Change or Material Adverse Effect shall not include any change or effect (whether alone or in combination with any other effect), directly or indirectly, arising out of, relating to, resulting from or reasonably attributable to: (i) the announcement of this Agreement or the pending completion of the Transaction; (ii) changes in the economy of United States or Canada generally; (iii) changes in the health food products industry generally; (iv) changes in the capital markets generally; (v) changes in US GAAP; or (vi) any matter that has been disclosed to the public or the other parties prior to the date of this Agreement;

z) “**Material Contracts**” means those subsisting Contracts entered into by the Target or the Purchaser, as applicable, by which the Target or the Purchaser is bound or to which it or its respective assets are subject which have total payment obligations on the part of the Target or the Purchaser, as applicable, which exceed \$25,000 or are for a term of or in excess of one (1) year;

aa) “**Material Interest**” has the meaning set forth in Section 1.111;

bb) “**Order**” means any award, decision, injunction, judgment, order, ruling, subpoena or verdict entered, issued, made or rendered by any Governmental Body or by any arbitrator;

cc) “**Permitted Encumbrance**” means (a) liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures; (b) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar encumbrances; (d) liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business; and (e) other imperfections of title or Encumbrances, if any, that have not had, and would not have, a Material Adverse Effect;

dd) “**Person**” includes an individual, corporation, body corporate, limited liability company, partnership, joint venture, association, trust or unincorporated organization or any trustee, executor, administrator or other legal representative thereof;

ee) “**Principal U.S. Market**” means the principal market, exchange and/or quotation system on which the Purchaser Shares are then traded in the United States from time to time, which is currently the OTCQB, but could in the future include, without limitation, Nasdaq or NYSE or any of their sub-markets.

ff) “**Proceeding**” means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel;

gg) “**Purchaser Documents**” has the meaning set forth in Section 6.11;

hh) “**Purchaser Financial Statements**” means the audited consolidated financial statements for the Purchaser for the years ending on January 31, 2017 (the “**Purchaser Accounting Date**”) and 2016, all prepared in accordance with US GAAP;

ii) “**Purchaser Shareholders**” means the shareholders of the Purchaser;

jj) “**Purchaser Shares**” means the common shares in the capital stock of the Purchaser;

kk) “**Purchaser’s Advisors**” has the meaning set forth in Section 1.1a)(i);

ll) “**Related Party**” means, with respect to a particular individual:

(i) each other member of such individual’s Family (as defined below),

(ii) any Person that is directly or indirectly controlled by such individual or one or more members of such individual’s Family,

(iii) any Person in which such individual or members of such individual’s Family hold (individually or in the aggregate) a Material Interest, or

(iv) any Person with respect to which such individual or one or more members of such individual’s Family serves as a director, officer, partner, member, executor or trustee (or in a similar capacity), and

with respect to a specified Person other than an individual:

(i) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person,

(ii) any Person that holds a Material Interest in such specified Person,

(iii) each Person that serves as a director, officer, partner, member, executor or trustee of such specified Person (or in a similar capacity),

- (iv) any Person in which such specified Person holds a Material Interest,
- (v) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity), and
- (vi) any Related Person of any individual described in clause (ii) or (iii).

For purposes of this definition, (a) the “**Family**” of an individual includes (i) the individual; (ii) the individual’s spouse; (iii) any other natural person who is related to the individual or the individual’s spouse within the second degree; and (iv) any other natural person who resides with such individual, and (b) “**Material Interest**” means direct or indirect beneficial ownership of voting securities or other voting interests representing at least twenty percent (20%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least twenty percent (20%) of the outstanding equity securities or equity interests in a Person;

mm) “**Securities Authorities**” means: (a) the Exchange and the securities commissions or other securities regulatory authority of the Province of British Columbia; (b) the U.S. Securities and Exchange Commission and/or federal and state securities regulatory authorities in the United States.

nn) “**Target Assets**” means all of the assets owned or used by the Target for the Business;

oo) “**Target’s Advisors**” has the meaning set forth in Section 1.1a)(i);

pp) “**Taxes**” means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind, lawfully levied, assessed or imposed by any Governmental Body, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes and charges, sales taxes, use taxes, ad valorem taxes, value added taxes, subsoil use or extraction taxes and ownership fees, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, license taxes, withholding taxes, health taxes, payroll taxes, employment taxes, Canada or Quebec Pension Plan premiums, excise, severance, social security, workers’ compensation, employment insurance or compensation taxes, mandatory pension and other social fund taxes or premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services taxes, harmonized sales tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, and any instalments in respect thereof, together with any interest and any penalties or additional amounts imposed by any Governmental Body (domestic or foreign) on such entity, and any interest, penalties, additional taxes and additions to tax imposed with respect to the foregoing and whether disputed or not;

qq) “**Tax Returns**” means all returns, schedules, elections, declarations, reports, information returns and statements required to be filed with any taxing authority relating to Taxes;

rr) “**Transaction**” means the acquisition by the Purchaser of the Units from Borovsky and the acquisition by the Purchaser of the IP from the Members in exchange for the payment of \$1.00 and the issuance of the Consideration Shares to the Members and all related transactions incidental to effecting the Transaction as contemplated by this Agreement; and

ss) “**Transaction Documents**” means this Agreement and any other documents contemplated by this Agreement to be signed by the Target, the Purchaser or the Members, as applicable, necessary to perform their respective obligations hereunder and to consummate the Transaction.

tt) “**Units**” means the units in the capital of the Target owned by Borovsky as set out in Schedule A attached hereto, being all of the issued and outstanding units in the capital of the Target;

uu) “**US GAAP**” means generally accepted accounting principles determined with reference to Generally Accepted Accounting Principles as defined by the Financial Accounting Standards Board.

1.2 Schedules

Schedules A and B are incorporated by reference and are deemed to be part hereof.

1.3 Interpretation

For the purposes of this Agreement, except as otherwise expressly provided herein:

- a) all references in this Agreement to a designated Article, Section, subsection, paragraph or other subdivision, or to a Schedule, is to the designated Article, section, subsection, paragraph or other subdivision of, or Schedule to, this Agreement unless otherwise specifically stated;
- b) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, clause, subclause or other subdivision or Schedule;
- c) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate;
- d) the word “or” is not exclusive and the word “including” is not limiting (whether or not non-limiting language such as “without limitation” or “but not limited to” or other words of similar import are used with reference thereto);
- e) all accounting terms not otherwise defined in this Agreement have the meanings assigned to them in accordance with US GAAP, applied on a consistent basis with prior years;
- f) except as otherwise provided, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which have the effect of supplementing or superseding such statute or such regulations;
- g) where the phrase “to the best of the knowledge of” or phrases of similar import are used in this Agreement, it will be a requirement that the Person in respect of whom the phrase is used will have made such due enquiries as are reasonably necessary to enable such Person to make the statement or disclosure;
- h) the headings to the Articles and sections of this Agreement are inserted for convenience of reference only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
- i) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity;
- j) the parties acknowledge that this Agreement is the product of arm’s length negotiation between the parties, each having obtained its own independent legal advice, and that this Agreement will be construed neither strictly for nor strictly against any party irrespective of which party was responsible for drafting this Agreement;
- k) the representations, warranties, covenants and agreements contained in this Agreement will not merge at the Closing and will continue in full force and effect from and after the Closing Date for the applicable period set out in this Agreement; and
- l) unless otherwise specifically noted, all references to “\$” or sums of money that are referred to in this Agreement are expressed in the lawful money of Canada. Where used herein, “USD” is a specific reference to United States Dollars. If it is necessary to convert money from another currency to lawful money of Canada, such money will be converted using the Bank of Canada noon foreign exchange rate in effect at the date of payment.

ARTICLE 2
PURCHASE AND SALE

2.1 Purchase and Sale

Subject to the terms and conditions of this Agreement, the Purchaser irrevocably agrees to purchase the Units from Borovsky and Borovsky irrevocably agrees to sell, assign and transfer the Units to the Purchaser, free and clear of all Encumbrances other than any resale restrictions imposed by Applicable Securities Laws, on the terms and conditions herein set forth, in consideration for the payment of \$1.00 (USD). Subject to the terms and conditions of this Agreement, the Purchaser irrevocably agrees to purchase the IP from the Members and the Members irrevocably agree to sell, assign and transfer all of their ownership of the IP together with all of their rights in or to the Background Rights and all their right, title and interest to any derivatives relating to the IP to the Purchaser, to the knowledge of Target and the Members free and clear of all Encumbrances, on the terms and conditions herein set forth, in consideration for the issuance by the Purchaser to the Members of the Consideration Shares at the Closing.

2.2 Consideration

As consideration for the Units to be acquired by the Purchaser pursuant to the terms of this Agreement, the Purchaser shall pay to Borovsky the sum of \$1.00 (USD). As consideration for the IP to be acquired by the Purchaser pursuant to the terms of this Agreement, the Purchaser shall, on the Closing Date, allot and issue 250,000 Consideration Shares to each Member as validly issued, fully paid and non-assessable Purchaser Shares.

2.3 Resale Restrictions

- a) The Members acknowledge and agree that the Consideration Shares will be subject to hold period trading restrictions under Applicable Securities Laws and the policies of the Exchange, and agree to abide by all applicable resale restrictions and hold periods imposed by Applicable Securities Laws and the policies of the Exchange. The Purchaser represents and warrants to each Member that the applicable hold period, under the Applicable Securities Laws or otherwise as of the date hereof, for the Consideration Shares does not exceed 6 months from the Closing Date.
- b) The Members and the Target acknowledge that the Purchaser has advised the Members and the Target that the Purchaser is relying on an exemption from the prospectus and registration requirements of the Applicable Securities Laws, and, as a consequence, the Members will not be entitled to certain protections, rights and remedies available under Applicable Securities Laws, including statutory rights of rescission or damages, and the Members will not receive information that would otherwise be required to be provided to the Members pursuant to Applicable Securities Laws.

2.4 Escrow

The Members acknowledge that the Consideration Shares acquired by them pursuant to this Agreement may be subject to escrow pursuant to the policies of the Exchange. If required, the Members agree to abide by all escrow requirements imposed by the Exchange and agree to enter into the requisite form of escrow agreement as required by the Exchange on or prior to the Closing Date.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE TARGET

As of the Closing Date, and except as set forth in the Target due diligence response materials, or as otherwise provided for in any certificate or other instrument delivered pursuant to this Agreement, the Target hereby makes the following representations to the Purchaser and acknowledges and agrees that the Purchaser is relying upon such representations and warranties, each of which is qualified in its entirety by the matters described in the Target's due diligence response materials, in connection with the execution, delivery and performance of this Agreement:

3.1 Due Organization and Valid Existence

The Target is a limited liability company duly organized and validly existing under the laws of North Carolina, with full company power and authority to conduct its Business as presently conducted, to own or use the Target Assets that it purports to own or use, and to perform all its obligations under any applicable Contracts.

3.2 Capitalization

The entire authorized and issued capital stock and other equity securities of the Target consist of the Units set out in Schedule A hereto. All of the issued and outstanding Units and other securities of the Target are owned of record and beneficially by Borovsky free and clear of all Encumbrances other than any resale restrictions imposed by Applicable Securities Laws. All of the outstanding equity securities of the Target have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding equity securities or other securities of the Target, if any, were issued in violation of any Applicable Securities Laws.

3.3 Absence of Rights to Acquire Securities

Other than as otherwise set out in this Agreement, no Person has any agreement, right or option, present or future, contingent, absolute or capable of becoming an agreement, right or option or which with the passage of time or the occurrence of any event could become an agreement, right or option:

- a) to require the Target to issue any further or other units in its capital or any other security convertible or exchangeable into units in its capital or to convert or exchange any securities into or for units in the capital of the Target;
- b) for the issue or allotment of any unissued units in the capital of the Target;
- c) to require the Target to purchase, redeem or otherwise acquire any of the issued and outstanding Units; or
- d) to purchase or otherwise acquire from the Target any interest in any of the Target Assets.

3.4 Authority

The Target has all requisite company power and authority to execute and deliver the Transaction Documents and to perform its respective obligations hereunder and to consummate the Transaction. The execution and delivery of each of the Transaction Documents by the Target, and the consummation of the Transaction, have been duly authorized by the board of directors (or the Managers or other equivalent governing body) of the Target. No other company or member/owner proceedings on the part of the Target are necessary to authorize such documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by the Target as contemplated by this Agreement will be, duly executed and delivered by the Target, and this Agreement is, and the other Transaction Documents when executed and delivered by the Target as contemplated hereby will be legal, valid and binding obligations of the Target, enforceable in accordance with their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- c) as limited by public policy.

3.5 No Conflict

Except as set out in the Target's due diligence response materials, neither the execution, delivery or performance of this Agreement nor the consummation or performance of the Transaction will, directly or indirectly (with or without notice or lapse of time or both):

- a) contravene, conflict with, or result in a violation of any provision of the Charter Documents of the Target, or any resolution adopted by the Managers of the Target or the Members;
- b) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge the Transaction or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Target or any of the Target Assets, may be subject;
- c) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Target, or that otherwise relates to the Business of the Target, or any of the Target Assets;
- d) cause the Purchaser or the Target to become subject to, or to become liable for the payment of, any Tax (other than any Tax arising or based on operations of the Target in the ordinary course of business prior to the Closing Date);
- e) to the knowledge of Target, cause any of the Target Assets to be reassessed or revalued by any taxing authority or other Governmental Body;
- f) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract, other than as would not have a Material Adverse Effect on Target; or
- g) result in the imposition or creation of any Encumbrance upon or with respect to any of the Target Assets.

3.6 Target Financial Information

- a) The Target has prepared no financial statements.
- b) Other than the costs and expenses incurred in connection with the negotiation and consummation of the Transaction, the Target does not have any material Liabilities or obligations, net of cash, either direct or indirect, matured or unmatured, absolute, contingent or otherwise, that exceed \$25,000, which:

- (i) have not heretofore been paid or discharged;
 - (ii) did not arise in the regular and ordinary course of business; or
 - (iii) have not been incurred in amounts and pursuant to practices consistent with past business practice, in or as a result of the regular and ordinary course of its Business since the date of its formation.
- c) Except to the extent incurred in the ordinary and usual course of the business of the Target, the Target does not have any outstanding Indebtedness or any Liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any Liabilities or obligations incurred in the ordinary and usual course of business since the date of its formation have not had a Material Adverse Effect on the Target.
- d) Since the date of Target's formation there have not been:
- (i) any changes in the condition or operations of the Business of the Target, the Target Assets or the financial affairs of the Target which have caused, individually or in the aggregate, a Material Adverse Effect on the Target; or
 - (ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to the Purchaser, which has or will likely cause a Material Adverse Effect on the Target.
- e) The Target does not have any guarantees, indemnities or contingent or indirect obligations with respect to the Liabilities or obligations of any other Person including any obligation to service the debt of or otherwise acquire an obligation of another Person or to supply funds to, or otherwise maintain any working capital or other balance sheet condition of any other Person.
- f) The Target is not a party to, bound by or subject to any indenture, mortgage, lease, agreement, license, permit, authorization, certification, instrument, statute, regulation, Order, judgment, decree or law that would be violated or breached by, or under which default would occur or which could be terminated, cancelled or accelerated, in whole or in part, as a result of the execution and delivery of this Agreement or the consummation of the Transaction, except for any such violation, breach or default as would not have a Material Adverse Effect on Target.

3.7 Absence of Changes

Since the date of its formation in November 2017, except as disclosed in the Target's due diligence materials and except as contemplated in this Agreement, the Target has not:

- a) incurred any Liabilities, other than Liabilities incurred in the ordinary course of business consistent with past practice, or discharged or satisfied any Lien or Encumbrance, or paid any Liabilities, other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any Liabilities of which the failure to pay or discharge has caused or will cause any Material Adverse Effect to it;

- b) made or suffered any amendment or termination of any Material Contract to which it is a party or by which it is bound, or cancelled, modified or waived any substantial debts or claims held by it or waived any rights of substantial value, other than in the ordinary course of business;
- c) except in the ordinary course of its Business, declared, set aside or paid any dividend or made or agreed to make any other distribution or payment in respect of the Units or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or acquire any of the Units;
- d) made commitments or agreements for capital expenditures or capital additions or betterments exceeding in the aggregate \$35,000;
- e) entered into any transaction other than in the ordinary course of business consistent with past practice; or
- f) agreed, whether in writing or orally, to do any of the foregoing.

3.8 Absence of Certain Changes or Events

Since the date of its formation in November 2017, except as and to the extent disclosed in the Target's due diligence materials, there has not been:

- a) a Material Adverse Effect with respect to the Target; or
- b) any material change by the Target in its accounting methods, principles or practices.

3.9 Tax Matters

- a) As of the date hereof:
 - (i) the Target has timely filed all Tax Returns in connection with any Taxes which are required to be filed on or prior to the date hereof, taking into account any extensions of the filing deadlines which have been validly granted to it; and
 - (ii) all such Tax Returns are true and correct in all material respects.
- b) To the best knowledge of the Target, the Target has paid all Taxes that have become or are due with respect to any period ended on or prior to the date hereof, except for any Taxes the non-payment of which will not have a Material Adverse Effect on the Target.
- c) To the best knowledge of the Target, the Target is not presently under, or has received notice of, any contemplated investigation or audit by any Governmental Body concerning any fiscal year or period ended prior to the date hereof.
- d) To the best knowledge of the Target, it has made full provision for all Taxes, including any deferred Taxes that may be assessed to the Target in respect of any transaction, event or omission occurring, or any profit earned, on or prior to the date hereof or for which the Target is accountable up to such date, and all contingent Liabilities for Taxes have been provided for.

3.10 Restrictions on Doing Business

The Target is not a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity, including the Business.

3.11 Subsidiaries

The Target has no subsidiaries.

3.12 Books and Records

The books of account, minute books, stock record books, and other records of the Target are complete and correct in all material respects. At the Closing, all of those books and records will be in the possession of the Target.

3.13 Shareholders Agreements, Etc.

There are no shareholders' agreements (or similar documents), pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Units or any of the units of the Target.

3.14 Title to Personal Property and Encumbrances

The Company does not own any material personal property or equipment.

3.15 Title to Real Property and Encumbrances

The Company does not own any real property or leasehold interests in real property.

3.16 Material Contracts

The Target has made available all the present outstanding Material Contracts entered into by the Target in the course of carrying on the Business. Except as listed in the Target's due diligence response materials, the Target is not a party to or bound by any other Material Contract, whether oral or written, and the Material Contracts are, to the knowledge of Target, all valid and subsisting, in full force and effect and unamended, no material default or violation exists in respect thereof on the part of the Target, or, to the best of the knowledge of the Target, on the part of any of the other parties thereto. The Target has not been notified in writing on the part of any of the other parties thereto of their intention to terminate or materially alter any such Material Contracts or of any event that with notice or the lapse of time, or both, will create a material breach or violation thereof or default under any such Material Contracts. To the best knowledge of the Target, the continuation, validity, and effectiveness of each Material Contract will in no way be affected by the consummation of the Transaction. There exists no actual or, to Target's knowledge, threatened termination, cancellation, or limitation of, or any material amendment, modification, or change to any Material Contract.

3.17 Consents

Except as set forth in Target's due diligence response materials, no authorization, approval, Order, license, permit or consent of any Governmental Body, and no registration, declaration or filing by the Target with any such Governmental Body, is required in order for the Target to:

- a) consummate the Transaction;
- b) execute and deliver all of the documents and instruments to be delivered by the Target under this Agreement;
- c) duly perform and observe the terms and provisions of this Agreement; or
- d) render this Agreement legal, valid, binding and enforceable.

3.18 Compliance with Legal Requirements

Except as set forth in Target's due diligence response materials:

- a) the Target is, and at all times during its existence has been, in full compliance with all of the terms and requirements of each Governmental Authorization required for the operation of the Business;
- b) no event has occurred or circumstance exists that will reasonably likely (with or without notice or lapse of time) constitute or result directly or indirectly in a violation of or a failure to comply with any term or requirement of any Governmental Authorization required for the operation of the Business or will reasonably likely result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, any Governmental Authorization required for the operation of the Business;
- c) the Target has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding any actual, alleged, possible, or potential violation of or failure to comply by Target with any term or requirement of any Governmental Authorization, or any actual, proposed, possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization; and
- d) all applications required to have been filed by or on behalf of Target for the renewal of the Governmental Authorizations required for the operation of the Business have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

3.19 Legal Proceedings

- a) Other than as set forth in Target's due diligence response materials, to the best knowledge of the Target there is no pending Proceeding:
 - (i) that has been commenced by or against the Target that would likely have a Material Adverse Effect on the Business, or any of the Target Assets; or
 - (ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with the Transaction.

b) To the knowledge of the Target, no Proceeding has been threatened that will likely give rise to or serve as a basis for the commencement of any such Proceeding.

c) Except as set forth Target's due diligence response materials, to the best knowledge of the Target:

(i) there is no Order to which the Target, the Business, or any of the Target Assets is subject; and

(ii) no officer, director, agent, or employee of the Target is subject to any Order that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the Business.

3.20 Undisclosed Information

a) The Target does not have any specific information relating to the Target which is not generally known or which has not been disclosed to the Purchaser and which could reasonably be expected to have a Material Adverse Effect on the Target.

b) No representation or warranty of the Target in this Agreement omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

3.21 Partnerships or Joint Ventures

The Target is not a partner or participant in any partnership, joint venture, profit-sharing arrangement or other association of any kind and neither is it party to any agreement under which it has agreed to carry on any part of its Business or any other activity in such manner or by which the Target has agreed to share any revenue or profit with any other person.

3.22 Survival

Notwithstanding the Closing and the issuance of the Consideration Shares or the waiver of any condition in this Agreement by the Purchaser, the representations, warranties, covenants and agreements of the Target hereunder will (except where otherwise specifically provided for in this Agreement) survive the Closing and will continue in full force and effect for eighteen (18) months after the Closing Date.

3.23 Reliance

The Target acknowledges and agrees that the Purchaser has entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Purchaser, and that no information which is now known or should be known or which may hereafter become known by the Purchaser or its officers, directors or professional advisers on the Closing Date (other than as disclosed in the Target's due diligence response materials provided to Purchaser), will limit or extinguish the Purchaser's right to indemnification hereunder.

ARTICLE 4
REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF THE MEMBERS

Each of the Members hereby severally and not jointly represents and warrants to the Purchaser as follows:

4.1 Capacity

Each such Member has the capacity to own the IP owned by him, to enter into this Agreement and to perform his obligations under this Agreement.

4.2 Execution and Delivery

Each Member has all requisite power and authority to execute and deliver the Transaction Documents and to perform his respective obligations hereunder and to consummate the Transaction. No other corporate or other proceedings on the part of a Member are necessary for such Member to authorize such documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by such Member as contemplated by this Agreement will be, duly executed and delivered by such Member and this Agreement is, and the other Transaction Documents when executed and delivered by such Member as contemplated hereby will be, valid and binding obligations of such Member, enforceable in accordance with each their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- c) as limited by public policy.

4.3 No Violation

The execution and delivery of this Agreement, the transfer of the Units owned by Borovsky and the performance, observance or compliance with the terms of this Agreement by such Member will not violate, constitute a default under, conflict with, or give rise to any requirement for a waiver or consent under:

- a) any provision of any agreement, instrument or other obligation to which such Member is a party or by which such Member is bound; or
- b) any Applicable Laws.

4.4 Ownership

Each Member is the registered and beneficial owner of the IP set out beside his name in Schedule B to this Agreement, free and clear, to the best of his knowledge, of any Liens. Upon the Closing, except for the rights of the Purchaser pursuant to this Agreement with respect to the IP, there will be no outstanding options, calls or rights of any kind binding on any Member relating to or providing for the purchase, delivery or transfer of any of its IP.

4.5 Survival

Notwithstanding the Closing and the issuance of the Consideration Shares or the waiver of any condition in this Agreement by the Purchaser: (a) the representations and warranties, covenants and agreements of the Members hereunder will (except where otherwise specifically provided in this Agreement) survive the Closing and will continue in full force and effect for a period of 18 months after the Closing Date; and (b) the covenants and agreements of the Members will (except where otherwise specifically provided in this Agreement) survive the Closing and will continue in full force and effect as provided by the terms of such covenants and agreements.

4.6 Reliance

Each Member acknowledges and agrees that the Purchaser has entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Purchaser, and that no information which is now known or should be known or which may hereafter become known by the Purchaser or its officers, directors or professional advisers, on the Closing Date, will limit or extinguish the Purchaser's right to indemnification hereunder.

4.7 Investment Intent

Such Member is acquiring the Purchaser Shares for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempt from registration under Applicable Securities Laws; provided, however that by making the representations herein, such Member does not agree to hold the Purchaser Shares for any minimum or other specific term and reserves the right to dispose of the Purchaser Shares at any time in accordance with or pursuant to a registration statement or exemption from registration under Applicable Securities Laws. Such Member is not a broker dealer or any entity engaged in the business of being a broker dealer. Such Member does not presently have any agreement or understanding, directly or indirectly, with any person to distribute the Purchaser Shares.

4.8 Residence.

Borovsky is a resident of the State of North Carolina. Lurya is a resident of Israel.

4.9 Independent Investment Decision.

Each Member has independently evaluated the merits of his decision to acquire the Consideration Shares pursuant to the Transaction Documents, and such Member confirms that he has not relied on the advice of the other Member or the other Member's business and/or legal counsel in making such decision.

4.9 No General Solicitation.

No Member is acquiring the Consideration Shares as a result of any advertisement, article, notice or other communication regarding the Consideration Shares published in any newspaper, magazine, online or similar media or broadcast over television or radio or presented at any seminar.

ARTICLE 5
REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF BOROVSKY

Borovsky represents and warrants to the Purchaser as follows:

5.1 Capacity

Borovsky has the capacity to own the Units owned by him, to enter into this Agreement and to perform his obligations under this Agreement.

5.2 Execution and Delivery

Borovsky has all requisite power and authority to execute and deliver the Transaction Documents and to perform his respective obligations hereunder and to consummate the Transaction. No other proceedings on the part of Borovsky are necessary to authorize Borovsky to execute such documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by Borovsky as contemplated by this Agreement will be, duly executed and delivered by Borovsky and this Agreement is, and the other Transaction Documents when executed and delivered by Borovsky as contemplated hereby will be, valid and binding obligations of Borovsky, enforceable in accordance with their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and
- c) as limited by public policy.

5.3 No Violation

The execution and delivery of this Agreement, the transfer of the Units owned by Borovsky and the performance, observance or compliance with the terms of this Agreement by Borovsky will not violate, constitute a default under, conflict with, or give rise to any requirement for a waiver or consent under:

- a) any provision of any agreement, instrument or other obligation to which Borovsky is a party or by which such Borovsky is bound; or
- b) any Applicable Laws.

5.4 Ownership

Borovsky is the registered and beneficial owner of the Units free and clear of any Liens other than any resale restrictions imposed by Applicable Securities Laws. Upon the Closing, except for the rights of the Purchaser pursuant to this Agreement with respect to the Units, there will be no outstanding options, calls or rights of any kind binding on Borovsky relating to or providing for the purchase, delivery or transfer of any of Units. The Units are validly issued and outstanding and fully paid and non-assessable.

5.5 Survival

Notwithstanding the Closing or the waiver of any condition in this Agreement by the Purchaser, the representations, warranties, covenants and agreements of Borovsky hereunder will (except where otherwise specifically provided in this Agreement) survive the Closing and will continue in full force and effect for eighteen (18) months.

5.6 Reliance

Borovsky acknowledges and agrees that the Purchaser has entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Purchaser, and that no information which is now known or should be known or which may hereafter become known by the Purchaser or its officers, directors or professional advisers, on the Closing Date, will limit or extinguish the Purchaser's right to indemnification hereunder.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

As of the Closing Date and except as otherwise provided for in any certificate or other instrument delivered pursuant to this Agreement detailing any specific exceptions hereto, the Purchaser makes the following representations and warranties to the Target and each of the Members, and the Purchaser acknowledges that the Target and each of the Members is relying upon such representations and warranties, in connection with the execution, delivery and performance of this Agreement:

6.1 Organization and Good Standing

The Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the Province of British Columbia, with full corporate power, authority and capacity to conduct its Business as presently conducted, to own or use the assets that it purports to own or use, and to perform all its obligations under any applicable Contracts. The Purchaser is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent the failure to be so qualified or be in good standing would not have a Material Adverse Effect on the Purchaser.

6.2 Capitalization

The entire authorized and issued capital stock and other equity securities of the Purchaser consists of an unlimited number of common shares without par value of which, effective on the date hereof, there are 82,373,573 common shares issued and outstanding (not including any Purchaser Shares to be issued pursuant to the terms of the Transaction), 13,320,833 options to purchase 13,320,833 Purchaser Shares and 265,125 warrants to purchase 265,125 Purchaser Shares. Except as otherwise set out in this Agreement, there are no outstanding options, warrants, subscriptions, conversion rights, or other rights, agreements, or commitments obligating the Purchaser to issue any additional Purchaser Shares, or any other securities convertible into, exchangeable for, or evidencing the right to subscribe for or acquire from the Purchaser any Purchaser Shares. There are no agreements or arrangements under which the Purchaser is obligated to register the resale of any of its securities under the U.S. Securities Act of 1933, as amended. All of foregoing Purchaser Shares have been validly issued and are fully paid and nonassessable.

6.3 Absence of Rights to Acquire Securities

Other than as otherwise set out in this Agreement, no Person has any agreement, commitment, right or option, present or future, contingent, absolute or capable of becoming an agreement, commitment, right or option or which with the passage of time or the occurrence of any event could become an agreement, commitment, right or option:

- a) to require the Purchaser to issue any further or other shares in its capital or any other security convertible or exchangeable into shares in its capital or to convert or exchange any securities into or for shares in the capital of the Purchaser;
- b) for the issue or allotment of any unissued shares in the capital of the Purchaser;
- c) to require the Purchaser to purchase, redeem or otherwise acquire any of the issued and outstanding Purchaser Shares; or
- d) to purchase or otherwise acquire from the Purchaser any interest in any of the Purchaser's assets.

6.4 Authority

The Purchaser has all requisite corporate power and authority to execute and deliver the Transaction Documents to be signed by the Purchaser and to perform its obligations hereunder and to consummate the Transaction, including the issuance of the Consideration Shares to the Members as contemplated hereunder. The execution and delivery of each of the Transaction Documents by the Purchaser and the consummation of the Transaction have been duly authorized by the board of directors of the Purchaser. Other than as set out in this Agreement, no other corporate or shareholder proceedings on the part of the Purchaser are necessary to authorize such Transaction Documents or to consummate the Transaction. This Agreement has been, and the other Transaction Documents when executed and delivered by the Purchaser as contemplated by this Agreement will be, duly executed and delivered by the Purchaser and this Agreement is, and the other Transaction Documents when executed and delivered by the Purchaser as contemplated hereby will be legal, valid and binding obligations of the Purchaser enforceable in accordance with their respective terms except:

- a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally;
- b) as limited by laws relating to the availability of specific performance, injunctive relief of other equitable remedies; and
- c) as limited by public policy.

6.5 Validity of Consideration Shares Issuable upon the Closing

The Consideration Shares to be issued to the Members at Closing will, upon issuance, have been duly and validly authorized and, the Consideration Shares when so issued in accordance with the terms of this Agreement, will be duly and validly issued, fully paid and non-assessable and free from all Encumbrances, preemptive or similar rights with respect to the issue thereof with the holders being entitled to all rights accorded to a holder of common shares. The offer and issuance by the Purchaser of the Consideration Shares is exempt from registration under the U.S. Securities Act of 1933, as amended.

6.6 No Conflict

Neither the execution, delivery or performance of this Agreement nor the consummation or performance of the Transaction will, directly or indirectly (with or without notice or lapse of time or both):

- a) contravene, conflict with, or result in a violation of any provision of the Charter Documents of the Purchaser, or any resolution adopted by the board of directors of the Purchaser or Purchaser Shareholders;
- b) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge the Transaction or to exercise any remedy or obtain any relief under, any Legal Requirement (including any rules and regulations of the Principal U.S. Market and/or the Exchange) or any Order to which the Purchaser or any of the Purchaser's assets, may be subject;
- c) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by the Purchaser, or that otherwise relates to the Business of the Purchaser, or any of the Purchaser's assets;
- d) cause the Purchaser, the Members or the Target to become subject to, or to become liable for the payment of, any Tax (other than any U.S. income tax obligation of the Members arising from their receipt of the Consideration Shares);
- e) cause any of the Purchaser's assets to be reassessed or revalued by any taxing authority or other Governmental Body;
- f) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract; or
- g) result in the imposition or creation of any Encumbrance upon or with respect to any of the Purchaser's assets.

6.7 Corporate Records of the Purchaser

The corporate records of the Purchaser, as required to be maintained by it pursuant to the laws of the Province of British Columbia, are accurate, complete and current in all material respects, and the minute books of the Purchaser are, in all material respects, correct and contain all material records required by the laws of the Province of British Columbia in regards to all Proceedings, consents, actions and meetings of the Purchaser Shareholders and the board of directors of the Purchaser.

6.8 Actions and Proceedings

Except as disclosed in the Purchaser Documents, to the best knowledge of the Purchaser, there is no basis for and there is no claim, charge, arbitration, grievance, action, suit, judgment, demand, investigation or Proceeding by or before any Governmental Body or arbiter now outstanding or pending or, to the best knowledge of the Purchaser, threatened against or affecting the Purchaser which involves any of the Business that, if adversely resolved or determined, would have a Material Adverse Effect on the Purchaser. There is no reasonable basis for any claim or action that, based upon the likelihood of its being asserted and its success if asserted, would have a Material Adverse Effect on the Purchaser.

6.9 Compliance

To the best knowledge of the Purchaser:

- a) the Purchaser is in compliance with, is not in default or violation in any material respect under, and has not been charged with or received any notice at any time of any material violation of any Applicable Laws related to its Business or the operations of the Purchaser.
- b) the Purchaser is not (and to its knowledge, none of its officers or directors is) subject to any judgment, Order or decree entered in any lawsuit or Proceeding applicable to its Business and operations that would have a Material Adverse Effect on the Purchaser.

6.10 Filings, Consents and Approvals

Other than the approval of the Exchange (which the Purchaser covenants to obtain in a timely manner as required by the rules thereof), to the best knowledge of the Purchaser, no filing or registration with, no notice to and no permit, authorization, consent, or approval of any public or Governmental Body or any other Person (including the Principal U.S. Market) is necessary for the consummation by the Purchaser of the Transaction or to continue to conduct its Business after the Closing in a manner which is consistent with that in which it is presently conducted. The Purchaser is not in violation of any of the applicable listing or trading requirements of the Exchange (or the Principal U.S. Market) and has no knowledge of any facts which would reasonably lead to suspension of its common shares from trading thereon in the foreseeable future.

6.11 Public Filings

The Purchaser has furnished or made available to the Members a true and complete copy of each report and document filed by the Purchaser with the Securities Authorities (collectively, and as such documents have since the time of their filing been amended, the “**Purchaser Documents**”). As of their respective dates, the Purchaser Documents complied in all material respects with the requirements of Applicable Securities Laws. The Purchaser Documents constitute all of the documents and reports that the Purchaser was required to file with and the rules and regulations promulgated thereunder by Applicable Securities Laws. No Securities Authority has initiated any inquiry, investigation or Proceeding in respect of the Purchaser and the Purchaser is not aware of any event and does not have any information which would result in any Securities Authority initiating an inquiry, investigation or Proceeding or otherwise affect the Purchaser Shares. The Purchaser is a “reporting issuer” under Applicable Securities Laws in British Columbia and Alberta and is not in default of any material requirements of any Applicable Securities Laws in such jurisdictions. None of the Purchaser Documents, at the time they were filed with the Applicable Securities Authorities, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

6.12 Financial Representations

- a) Included with the Purchaser Documents are true, correct, and complete copies of the Purchaser Financial Statements.
- b) The Purchaser Financial Statements:
 - (i) are in accordance with the books and records of the Purchaser;
 - (ii) present fairly the financial condition of the Purchaser as of the respective dates indicated and its results of operations for such periods; and
 - (iii) have been prepared in accordance with US GAAP.

c) Other than the costs and expenses incurred in connection with the negotiation and consummation of the Transaction, the Purchaser does not have any material Liabilities or obligations, net of cash, either direct or indirect, matured or unmatured, absolute, contingent or otherwise, that exceed \$50,000, which:

(i) are not set forth in the Purchaser Financial Statements or have not heretofore been paid or discharged;

(ii) did not arise in the regular and ordinary course of business; or

(iii) have not been incurred in amounts and pursuant to practices consistent with past business practice, in or as a result of the regular and ordinary course of its Business since the Purchaser Accounting Date.

d) Except to the extent reflected or reserved against in the Purchaser Financial Statements or incurred subsequent to the Purchaser Accounting Date in the ordinary and usual course of the business of the Purchaser, the Purchaser does not have any outstanding Indebtedness or any Liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any Liabilities or obligations incurred in the ordinary and usual course of business since the Purchaser Accounting Date have not had a Material Adverse Effect on the Purchaser.

e) Since the Purchaser Accounting Date, there have not been:

(i) any changes in the condition or operations of the Business of the Purchaser, the Purchaser's assets or the financial affairs of the Purchaser which have caused, individually or in the aggregate, a Material Adverse Effect on the Purchaser; or

(ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to the Purchaser, which has or may cause a Material Adverse Effect on the Purchaser.

The Purchaser has not received any advice or notification from its independent chartered accountants that the Purchaser has used any improper accounting practice that would have the effect of not reflecting or incorrectly reflecting in the Purchaser Financial Statements or the books and records of the Purchaser, any properties, assets, Liabilities, revenues, or expenses. The books, records and accounts of the Purchaser accurately and fairly reflect, in reasonable detail, the assets and Liabilities of the Purchaser. The Purchaser has not engaged in any transaction, maintained any bank account, or used any funds of the Purchaser, except for transactions, bank accounts and funds which have been and are reflected in the normally maintained books and records of the Purchaser.

6.13 Absence of Undisclosed Liabilities

The Purchaser has no material Liabilities or obligations either direct or indirect, matured or unmatured, absolute, contingent or otherwise, other than: (i) payments contemplated by this Agreement to be made by the Purchaser at Closing; and (ii) reasonable accounting and legal fees of the Purchaser incurred in connection with the Transaction.

6.14 Books and Records

The books of account, minute books, stock record books, and other records of the Purchaser are complete and correct and have been maintained in accordance with sound business practices, including the maintenance of an adequate system of internal controls. The minute books of the Purchaser contain accurate and complete records of all meetings held, and corporate action taken by, the respective shareholders, board of directors, and committees of the board of directors of the Purchaser, and no meeting of any such shareholders, board of directors, or committee has been held for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of those books and records will be in the possession of the Purchaser.

6.15 Tax Matters

a) As of the date hereof:

(i) the Purchaser has timely filed all Tax Returns in connection with any Taxes which are required to be filed on or prior to the date hereof, taking into account any extensions of the filing deadlines which have been validly granted to it; and

(ii) all such Tax Returns are true and correct in all material respects.

b) The Purchaser has paid all Taxes that have become or are due with respect to any period ended on or prior to the date hereof and has established an adequate reserve therefore on its balance sheets for those Taxes not yet due and payable, except for any Taxes the non-payment of which will not have a Material Adverse Effect on the Purchaser.

c) The Purchaser is not presently under and has not received notice of, any contemplated investigation or audit by any Governmental Body concerning any fiscal year or period ended prior to the date hereof.

d) To the best knowledge of the Purchaser, the Purchaser Financial Statements contain full provision for all Taxes including any deferred Taxes that may be assessed to the Purchaser for the accounting period ended on the Purchaser Accounting Date or for any prior period in respect of any transaction, event or omission occurring, or any profit earned, on or prior to the Purchaser Accounting Date or for which the Purchaser is accountable up to such date and all contingent Liabilities for Taxes have been provided for or disclosed in the Purchaser Financial Statements.

6.16 Absence of Changes

Since the Purchaser Accounting Date, except as disclosed in the Purchaser Documents and except as contemplated in this Agreement, the Purchaser has not:

a) incurred any Liabilities, other than Liabilities incurred in the ordinary course of business consistent with past practice, or discharged or satisfied any Lien or Encumbrance, or paid any Liabilities, other than in the ordinary course of business consistent with past practice, or failed to pay or discharge when due any Liabilities of which the failure to pay or discharge has caused or will cause any Material Adverse Effect to it;

b) made or suffered any amendment or termination of any Material Contract to which it is a party or by which it is bound, or cancelled, modified or waived any substantial debts or claims held by it or waived any rights of substantial value, other than in the ordinary course of business;

c) declared, set aside or paid any dividend or made or agreed to make any other distribution or payment in respect of the Purchaser Shares or redeemed, purchased or otherwise acquired or agreed to redeem, purchase or acquire any of the Purchaser Shares;

d) made commitments or agreements for capital expenditures or capital additions or betterments exceeding in the aggregate \$10,000;

e) entered into any transaction other than in the ordinary course of business consistent with past practice; or

f) agreed, whether in writing or orally, to do any of the foregoing.

6.17 Absence of Certain Changes or Events

Since the Purchaser Accounting Date, except as and to the extent disclosed in the Purchaser Documents, there has not been:

- a) a Material Adverse Effect with respect to the Purchaser; or
- b) any material change by the Purchaser in its accounting methods, principles or practices.

6.18 Material Contracts and Transactions

Other than as expressly contemplated by this Agreement, there are no Material Contracts to which the Purchaser is a party, except as previously disclosed to the Members or as disclosed in the Purchaser Documents. The Purchaser shall deliver to the Target a copy of each Material Contract of the Purchaser. Each Material Contract of the Purchaser is in full force and effect, and there exists no material breach or violation of or default by the Purchaser under any Material Contract of the Purchaser, or any event that with notice or the lapse of time, or both, will create a material breach or violation thereof or default under any Material Contract by the Purchaser. To the best knowledge of the Purchaser, the continuation, validity and effectiveness of each Material Contract of the Purchaser will in no way be affected by the consummation of the Transaction. There exists no actual or threatened termination, cancellation or limitation of, or any amendment, modification or change to, any Material Contract of the Purchaser.

6.19 Certain Transactions

Except as previously disclosed to the Members or as disclosed in the Purchaser Documents, the Purchaser is not a guarantor or indemnitor of any Indebtedness of any Person.

6.20 Internal Accounting Controls

The Purchaser maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with US GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

6.21 Listing and Maintenance Requirements

The Purchaser Shares are currently listed on the Exchange (and are properly qualified for trading on the OTCQB as the Purchaser's current Principal U.S. Market) and the Purchaser has not, in the 12 months preceding the date hereof, received any notice from the Exchange (or from the OTCQB) to the effect that the Purchaser is not in compliance with the listing or maintenance requirements of the Exchange or is not in compliance with the qualification requirements for continued quotation/trading of its common shares on the OTCQB. No Securities Authority has issued any Order preventing or suspending the trading (or qualification for quotation) of the Purchaser Shares, save and except for the trading of the Purchaser Shares being halted in connection with the Transaction, or prohibiting the issuance of the Consideration Shares to be delivered hereunder, and, to the Purchaser's knowledge, no Proceedings for such purpose are pending or threatened.

6.22 Undisclosed Information

- a) The Purchaser does not have any specific information relating to the Purchaser which is not generally known or which has not been disclosed to the Members and which could reasonably be expected to have a Material Adverse Effect on the Purchaser.
- b) No representation or warranty of the Purchaser in this Agreement omits to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

6.23 Other Representations

All statements contained in any certificate or other instrument delivered by or on behalf of the Purchaser pursuant hereto or in connection with the Transaction will be deemed to be representations and warranties by the Purchaser hereunder.

6.24 Survival

Notwithstanding the Closing and the issuance of the Consideration Shares or the waiver of any condition in this Agreement by the Target or the Members, as applicable: (a) the representations and warranties of the Purchaser hereunder will (except where otherwise specifically provided for in this Agreement) survive the Closing and will continue in full force and effect for 18 months after the Closing Date; and (b) the covenants and agreements of the Purchaser will (except where otherwise specifically provided for in this Agreement) survive the Closing and will continue in full force and effect after the Closing Date in accordance with the terms of such covenants and agreements.

6.25 Reliance

The Purchaser acknowledges and agrees that the Target and the Members have entered into this Agreement relying on the warranties and representations and other terms and conditions contained in this Agreement, notwithstanding any independent searches or investigations that have been or may be undertaken by or on behalf of the Target or the Members, and that no information which is now known or should be known or which may hereafter become known by the Target or the Members or their respective professional advisers, on the Closing Date, will limit or extinguish the right of Target and each of the Members to indemnification hereunder.

6.26 No General Solicitation / No Integrated Offering

Neither the Purchaser, nor any of its Affiliates, nor, to the Purchaser's knowledge, any person acting on its behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer and sale of the Consideration Shares. None of Purchaser, or to its knowledge any of its Affiliates, or any person acting on its behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of any of the Consideration Shares under any Applicable Securities Laws or cause the offering to be integrated with prior offerings by the Purchaser for purposes of the Applicable Securities Laws. The Purchaser will not take any action or steps referred to in the preceding sentence that would require registration of any of the Consideration Shares under the Applicable Securities Laws or cause the offering of the Consideration Shares to be integrated with other offerings in a manner that would require such registration.

ARTICLE 7
CLOSING

7.1 Closing Date and Location

The Transaction will be completed at 11:00 a.m. (Pacific time) on or before the Closing Date, at the offices of Alexander Holburn Beaudin + Lang LLP, or at such other location and time as is mutually agreed to by the Purchaser, the Target and the Members. Notwithstanding the location of the Closing, each party agrees that the Closing may be completed by the exchange of undertakings between the respective legal counsel for the Purchaser, the Target and the Members, provided such undertakings are satisfactory to each party's respective legal counsel.

7.2 Target and Members Closing Documents

On the Closing Date, the Target and the Members will deliver, or cause to be delivered, to the Purchaser the documents set forth in Section 9.1 and such other documents as the Purchaser may reasonably require to effect the Transaction.

7.3 Purchaser Closing Documents

On the Closing Date, the Purchaser will deliver, or cause to be delivered, to the Target and the Members the documents set forth in Section 10.1 and such other documents as the Target and Members may reasonably require to effect the Transaction.

ARTICLE 8
ADDITIONAL COVENANTS OF THE PARTIES

8.1 Consents

The parties covenant and agree that they will use commercially reasonable efforts to obtain the consents, renunciations and approvals of third parties which are necessary to the completion of the Transaction, provided that such consents, renunciations or approvals may be validly given by such third parties in accordance with relevant Contracts or Applicable Laws.

(i)

8.2 Required Filings

Each of the Target and the Purchaser will make all filings required by Legal Requirements to be made by such party in order to consummate the Transaction. The Target and the Members will cooperate with the Purchaser with respect to all filings that the Purchaser elects to make or is required by Legal Requirements to make in connection with the Transaction.

8.3 Collection of Personal Information

The Members acknowledge and consent to the fact that the Purchaser is collecting the Members' personal information which may be disclosed by the Purchaser to:

- a) the Exchange or other Securities Authorities;
- b) the Purchaser's registrar and transfer agent;
- c) Canadian tax authorities; and
- d) authorities pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada).

By executing this Agreement, each of the Members are deemed to be consenting to the foregoing collection, use and disclosure of each of the Members' personal information and to the retention of such personal information for as long as permitted or required by law or business practice. Each of the Members also consents to the filing of copies or originals of any of the Members' documents described herein as may be required to be filed with the Exchange or any Securities Authority in connection with the Transaction.

8.4 Notification

Each of the parties to this Agreement will promptly notify the other parties in writing if any such party becomes aware of any fact or condition that causes or constitutes a breach of any of the representations and warranties set forth herein, as of the date of this Agreement, or if such party becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Between the date of this Agreement and the Closing Date, each party hereto will promptly notify the other parties hereto of the occurrence of any breach of any covenant set forth herein or of the occurrence of any event that may make the satisfaction of the conditions set forth herein impossible or unlikely.

8.5 Best Efforts

The parties will use their best efforts to cause the conditions contained in this Agreement to be satisfied.

8.6 Disclosure of Confidential Information

If this Agreement is terminated without consummation of the Transaction, then after such termination, the Purchaser, the Target and each of the Members will maintain in confidence, will cause their respective directors, officers, employees, agents, and advisors to maintain in confidence, and will not use to the detriment of another party or divulge to any third parties, other than their respective legal and financial advisors, auditors, representatives and any other Governmental Bodies having jurisdiction, any confidential written, oral, or other information obtained during the course of the investigations in connection with this Agreement or the Transaction, unless:

- a) such information is already known to such party or to others not bound by a duty of confidentiality or such information becomes publicly available through no fault of such party;
- b) the information was already available to such party or its representatives on a non-confidential basis;

c) the use of such information is necessary or appropriate pursuant to Applicable Securities Laws or in making any filing or obtaining any consent or approval required for the consummation of the Transaction; or

d) the furnishing or use of such information is required by or necessary or appropriate in connection with legal Proceedings.

8.7 Public Notices

The parties agree that they will not release or issue any reports or statements or make any public announcements relating to this Agreement or the Transaction without the prior written consent of the other party, except as may be required upon written advice of counsel to comply with Applicable Laws after consulting with the other party hereto and seeking their reasonable consent to such announcement.

8.8 Reporting Status.

Until the date on which the Members shall have sold all of the Consideration Shares issued to them hereunder (the “**Reporting Period**”), the Purchaser shall undertake best efforts to file all reports required to be filed with the SEC (and with the corresponding Securities Authorities in Canada and at the state and federal level in the United States) pursuant to Applicable Securities Laws.

8.9 Transfer Agent Instructions.

The Purchaser shall issue instructions to its transfer agent, and any subsequent transfer agent, to issue certificates or credit shares to the applicable balance accounts at The Depository Trust Company (“**DTC**”), registered in the name of each Member or its nominee for the Consideration Shares in such amounts and at such times as contemplated by this Agreement. Except as may be required by Applicable Securities Laws or court order, the Purchaser warrants that no instruction contrary to its obligations to the Members hereunder will be given, and that the Consideration Shares shall otherwise be freely transferable (without volume limitation) on the books and records of the Purchaser as and to the extent provided in this Agreement and the other Transaction Documents, including without limitation resales under Rule 144, starting in six-months after the Closing Date.

ARTICLE 9 **PURCHASER’S CONDITIONS PRECEDENT**

9.1 Purchaser’s Conditions

The obligation of the Purchaser to complete the Transaction will be subject to the satisfaction of, or compliance with, at or before the Closing Date, the conditions precedent set forth below. The Closing will be deemed to mean a waiver of all conditions to Closing. These conditions precedent are for the benefit of the Purchaser and may be waived by the Purchaser in its sole discretion:

- a) the representations and warranties of the Target and each of the Members set forth in this Agreement will be true, correct and complete in all material respects as of the Closing Date and with the same effect as if made at and as of the Closing Date and the Purchaser will have received from the Target a certificate executed by the Managers (as applicable) of the Target certifying that the representations and warranties of the Target set forth in this Agreement are true and correct in all material respects as at the Closing Date;
- b) the Target and the Members will have performed and complied with all of their respective material obligations, covenants and agreements required hereunder;
- c) all required approvals, consents, authorizations and waivers relating to the consummation of the Transaction will have been obtained;

- d) the approval of the board of directors of the Purchaser and the Target for the Transaction will have been obtained;
- e) if applicable, the approval of the Purchaser Shareholders for the Transaction will have been obtained;
- f) this Agreement, the Transaction Documents and all other documents necessary or reasonably required to consummate the Transaction, all in form and substance reasonably satisfactory to the Purchaser, will have been executed and delivered to the Purchaser;
- g) no claim will have been asserted or made that any Person (other than the Purchaser or the Members) is the holder or the beneficial owner of, or has the right to acquire or to obtain beneficial ownership of, any of the Units, or any other voting, equity, or ownership interest in, the Target or (other than the Members) is entitled to all or any portion of the Consideration Shares;
- h) no Material Adverse Effect will have occurred with respect to the Target's Business or the Shares, however arising;
- i) no Order (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Body which prohibits, restrains, enjoins or restricts the consummation of the Transaction or the right of the Purchaser to own the Shares, provided, however, that the parties to this Agreement shall use their reasonable best efforts to cause any such Order to be vacated or lifted;
- j) intentionally deleted;
- k) the Units will have been delivered to the Purchaser;
- l) the Purchaser will have received from the Target, the following closing documentation:
 - (i) a certified copy of resolutions of the managers of the Target authorizing the transfer of the Units to the Purchaser;
 - (ii) all such instruments of transfer, duly executed, which in the opinion of the Purchaser, acting reasonably, are necessary to effect and evidence the transfer of the Units to the Purchaser free and clear of all Encumbrances;
 - (iii) the corporate minute books and all other books and records and material contracts of the Target, to the extent they exist; and
 - (iv) escrow agreements executed by the Members as applicable and as required by the Exchange.

9.2 Waiver/Survival

The conditions set forth in this 10 are for the exclusive benefit of the Purchaser and may be waived by the Purchaser in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, the completion of the Transaction will not prejudice or affect in any way the rights of the Purchaser in respect of the warranties and representations of the Target and the Members in this Agreement, and the representations and warranties of the Target and the Members in this Agreement will survive the Closing and issuance of the Consideration Shares for the applicable periods set out in Sections [3.22], 4.5 and 5.5, as applicable.

9.3 Covenant of the Target and the Members

The Target and the Members hereby jointly and severally covenant to deliver all of the closing documentation set out in Section 9.1.

ARTICLE 10 **TARGET'S AND MEMBERS' CONDITIONS PRECEDENT**

10.1 Target's and Members' Conditions

The obligation of the Target and the Members to complete the Transaction will be subject to the satisfaction of, or compliance with, at or before the Closing Date, the conditions precedent set forth below. The Closing will be deemed to mean a waiver of all conditions to Closing. These conditions precedent are for the benefit of the Target and the Members and may be waived by the Target in its discretion:

- a) the representations and warranties of the Purchaser set forth in this Agreement will be true, correct and complete in all respects as of the Closing Date and with the same effect as if made at and as of Closing and the Target will have received from the Purchaser a certificate executed by an officer of the Purchaser certifying that the representations and warranties of the Purchaser set forth in this Agreement are true and correct as at the Closing Date;
- b) the Purchaser will have performed and complied with all of the obligations, covenants and agreements to be performed and complied with by it hereunder;
- c) all required approvals, consents, authorizations and waivers relating to the consummation of the Transaction shall have been obtained, including the acceptance by the Exchange of the Transaction;
- d) the approval of the board of directors of the Purchaser and the Target for the Transaction will have been obtained;
- e) if applicable, the approval of the Purchaser Shareholders for the Transaction will have been obtained;
- f) this Agreement, the Transaction Documents and all other documents necessary or reasonably required to consummate the Transaction, all in form and substance satisfactory to the Target will have been executed and delivered to the Target;
- g) the Consideration Shares will have been delivered to the Members;
- h) evidence of Purchaser's receipt of any and all required approvals from the Principal U.S. Market and the Exchange relating to the Transactions; and
- i) no Order (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Body which prohibits, restrains, enjoins or restricts the consummation of the Transaction, provided, however, that the parties to this Agreement shall use their reasonable best efforts to cause any such Order to be vacated or lifted.

10.2 Waiver/Survival

The conditions set forth in this Article 10 are for the exclusive benefit of the Target and the Shareholders and may be waived by the Target and the Members in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, completion of the Transaction by the Target and the Members will not prejudice or affect in any way the rights of the Target and the Members in respect of the warranties and representations of the Purchaser set forth in this Agreement, and the representations and warranties of the Purchaser in this Agreement will survive the Closing and issuance of the Consideration Shares for the applicable period set out in Section 6.24.

10.3 Covenant of the Purchaser

The Purchaser covenants to deliver all of the closing documentation set out in Section 10.1.

ARTICLE 11 **TERMINATION**

11.1 Termination

This Agreement may be terminated by written notice given by the terminating party to the other parties hereto, at any time prior to the Closing:

- a) by mutual written consent of each of the Purchaser, the Members and the Target;
- b) by the Purchaser, if there has been a material misrepresentation, material breach or non-performance by the Target or a Member of any material representation, warranty, covenant or agreement set forth in this Agreement on the part of the Target or a Member that is not cured, to the reasonable satisfaction of the Purchaser, within seven (7) days after notice of such breach is given by the Purchaser (except that no cure period will be provided for a breach by the Target or a Member that, by its nature, cannot be cured);
- c) by the Target, if there has been a material misrepresentation, material breach or non-performance by the Purchaser of any material representation, warranty, covenant or agreement set forth in this Agreement on the part of the Purchaser that is not cured, to the reasonable satisfaction of the Target, within seven (7) days after notice of such breach is given by the Target (except that no cure period will be provided for a breach by the Purchaser that by its nature cannot be cured);
- d) by either of the Purchaser or the Target if any permanent injunction or other Order of a Governmental Body of competent authority preventing the consummation of the Transaction has become final and nonappealable;
- e) by either of the Purchaser or the Target, if a condition for the terminating party's benefit has not been satisfied or waived; or
- f) by either the Purchaser or the Target, if the Closing has not occurred on or before the Closing Date (provided, that the right to terminate this Agreement under this Section 11.1f) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the Transaction by such date).

11.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 11.1, this Agreement will be of no further force or effect and there shall be no obligation on the part of the parties to this Agreement, except with respect to Section 8.7 which will survive such termination, provided, however, that no termination of this Agreement will relieve any party of liability for any breaches of this Agreement that are based on a wrongful refusal or failure to perform any obligations under this Agreement.

11.3 Waivers and Extensions

At any time prior to the Closing, each of the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of another party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party to be bound thereby.

ARTICLE 12 GENERAL

12.1 Expenses

All costs and expenses incurred in connection with the preparation of this Agreement and the Transaction will be paid by the party incurring such expenses.

12.2 Assignment

No parties to this Agreement may assign any of their respective rights under this Agreement without the prior consent of each of the other parties. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of each of the parties, as applicable. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Agreement and their successors and assigns, as applicable.

12.3 Notices

Any notice required or permitted to be given under this Agreement will be in writing and may be given by delivering, sending by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy, or sending by prepaid registered mail, the notice to the following address or number:

If to the Target or the Members:

Thrudermic, LLC

[REDACTED]
[REDACTED]

Attention: Dr. Joseph Borovsky

Email: [REDACTED]

Dr. Leonid Lurya

[REDACTED]
[REDACTED]

Email: [REDACTED]

With a copy (which will not constitute notice) to:

Manning Fulton & Skinner, P.A.
3605 Glenwood Avenue, Ste 500 (27612)
P.O. Box 20399 Raleigh, North Carolina 27619 - 0389

Attention: Kevin A. Prakke
Telephone: 919-510-9261
Email: Prakke@manningfulton.com

If to the Purchaser:

Pivot Pharmaceuticals Inc.
1275 West 6th Avenue
Vancouver, BC V6H 1A6

Attention: Patrick Frankham
Telephone: (514) 943-1899
Facsimile: (604) 738-7134

With a copy (which will not constitute notice) to:

Alexander Holburn Beaudin + Lang LLP
Barristers + Solicitors
2700 - 700 West Georgia Street
Vancouver, BC V7Y 1B8

Attention: Stewart L. Muglich
Telephone: 604-484-1700
Facsimile: 604-484-9700

(or to such other address or number as any party may specify by notice in writing to another party).

Any notice delivered or sent by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy on a Business Day will be deemed conclusively to have been effectively given on the day the notice was delivered, or the transmission was sent successfully to the number set out above, as the case may be. Any notice sent by prepaid registered mail will be deemed conclusively to have been effectively given on the third Business Day after posting; but if at the time of posting or between the time of posting and the third Business Day thereafter there is a strike, lockout, or other labour disturbance affecting postal service, then the notice will not be effectively given until actually delivered.

12.4 Governing Law; Venue

This Agreement, the legal relations between the parties and the adjudication and the enforcement thereof, shall be governed by and interpreted and construed in accordance with the substantive laws of the Province of British Columbia without regard to applicable choice of law provisions thereof. The parties hereto agree that any Proceeding arising out of or relating to this Agreement or the Transaction will be brought in a suitable court located in the State of New York and each party hereto irrevocably submits to the exclusive jurisdiction of those courts.

12.5 Severability

If any covenant or other provision of this Agreement is invalid, illegal, or incapable of being enforced by reason of any rule of law or public policy, then such covenant or other provision will be severed from and will not affect any other covenant or other provision of this Agreement, and this Agreement will be construed as if such invalid, illegal, or unenforceable covenant or provision had never been contained in this Agreement. All other covenants and provisions of this Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

12.6 Independent Legal Advice

Each of the Members acknowledges that he has had independent legal advice regarding the execution of this Agreement, or has been advised of his respective right to obtain independent legal advice, and if he has not in fact obtained independent legal advice, such Member acknowledges herewith that he understands the contents of this Agreement and that he is executing the same voluntarily and without pressure from the other parties or anyone on their behalf.

12.7 Entire Agreement

This Agreement, the schedules attached hereto and the other Transaction Documents contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior arrangements and understandings, both written and oral, expressed or implied, with respect thereto. Any preceding correspondence or offers are expressly superseded and terminated by this Agreement.

12.8 Further Assurances

The Purchaser, the Target and the Members, upon the request of any other party to this Agreement, whether before or after the Closing, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect complete consummation of the Transaction.

12.9 Regulatory Approval

This Agreement is subject to regulatory approval, including, without limitation, approval of the Exchange.

12.10 Enurement

This Agreement and each of the terms and provisions hereof will enure to the benefit of and be binding upon the parties and their respective heirs, executors, administrators, personal representatives, successors and assigns.

12.11 Time

Time is of the essence of this Agreement.

12.12 Waiver

No failure on the part of any party to this Agreement to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any party hereto in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No party to this Agreement shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

12.13 Force Majeure

The obligations of the parties hereto and the time frames established in this Agreement shall be suspended to the extent and for the period that performance is prevented by any cause beyond either party's reasonable control, whether foreseeable or unforeseeable, including, without limitation, labour disputes, acts of God, laws, regulations, Orders, proclamations or requests of any governmental authority, inability to obtain on reasonable terms required permits, licenses, or other authorizations, or any other matter similar to the above.

12.14 Amendment

This Agreement may not be amended except by an instrument in writing signed by each of the parties.

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12.15 Counterparts and Facsimile Transmission

This Agreement may be executed in several counterparts, each of which will be deemed to be an original and all of which will together constitute one and the same instrument and delivery of an executed copy of this Agreement by electronic facsimile transmission or other means of electronic communication capable of producing a printed copy will be deemed to be execution and delivery of this Agreement as of the date set forth on page one of this Agreement.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

THRUDERMIC, LLC

Per: /s/ Joseph Borovsky
Authorized Signatory

/s/ Joseph Borovsky
Dr. Joseph Borovsky

/s/ Leonid Lurya
Dr. Leonid Lurya

PIVOT PHARMACEUTICALS INC.

Per: /s/ Patrick Frankham
Authorized Signatory

SCHEDULE A

LIST OF MEMBERS

Name and Address	Signature	Number of Units Held
Dr. Joseph Borovsky [REDACTED]	<u>X /s/ Joseph Borovsky</u>	100.0%
Total		100.0%

SCHEDULE B

LIST OF IP

Pivot Pharmaceuticals will receive:

- (i) The rights to formulation and product development knowhow and good will related to the Cannabis field.
- (ii) The rights for all relevant patents from Dr. Leonid Lurya including:
 - A) US Patent [REDACTED] B 1 Liposome compositions and kit therefor (Expired)
 - B) Publication Number [REDACTED] - Novel Functional food product
- (iii) Three new US provisional patents:
 - A) Cannabis Transdermal Delivery using Nano technology in patches and/or creams
 - B) Mucus topical cannabis delivery system through Buccal, Nasal, Vaginal and Anal areas of entry, using gel, suppository or mouthwash.
 - C) Inhalation delivery system of Cannabis for topical or systemic symptoms.

THIS EMPLOYMENT AGREEMENT dated for reference **March 1, 2018**

BETWEEN:

PIVOT PHARMACEUTICALS INC., a corporation amalgamated under the Canada Business Corporations Act and having its head office at #300-1275 West 6th Avenue, Vancouver, British Columbia Canada, V6H 1A6 (the "Company")

AND:

JOSEPH BOROVSKY: [REDACTED]

(the "Executive")

(collectively the "Parties")

WHEREAS:

- A. The Executive has valuable skills and experience which will be of assistance to the Company in managing and growing its business globally.
- B. The Company wishes to employ the Executive as **Vice President, Product Formulation** and the Executive desires to be employed by the Company upon the terms set out in this Agreement.
- C. The Company wishes to have the option to receive the services of Executive as a consultant for an initial period, and Executive is willing to provide services in that capacity.

THEREFORE the Parties agree as follows:

ARTICLE 1 DUTIES AND RESPONSIBILITIES

1.1 Position

The Executive will be employed by the Company as the **Vice President, Product Formulation** overseeing the development of novel, patented or patentable formulations, presentations and drug delivery technologies. The Executive shall reporting directly to the CEO of the Company.

1.2 Term

The Executive's employment will commence not later than June 1, 2018, and will continue until otherwise terminated in accordance with the provisions of this Agreement. From March 1, 2018 until May 31, 2018, Executive shall provide services to Pivot as a consultant at compensation levels consistent with those applicable to his employment (subject as to the method of compensation to Section 2.1 below).

1.3 Performance of Duties

The Executive shall perform such services and duties as are normally provided by an **Vice President, Product Formulation** of a company in a business and of a size similar to the Company, and such other services and duties as may reasonably be assigned from time to time by the Chief Executive Officer (CEO). The Executive may serve as a director and/or officer of the Company upon request of the Chairman of the Board and any subsidiary or affiliated corporate entities of the Company ("Affiliates") without any additional compensation beyond that which is set out herein.

1.4 Full Time and Attention

The Executive shall devote substantially all of his working time and attention and shall exert his commercially reasonable best efforts, knowledge, skill and energy to the performance of the Executive's duties with the Company. The Executive will not, without obtaining the prior written consent of the CEO, assume any other employment or engage in any other business or occupation or become a director, officer, employee, agent or consultant for any other company, firm or individual while in the service of the Company.

1.5 Principal office location

The Executive's principal office location shall to be **FIELD BASED**, or, subject to 7.1(b), at such other location as shall be approved by the CEO, provided that any office location at which Executive shall work may not be more than twenty (miles) from Executives' home without the prior express written consent of Executive.

1.6 Reporting

The Executive shall report directly to the CEO of the Company.

1.7 Rules and Policies

The Executive will comply with all legal directions from the CEO or the Board of the Company, and all rules and policies of the Company as established by the Company from time to time. The Executive acknowledges that the Company may, from time to time, amend, alter, change or delete policies to meet the business needs of the Company and that upon receiving notice of such policies, the Executive's employment will be governed by such revised policies.

1.8 Travel

The Executive shall be available for such business related travel as may be required for the purposes of carrying out the Executive's duties and responsibilities.

ARTICLE 2 REMUNERATION AND BENEFITS

2.1 Annual Base Salary

The Company shall pay, or provide to the Executive, for his services under this Agreement (as a consultant or as an employee, as the case may be), an annual base salary of [REDACTED] per year ["Base Salary"] payable monthly on the fifteenth day of the month. For the period from March 1, 2018 through May 31, 2018, the Company will pay the Executive his monthly salary, half in cash and half in Company stock. The Executive will be paid half the Base Salary due for that month on the fifteen day of each month, and the Company shall deliver to Executive the number of shares of Company stock required to pay half of that Base Salary determined by reference to the average closing price of the Company's stock on the Exchange for the trading days of that month. Should the fifteenth day of any month not be a business day, the Base Salary otherwise due on such date shall be paid to the Executive on the immediately preceding business day. – It is more cost effective.

2.2 Annual Review

The Base Salary referred to in subsection 2.1 shall be reviewed in the last quarter of each fiscal year of the Company by the Board or Compensation Committee of the Board (the "Committee"), in consultation with the Executive. Any increases to Base Salary will be at the sole discretion of the Board.

2.3 Bonuses

(a) The Executive will be eligible for an annual bonus of up to [REDACTED] of Base Salary (the "Bonus"), and with a target Bonus of [REDACTED] of Base Salary based on achievement of key performance indicators ("KPIs") agreed between the CEO and the Executive at the start of each fiscal year. The Board may, in its sole discretion, in addition to the foregoing, and whether or not any KPIs have been approved, pay a bonus to the Executive from time to time based on the Executive's performance. If a Bonus is declared by the Board, it will be payable within the first quarter of each subsequent fiscal year.

[Bonus eligibility is conditional upon the Executive remaining in the active employment of the Company for the entire fiscal year of the Company. If prior to Company's fiscal year end either (a) the Executive's active employment with the Company ceases for any reason whatsoever, or (b) the Executive has given or received notice of termination, the Executive will not be eligible for Bonus consideration for that year or for any resulting notice period, arising under contract, statute, common law or otherwise.]

2.4 Reimbursement of Expenses

The Company shall reimburse the Executive for all reasonable expenses incurred by him in the performance of this Agreement provided that the Executive provides the Company with written expense accounts and receipts with respect to each calendar month.

2.5 Insurance

At this time the Company shall not provide the Executive with group life, long-term disability, extended medical and dental insurance coverage. As the company enters into healthcare insurance agreement with a provider in accordance with the policies and procedures of the Company in effect and, to the extent permissible by law, the Company shall extend medical and dental insurance coverage to the Executive, the Executive's wife, and Executive's child dependents when feasible.

The Company will regularly review its insurance coverage, as well as its insurance carriers, and accordingly, reserves the right to amend or discontinue insurance coverage and change its insurance carriers where deemed appropriate upon notice to the Executive.

2.6 Directors and Officers Liability Insurance

Throughout the term of this Agreement, the Executive will be covered by the Company's directors and officers liability insurance policy or equivalent.

2.7 Vacation

The Executive shall be entitled to [REDACTED] weeks paid vacation for each fiscal year of the Company. Payment of all vacation pay will be at Base Salary. The Executive is required to arrange vacation time off to suit the needs of the Company and the Executive will provide notification of the Executive's planned vacation to the Chair of the Board and the Human Resources department. Unused vacation time in any given year may be carried forward by the Executive. On leaving the employment of the Company for whatever reason, the Company will pay the Executive any accrued but unpaid vacation pay up to the date the Executive's employment ceases.

2.8 Other Benefits

In addition to any other compensation or benefits to be received by the Executive pursuant to this Agreement, the Executive shall be entitled to participate in all benefits which the Company may from time to time provide to its senior employees, including the granting of additional stock options as approved by the Board or a Board committee.

ARTICLE 3 NON-SOLICITATION AND NON-INTERFERENCE

3.1 Terms

During the term of this Agreement and for 24 months following the termination of this Agreement, the Executive shall not, directly or indirectly:

- (a) with respect to activities relating to the business of the Company, solicit or entice away any client of the Company who was a client or supplier of the Company or any of its Affiliates within the period of one year prior to the date of termination of the Executive's employment;
- (b) solicit, offer to employ, engage or accept as an employee any person who was employed or engaged by the Company or any of its affiliates during any part of the 12 months immediately preceding the date of termination of the Executive's employment;
- (c) take advantage of, derive a benefit or otherwise profit from any business opportunities in the Company's industry and product line that the Executive became aware of as a consequence of his employment with the Company (which, for greater certainty, shall not include publicly available information), even if the Company does not take advantage of or exploit such opportunities;

- (d) advise any person or entity not to do business with the Company or any of its Affiliates or otherwise take any action which may reasonably result in the relations between the Company or any of its Affiliates and any of its employees or customers or potential employees or customers being impaired; or
- (e) assist any person or entity to do any things set out in clauses (a) through (d) above.

ARTICLE 4 CONFIDENTIALITY AND NON-DISCLOSURE

4.1 Confidential Information

The term "Confidential Information" means any and all information concerning any aspect of the Company not publicly disclosed, which the Executive may receive or develop as a result of his employment by or involvement with the Company, and including all clinical data, concepts, programs, processes, technical information, trade secrets, systems, business strategies, financial information and other information unique to the Company, its customers or principals. All Confidential Information, including notes, diagrams, reports, notebook pages, memoranda, biological and chemical materials and any excerpts thereof that include Confidential Information are the property of the Company or parties for whom the Company acts as agent or who are customers of the Company, as the case may be, and are strictly confidential to the Company and/or such parties. The Executive shall not make any unauthorized disclosure or use of, and shall use his commercially reasonable best efforts to prevent unauthorized disclosure or use of, such Confidential Information.

4.2 Use of Confidential Information

Except in the necessary course of the business of the Company or as otherwise authorized by the Company, and in accordance with such restrictions or conditions as the Company may impose from time to time, the Executive will not:

- (a) duplicate, transfer or disclose, nor allow any other person to duplicate, transfer or disclose any of the Company's Confidential Information;
- (b) use the Company's Confidential Information without the prior written consent of the Company;
- (c) incorporate, in whole or in part, within any domestic or foreign patent application any proprietary or Confidential Information disclosed by the Company; or
- (d) use the Confidential Information for any purpose, other than the benefit of the Company.

4.3 Protection of Confidential Information

The Executive will safeguard all Confidential Information at all times so that it is not exposed to or used by unauthorized persons, and will exercise at least the same degree of care used to protect the Executive's own Confidential Information.

4.4 Exception

The restrictive obligations set forth above shall not apply to the disclosure or use of any information which:

- (a) is publicly known under circumstances involving no breach of this Agreement by the Executive;
- (b) is already known to the Executive at the time of receipt of the Confidential Information;
- (c) is lawfully made available to the Executive by a third party; or
- (d) is disclosed by the Executive pursuant to a requirement of a governmental department or agency or disclosure is otherwise required by operation of law, provided that the Executive gives notice in writing to the Company of the required disclosure immediately upon being advised of such required disclosure and provided also that the Executive delays such disclosure so long as it is reasonably possible in order to permit the Company to appeal or otherwise oppose such required disclosure and provides the Company with such assistance as the Company may reasonably require in connection with such appeal or other opposition.

ARTICLE 5 INTELLECTUAL PROPERTY

5.1 Disclosure of Works

The Executive, acting in good faith, shall promptly disclose in writing to the Company all discoveries, inventions, ideas, developments, improvements, methodologies, designs, research data, know-how, works, creations and intellectual property (whether or not the same are capable of patent, copyright, industrial design or other intellectual property protection) developed, created, made, conceived or contributed to, solely or jointly, in whole or in part, by the Executive, during the period of his or her employment or engagement with the Company or within the period immediately following the resignation or termination of the Executive set forth in section 5.2 below (the "Period"), whether foreseeable or unforeseeable, and whether or not developed, created, made, conceived or contributed to prior to the execution of this Agreement, outside of Company time or at any premises other than the Company's, which, wholly or partially:

- (a) are related to the business or research and development of the Company;
- (b) resulted from or with the use of any resources or facilities of the Company;
- (c) resulted from or in connection with the Executive's activities, duties or services for the Company; or
- (d) were a result of using any proprietary or Confidential Information of the Company;

(collectively, the "Works").

5.2 “Period”

The “Period” for Works described in section 5.1(a) is the greater of 1 year and the period, if any, during which the Executive is subject to a restriction on competition pursuant to any employment or consulting agreement entered into, or which may hereafter be entered into, with the Company. The “Period” for Works described in section 5.1 (b), 5.1 (c) and 5.1 (d) is indefinite.

5.3 Ownership of Works

The Executive specifically acknowledges that all Works are works deemed to be made in the course of or as a result of his or her employment or engagement with the Company, and all right, title and interest in and to such Works shall vest in and be the exclusive property of the Company upon their creation. In addition, the Executive hereby waives all moral rights which the Executive may have in such Works. The Executive further acknowledges that part of his or her compensation as an employee of, or consultant to, the Company is compensation in respect of the provisions contained in this Article 5.

5.4 Assignments

The Executive will, at the request of the Company, execute all necessary applications, assignments and other documents and provide all necessary assistance during and subsequent to his or her employment or engagement, without further compensation but at the expense of the Company, to enable the Company or its nominees to acquire, perfect and maintain all rights, title and interest in and to such Works including without limitation patent and copyright protection in any and all countries, and to permit the Company and its nominees to enforce such rights. The Executive shall assign to the Company all patents or copyright protection respecting such Works filed in the name of the Executive.

5.5 Records

The Executive will keep and maintain for the Company precise and up to date written records and materials for all Works, all copies of which shall be the property of the Company. The Executive shall not take any action, directly or by the assistance of any third party, which would adversely affect the value or the validity of legal protection of the records, materials or Works.

ARTICLE 6 CHANGE OF CONTROL

6.1 Definition of Change of Control

For the purposes of this Agreement, the occurrence of any one of the following shall be deemed to constitute a “change of control” (the “Change of Control”):

- (a) a change in the composition of the Board of Directors of the Company occurring within any two-year period, as a result of which fewer than a majority of such directors are Incumbent Directors. “Incumbent Directors” shall mean directors of the Company who either:
 - (i) are directors of the Company as of the date hereof, or

- (ii) are appointed, or nominated for election in the Company's proxy circular, as directors of the Company by the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination;
- (b) any transaction at any time and by whatever means pursuant to which any Person or any group of two or more Persons acting jointly or in concert (other than the Company or an Affiliate of the Company) hereafter acquires the direct or indirect "beneficial ownership" (as defined in the **Canada Business Corporations Act**) of, or acquires the right to exercise control or direction over, securities of the Company representing 50% or more of the then issued and outstanding voting securities of the Company in any manner whatsoever, including, without limitation, as a result of a take-over bid, an issuance or exchange of securities, an amalgamation of the Company with any other entity, an arrangement, a capital reorganization or any other business combination or reorganization;
- (c) the sale, assignment or other transfer of all or substantially all of the assets of the Company to a Person or any group of two or more Persons acting jointly or in concert (other than the Company or an Affiliate of the Company);
- (d) the dissolution or liquidation of the Company except in connection with the distribution of assets of the Company to one or more Persons which were Affiliates of the Company prior to such event;
- (e) the occurrence of a transaction requiring approval of the Company's shareholders whereby the Company is acquired through consolidation, merger, an exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise by any other Person or any group of two or more Persons acting jointly or in concert (other than a short form amalgamation or an exchange of securities with an Affiliate of the Company); or
- (f) the Board passes a resolution to the effect that for the purposes of this Agreement a Change of Control has occurred;

provided that an event described in subsection (b), (c), (d), or (e) shall not constitute a Change of Control where (i) such event occurs as a result of an internal reorganization or restructuring of the Company; or (ii) persons who were holders of the Company's voting securities immediately prior to any such event hold as a result of the event a majority of the voting securities of either (1) the entity resulting from the event or (2) an entity which directly or indirectly holds beneficial ownership of 100% of the voting securities of the entity resulting from the event, and the proportionate voting power among such persons immediately after the event is substantially the same as the proportionate voting power such persons held in the Company's voting securities immediately prior to the event.

6.2 Interpretation

For purposes of Article 6:

- (a) all references to "Company" shall mean the successor of the Company or in the event of an event contemplated in clause (ii) of the last paragraph of Section 6.1, means (1) the entity resulting from the event or (2) the entity which directly or indirectly holds beneficial ownership of 100% of the voting securities of the entity resulting from the event in which persons who were holders of the Company's voting securities immediately prior to any such event hold a majority of the voting securities;
- (b) all references to "Board of Directors" or "directors" shall mean the Board or directors on the Board of the Company;
- (c) "Control Person" means a person who, either alone or together with any person acting jointly or in concert with such person, beneficially owns, or exercises control or direction over, 20 per cent or more of the outstanding voting or equity securities of any class of the Company;
- (d) "Person" includes an individual, company, partnership, party, trust, fund, association and any other organized group of persons and the personal or other legal representative of a person to whom the context can apply according to law;
- (e) a Person shall be deemed to be an "Affiliate" of another Person if one of them is Controlled by the other or if both are Controlled by the same person;
- (f) a Person (First Person) is considered to "Control" another Person (Second Person) if the First Person, directly or indirectly, has the power to direct the management and policies of the Second Person by virtue of:
 - (i) ownership of or direction over voting securities in the Second Person,
 - (ii) a written agreement or indenture,
 - (iii) being the general partner or controlling the general partner of the Second Person, or
 - (iv) being a trustee of the Second Person.

ARTICLE 7 TERMINATION

7.1 Termination by the Executive

The Executive may terminate his employment under this Agreement:

- (a) at any time upon providing 60 days notice in writing to the Company, provided that the Company may, at its discretion, advance the effective date of his resignation or retirement;
- (b) for Good Reason, within 180 days of the date on which there is a Change of Control, by providing thirty (30) days' written notice setting out in reasonable detail the basis upon which the Executive is claiming Good Reason.

“Good Reason” shall mean any of the following, unless the Executive gives his express written consent thereto:

- (a) a material adverse change in the Executive’s status or position as an officer or employee of the Company. Such material adverse change shall include without limitation any material adverse change in status or position as a result of a material diminution in the Executive’s title, duties or responsibilities, or the assignment to the Executive of any duties or responsibilities which are materially inconsistent with such status or position;
- (b) a reduction in Base Salary or any material reduction in any of the benefits, perquisites or allowances which the Executive is eligible to receive or is provided during employment; provided, however, that the Company shall be entitled to alter or to discontinue any benefits, perquisites or allowances so long as the Executive’s overall compensation following such alteration or discontinuance is not materially less than the Executive’s overall compensation prior to such alteration or discontinuance;
- (c) any action by the Company that materially and adversely affects the Executive’s participation in or reduces the Executive’s rights or entitlements pursuant to any incentive, bonus, share option, restricted share unit or other equity or long-term compensation plan without providing the Executive with replacement rights or entitlements which are no less favourable; provided, however, that “Good Reason” shall not include variations in the amount, if any, of annual incentive bonuses awarded to the Executive based on the Company’s good faith determination of achievement of objectives;
- (d) the Company requiring the Executive to change his primary office location more than the distance set forth in Section 1.5 from his home to the Company’s designated corporate offices located **TO BE DETERMINED**; or
- (e) any other action by the Company which would constitute constructive dismissal at law.

Notwithstanding the foregoing, the Executive must give notice to the Company within 90 days following the Executive’s knowledge of an event constituting Good Reason describing the alleged failure or action by the Company and advising of the Executive’s intention to terminate the Executive’s employment for Good Reason. The Company shall then have 20 business days to correct such failure or action following the delivery by the Executive of such written notice (the “Cure Period”). If the Executive fails to provide such notice within 90 days, such event shall not constitute Good Reason under this Agreement. In the event that the Company does not correct such failure or action, the Executive shall be deemed to have resigned the Executive’s employment for “Good Reason” at the end of the Cure Period.

7.2 Termination by the Company Without Notice and Involuntary Termination

This Agreement and the Executive's employment with the Company may be terminated, without the Company being obligated to provide the Executive with advance notice of termination or pay in lieu of such notice, whether under contract, statute, common law or otherwise if:

- (a) The Executive dies or becomes permanently disabled; or
- (b) the Executive's employment is terminated by the Company for Cause, which shall include without limitation:
 - (i) the Executive acting unlawfully, dishonestly, or in bad faith with respect to the business of the Company to the extent that it has a material and adverse effect on the Company;
 - (ii) the conviction of the Executive of an indictable offence under the Criminal Code involving fraud or dishonesty in respect of the Company;
 - (iii) A material breach or default of any term of this Agreement if such material breach or default has had a material adverse effect on the Company and has not been remedied within 30 days after written notice of the material breach or default has been delivered by the Company to the Executive or is incapable of being remedied; and
 - (iv) Any act or omission that would constitute cause at common law.

The Executive shall be deemed to have become permanently disabled if in any year during the employment period, because of ill health, physical or mental disability, or for other causes beyond the control of the Executive, if the Executive has been continuously unable, as determined by two independent physicians of at least ten years' experience who are members in good standing of the An **Accredited College of Physicians and Surgeons or Qualified Health Insurer Medical Doctor**, to perform his duties for 180 consecutive days, or if, during any year of the employment period, the Executive has been unable, determined as set out above, to perform his duties for a total of 270 days, consecutive or not. The term "any year of the employment period" means any period of 12 consecutive months during the employment period.

7.3 Severance Payment for Termination by the Company Without Cause or under Section 7.1(b)

In the event of the termination of the Executive's employment pursuant to Section 7.1(b) of this Agreement, or the termination of the Executive's employment by the Company without cause and without prior notice, the Company shall provide the Executive with the following Separation Package:

- (a) starting the day after the date of termination, the Executive will be paid his Base Salary until the earlier of (i) 12 months following the date of termination (the "Continuance Period"). During the Continuance Period the Executive will not receive a Bonus. The Base Salary component of the Separation Package shall be payable in a lump sum;
- (b) Lump Sum - The Executive will be provided with a lump sum payment (less statutory deductions), equivalent to 100 per cent of the balance of the Base Salary which is owing for the remainder of the Continuance Period.

- (c) Continuation of Certain Benefits - As part of the Separation Package, the Executive will also be provided with a continuation of the following employment related benefits in place for the duration of the Continuance Period: medical and dental insurance coverage, excluding long term disability coverage, short term disability coverage, critical illness and life insurance coverage. Short and long-term disability benefit coverage, critical illness and life insurance coverage will be discontinued upon termination or as soon after termination as permitted by applicable legislation. To the extent provided, continued coverage pursuant to the aforementioned benefit plans will be conditional on the Executive satisfying the terms and conditions required by the individual insurance policies.
- (d) Long-Term Incentive Awards – For the avoidance of any doubt, the Executive will not be eligible to receive any options or other equity or long-term incentive awards (“LTIA”) for any period following the date of termination. All LTIA will be treated in accordance with their terms, as set out in the applicable Equity Compensation Plan.

7.4 Payment following Termination under Sections 7.1(a), 7.2(a), 7.2(b)

7.5 In the event of the termination of the Executive’s employment pursuant to Sections 7.1(a), 7.2(a), 7.2(b) of this Agreement, the Company shall pay to the Executive the full amount of compensation accrued and payable pursuant to Section 2.1 of this Agreement as of the date of termination. The Executive will not be entitled to receive any further compensation or benefits whatsoever other than those which have accrued up to the Executive’s date of termination. Separation Package Deemed Reasonable and Sufficient

- (a) The Executive acknowledges that the Separation Package provided pursuant to this Agreement, as applicable, supersedes and replaces any and all rights to reasonable notice of termination that the Executive might otherwise be entitled to at common law. The Executive agrees that the payments include all amounts owing for termination and/or severance pay under any contract, statute, common law or otherwise.
- (b) The Executive agrees not to disclose the terms or the nature of Separation Package, save and except to the Executive’s immediate family or, to the extent that such disclosure is necessary, to obtain tax planning, legal or similar advice, to the Executive’s legal and financial advisers, and as may be required by law. The Executive represents and warrants that his immediate family and advisors shall keep this release confidential.
- (c) Except as set out above in section 7.3 and in Section 2.3(b), the Executive will not be entitled to any other payments, benefits or compensation of any type upon termination.

7.6 Separation Package Conditional

(a) Compliance with Article 3, Article 4 and Article 5 of this Agreement

The Company's obligation to pay to the Executive the Separation Package under this Article 7 is conditional upon the Executive's ongoing compliance with his obligations under this Agreement, including Article 3, Article 4 and Article 5. In the event that the Executive breaches these provisions and fails to cure such a breach within 30 days after written notice specifying the nature of the breach, (1) the Executive will remain bound by all of the terms of this Agreement, (2) all payments under the Separation Package will automatically cease, and the Executive will be required to return any payments already made pursuant to the Separation Package, (3) the Company will be under no further obligation to pay to the Executive any payments under the Separation Package subject to any payments that may be required to satisfy the ESA, and (4) the Company may seek injunctive or other relief as described in section 8.14 of this Agreement.

(b) Cooperation

The Company's obligation to pay to the Executive the Separation Package is conditional upon:

- (i) the Executive's continued performance of his assigned duties and responsibilities in a fully satisfactory manner in accordance with the Company's expectations while actively employed with the Company. This includes co-operating with the Company at all times to ensure the efficient and amicable transition of the duties and responsibilities of the Executive's position to the successor; and
- (ii) the Executive continuing, in good faith, to be available and to provide whatever reasonable assistance may be required by the Company from time to time with respect to matters with which the Executive was involved during his employment. The Company will reimburse the Executive for his time at his last Base Salary rate and for all reasonable out-of-pocket expenses incurred in connection with such assistance.

(c) Release

The Company's obligation to pay to the Executive the Separation Package is conditional upon the Executive signing, in the presence of a witness, a full and final release, in a form satisfactory to the Company, and delivering an original executed copy of the full and final release to the Company and its Affiliates on the Executive's termination date.

(d) Effect of Non-Compliance

If the Executive does not comply with his obligations as set out above or fails to execute the Release, the Executive will not be entitled to the Separation Package, but instead will receive only such payments as are required by applicable employment standards legislation.

7.7 Transition and Return of Property

In the event the Executive's employment is terminated for any reason, the Executive agrees to resign effective the same date from any office or directorship held with the Company or its Affiliates. The Executive will also deliver to the Company all books, records, lists, brochures and other property or intellectual property rights belonging to the Company or developed in connection with the business of the Company, and will execute such transfer documentation as is necessary to transfer such property or intellectual property rights to the Company. In addition, following termination of the Executive's employment with the Company, the Executive will provide the Company with all such assistance and cooperation as the Company may reasonably require to enable a smooth transition of the duties and responsibilities of the Executive to such other individual as the Company shall appoint provided the Company complies with Section 7.6(b)(ii).

7.8 Termination of Employment

For the purposes of this Agreement, the date of termination of employment shall be:

- (a) in the event of a termination of employment pursuant to Section 7.1, the earlier of the date specified in the Executive's written notice pursuant to Section 7.1, the day following the last day of the Cure Period, or, any other date specified by the Company as the Executive's last day of active service;
- (b) in the event of termination of employment pursuant to Section 7.2(a), the date specified by the Company; and
- (c) in the event of any other termination of employment, the date specified in the Company's written notice of termination or, if no date is specified therein or if notice is given by the Company other than in writing, the date on which the Company gives notice of termination to the Executive.

In the event of any conflict between the terms of this Agreement and the terms of any other agreement between the Executive and the Company, the terms of this Agreement in respect of the date of termination of employment shall govern.

ARTICLE 8 GENERAL

8.1 Personal Nature

The obligations and rights of the Executive under this Agreement are personal in nature, based upon the singular skill, qualifications and experience of the Executive.

8.2 Right To Use Employee's Name And Likeness

During the term of this Agreement, the Executive hereby grants to the Company the right to use the Executive's name, likeness and/or biography in connection with the services performed by the Executive under this Agreement and in connection with the advertising or exploitation of any project with respect to which the Executive performs services for the Company.

8.3 Legal Advice

The Executive hereby represents, warrants and acknowledges to the Company that he has had the opportunity to seek and was not prevented nor discouraged by the Company from seeking independent legal advice prior to the execution and delivery of this Agreement and that, in the event that he did not avail himself of that opportunity prior to signing this Agreement, he did so voluntarily without any undue pressure by the Company or otherwise, and agrees that his failure to obtain independent legal advice shall not be used by him as a defence to the enforcement of his obligations under this Agreement.

8.4 Waiver

No consent or waiver, express or implied, by any party to this Agreement of any breach or default by any other party in the performance of its obligations under this Agreement or of any of the terms, covenants or conditions of this Agreement shall be deemed or construed to be a consent or waiver of any subsequent or continuing breach or default in such party's performance or in the terms, covenants and conditions of this Agreement. The failure of any party to this Agreement to assert any claim in a timely fashion for any of its rights or remedies under this Agreement shall not be construed as a waiver of any such claim and shall not serve to modify, alter or restrict any such party's right to assert such claim at any time thereafter.

8.5 Notices

- (a) Any notice relating to this Agreement or required or permitted to be given in accordance with this Agreement shall be in writing and shall be personally delivered or mailed by registered mail, postage prepaid to the address of the parties set out on the first page of this Agreement. Any notice shall be deemed to have been received if delivered, when delivered, and if mailed, on the fifth day (excluding Saturdays, Sundays and holidays) after the mailing thereof. If normal mail service is interrupted by strike, slowdown, force majeure or other cause, a notice sent by registered mail will not be deemed to be received until actually received and the party sending the notice shall utilize any other services which have not been so interrupted or shall deliver such notice in order to ensure prompt receipt thereof.
- (b) Each party to this Agreement may change its address for the purpose of this Section 8.5 by giving written notice of such change in the manner provided for in this Section.

8.6 Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of **New York** which shall be deemed to be the proper law hereof. The Parties hereby submit to the jurisdiction of the courts of **New York** for all actions related to this Agreement. All obligations of the parties under this Agreement are subject to receipt of all necessary approvals of the applicable securities regulatory authorities.

8.7 Severability

If any provision of this Agreement for any reason be declared invalid, such declaration shall not affect the validity of any remaining portion of the Agreement, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

8.8 Entire Agreement

This Agreement constitutes the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, and there are no representations or warranties, express or implied, statutory or otherwise other than set forth in this Agreement and there are no agreements collateral hereto other than as are expressly set forth or referred to herein. This Agreement cannot be amended or supplemented except by a written agreement executed by the Parties.

8.9 Arbitration

- (a) Any claim, controversy or dispute in connection with or arising out of or relating to this Agreement, including (without limitation) its negotiation, validity, existence, breach, termination, construction or application, or the rights, duties or obligations of any party to this Agreement, or the value of shares, shall be referred to and finally determined by arbitration by a single arbitrator (the "Arbitrator") in accordance with the **Ontario Arbitration Act, 1991, S.O. 1990, c. 17. The seat of the arbitration shall be Ontario and all hearings shall be conducted in the City of Toronto in the English language.**
- (b) Any Party to the Agreement (the "Applicant") may commence arbitration by delivering a written notice (a "Complaint") to the Party against whom the Applicant seeks relief (the "Respondent"). In the Complaint, the Applicant shall describe the substance of the matter which is submitted to arbitration and name three (3) persons whom the Applicant is prepared to nominate as arbitrator, each of such persons to be independent of the Parties and qualified by education and training to pass upon the particular matter in dispute (an "Approved Arbitrator"). Within seven (7) days of the receipt of the Complaint, the Respondent shall by written notice to the Applicant select one of the three (3) persons named by the Applicant or provide the Applicant with a list of three (3) persons who are Approved Arbitrators. Within seven (7) days of receipt of the Respondent's list, by written notice to the Respondent, the Applicant shall select one of such persons, or provide a further list of three (3) Approved Arbitrators. The Parties shall continue to exchange lists of three (3) Approved Arbitrators in this fashion until an Approved Arbitrator is selected. If the Parties are unable to agree upon an Approved Arbitrator within sixty (60) days of the receipt by the Respondent of the Complaint, the Parties shall jointly provide a list of all of the proposed Arbitrators, with no indication of which Party nominated them, to the President of ADR Chambers in Toronto (the "Appointer"). If the ADR Chambers no longer exists or declines to act, the Appointer shall be a retired judge of the Ontario Superior Court or the Ontario Court of Appeal, either jointly selected by the Parties within ten days or, if the Parties fail to agree, selected by the Dean of the University of Toronto Law School. The Appointer shall appoint the Arbitrator from among the names on the list provided by the Parties, in his or her absolute discretion. If no Arbitrator is able to be appointed from the names on the list provided by the Parties, the Appointer shall appoint the Arbitrator by selecting an Approved Arbitrator without regard to the list, in his or her absolute discretion.

- (c) Neither the Parties nor their representatives shall communicate with any proposed Arbitrator at any time during the arbitrator-selection process prior to the appointment of the Arbitrator.
- (d) The Arbitrator's award shall be final and binding on the Executive and the Company. There shall be no appeal from the Arbitrator's award.
- (e) Notwithstanding the above, in the event that the Executive violates the covenants, provisions and restrictions contained in Article 3, Article 4 or Article 5, the Company and its Affiliates shall be authorized and entitled to obtain from any court of competent jurisdiction interim and permanent injunctive relief and an accounting of all profits and benefits arising out of such violation, which rights and remedies shall be cumulative and in addition to any other rights, damages or remedies to which the Company and its affiliates might otherwise be entitled.
- (f) In the event of any litigation arising in respect of this Agreement, the prevailing Party shall be entitled to recover its costs, including reasonable legal fees. The fees and expenses of the Arbitrator and costs of the arbitration facilities shall be periodically billed to and paid in equal proportions by the Parties to the Arbitration as the Arbitration proceeds. The Arbitrator shall have the power to award costs, including the fees and expenses of the Arbitrator and costs of the arbitration facilities, in whole or in part, upon hearing submissions by any Party requesting same, and any responding submissions from the other Party.
- (g) The arbitration, any awards and all proceedings in relation thereto shall be private and confidential between the Parties except to the extent that any disclosure is necessary for the purpose of any court proceedings under this section or the Ontario *Arbitration Act, 1991*.

8.10 Non-Assignability

This Agreement shall not be assigned by any Party to this Agreement without the prior written consent of the other Party to this Agreement.

8.11 Burden And Benefit

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

8.12 Time

Time is of the essence of this Agreement.

8.13 Enforcement

All covenants, provisions and restrictions contained in this Agreement, and without limitation, the covenants, provisions and restrictions contained in Article 3, Article 4 and Article 5, are reasonable and valid, and the Executive hereby waives all defences to the strict enforcement of such covenants, provisions and restrictions by the Company. Article 3, Article 4, Article 5 and Article 7 shall survive the termination of this Agreement, and the Company's obligation to provide any severance payments or related continuation of benefits subsequent to the Executive's termination of employment is conditional upon the Executive's ongoing compliance with these obligations.

8.14 Equitable Remedies

The Executive acknowledges that any breach by him of any provision of Article 3, Article 4 or Article 5 may result in material damage to the Company which cannot be adequately compensated by a monetary award, and consents to the issuance of an injunction or other equitable remedy to prohibit, prevent or enjoin any such breach.

8.15 Currency

All dollar amounts set forth or referred to in this Agreement refer to US currency.

8.16 Withholding

All payments made by the Company to the Executive or for the benefit of the Executive shall be less applicable withholdings and deductions.

8.17 Recitals

The Executive and the Company acknowledge and agree that the provisions contained in the preamble or recitals section of this Agreement form part of this Agreement and may be relied upon by either Party when interpreting this Agreement.

8.18 Interpretation

The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and the Agreement shall be interpreted without regard to any presumption or other rule requiring interpretation of the Agreement more strongly against the Party causing it to be drafted.

It is the intention of the parties to this Agreement to comply with the ESA and any similar legislation that applies to this Agreement. If any entitlement under this Agreement is less than in the ESA or similar legislation, the minimum provisions of the ESA or similar legislation shall be substituted for such Agreement provisions.

8.19 Counterparts

This Agreement may be executed in counterparts and such counterparts together shall constitute one and the same instrument.

8.20 Acceptance of Agreement

This document constitutes an offer of employment which is open for acceptance by the Executive until Midnight February 28th, 2018 by delivering to the Company at the address specified above a copy of this document duly signed by the Executive, failing which this offer of employment will expire and be null and void.

IN WITNESS OF WHICH the Company has duly executed this Agreement:

PIVOT PHARMACEUTICALS INC.

By: /s/ Patrick Frankham

Name: Patrick Frankham, PhD, MBA

Title: Chief Executive Officer

ACCEPTED AND AGREED by the Executive as of February 28, 2018 (date)

/s/ Joseph Borovsky

Joseph Borovsky

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JULY 3, 2018.

PIVOT PHARMACEUTICALS INC.
(FORMERLY KNOWN AS NEUROKINE PHARMACEUTICALS INC.)

10.00% SENIOR SECURED CONVERTIBLE DEBENTURE DUE MARCH 2, 2019

DEBENTURE

CERTIFICATE NUMBER: CD-1

PRINCIPAL AMOUNT: CDN\$2,500,000

PIVOT PHARMACEUTICALS INC. (formerly known as **Neurokine Pharmaceuticals Inc.**), a corporation incorporated under the laws of British Columbia (the "**Borrower**"), for value received, hereby acknowledges itself indebted and promises to pay to or to the order of [REDACTED]

[REDACTED] (hereinafter referred to as the "**Lender**" or the "**Debentureholder**"), the principal amount of two million five hundred thousand dollars (\$2,500,000) (the "**Principal Amount**") in lawful money of Canada in the manner hereinafter provided at the foregoing address of the nominee, or at such other place or places as the Lender may designate by notice in writing to the Borrower, on March 2, 2019, or such earlier date as the Principal Amount may become due and payable (the "**Maturity Date**"), and to pay interest to the Lender on the Principal Amount outstanding from time to time owing hereunder to the date of payment as hereinafter provided, both before and after maturity or demand, default and judgment.

The Debentureholder has the right, from time to time and at any time on or prior to 5:00 p.m. (Eastern Standard time) on the earlier of the Business Day (as defined herein) immediately preceding (i) the Maturity Date, and (ii) the date fixed for redemption of this Debenture in accordance with terms hereof, to convert all or any portion of the outstanding Principal Amount into Common Shares (as defined herein), at a price equal to the Conversion Price (as defined herein), subject to adjustment in certain events. Beginning on the date that is four months plus one day following the Closing Date (as defined herein), if, for any 20 consecutive VWAP Days (as defined herein), the VWAP (as defined herein) of the Common Shares on the Exchange (as defined herein) is greater than \$2.50, the Borrower has the right to require the Debentureholder to convert all but not less than all of the Principal Amount then outstanding under this Debenture at the Conversion Price on not less than 30 days' notice. Notwithstanding the foregoing, the Borrower shall not be permitted to force conversion of the Debenture if the Common Shares issuable upon such conversion will be subject to restrictions on resale in Canada.

Unless the Lender exercises the conversion rights attached to this Debenture or the Borrower exercises the Accelerated Conversion Right (as defined herein), the Principal Amount owing, or the portion of the principal amount which has yet to be converted, together with any accrued and unpaid interest owing thereon and all other amounts now or hereafter payable hereunder (collectively, the "**Obligations**") shall be due and payable on the Maturity Date in accordance with the terms hereof. This Debenture is issued subject to the terms and conditions appended hereto as **Schedule A**. To further ensure the repayment of the Principal Amount and the interest thereon as provided in this Debenture, the Subsidiaries (as defined herein) have agreed to guarantee the obligations of the Borrower set out herein and shall, concurrent with the execution and delivery of this Debenture by the Borrower, execute and deliver the form of guarantee and confirmation substantially in the form appended hereto as **Schedule B**.

IN WITNESS WHEREOF, the Borrower has caused this Debenture to be executed by a duly authorized officer.

DATED for reference this 2nd day of March, 2018.

PIVOT PHARMACEUTICALS INC.

By: /s/ Patrick Frankham
Authorized Signatory

(See terms and conditions attached hereto)

ARTICLE 1 – INTERPRETATION

Section 1.1 Definitions

In this Agreement:

- (1) “Accelerated Conversion Right” means the right attached to this Debenture which permits the Borrower to require the Debentureholder to convert the Principal Amount, or any portion thereof, into Common Shares in accordance with Article 4;
- (2) “Accelerated Issue Date” has the meaning attributed thereto in Section 4.2(2);
- (3) “Agro-Biotech Acquisition” means the proposed acquisition of Agro-Biotech Inc. by the Borrower pursuant to the terms disclosed by the Borrower by way of press release on February 22, 2018;
- (4) “**Business**” means the business of the Borrower, being the development and commercialization of therapeutic pharmaceuticals and nutraceuticals as well as drug delivery platform technologies;
- (5) “**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario or Vancouver, British Columbia, Canada are authorized by law to close;
- (6) “**Canadian Securities Laws**” means the *Securities Act* (Ontario) and the securities laws of any other province or territory of Canada, if applicable, and the rules, regulations and policies of any Canadian securities regulatory authority administering such securities laws, as the same shall be in effect from time to time;
- (7) “**Capital Lease**” means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with the accounting standards applicable to such lessee;
- (8) “**Capital Reorganization**” has the meaning attributed thereto in Section 4.3(j);
- (9) “**Change of Control**” means
 - (a) any transaction (whether by purchase, merger or otherwise) whereby a person or persons acting jointly or in concert directly or indirectly acquires the right to cast, at a general meeting of shareholders of the Borrower, more than 50% of the votes attached to the Common Shares that may be ordinarily cast at a general meeting;
 - (b) the Borrower’s amalgamation, consolidation or merger with or into any other person, any merger of another person into the Borrower, unless the holders of voting securities of the Borrower immediately prior to such amalgamation, consolidation or merger hold securities representing 50% or more of the voting control or direction in the Borrower or the successor entity upon completion of the amalgamation, consolidation or merger; or
 - (c) any conveyance, transfer, sale lease or other disposition of all or substantially all of the Borrower’s and the Borrower’s subsidiaries’ assets and properties, taken as a whole, to another arm’s length Person;
- (10) “Change of Control Notice” has the meaning attributed thereto in Section 3.3;
- (11) “Closing Date” means March 2, 2018;
- (12) “**Common Shares**” means the common shares in the capital of the Borrower or the common shares of the continuing corporation or other resulting issuer formed as a result of a Merger;

- (13) “**Conversion Date**” has the meaning attributed thereto in Section 4.1;
- (14) “**Conversion Price**” means \$1.74 per Common Share, subject to adjustment in certain events in accordance with the terms hereof;
- (15) “**Conversion Right**” has the meaning attributed thereto in Section 4.1;
- (16) “**Current Market Price**” of the Common Shares at any date, means the weighted average of the sale prices per Common Share at which the Common Shares have traded on the Exchange or, if the Common Shares are not listed on any stock exchange, then on the over-the-counter market, for any 20 consecutive trading days selected by the Borrower commencing not later than 45 trading days and ending no later than five (5) trading days before such date; provided, however, if such Common Shares are not traded during such 45 day period for at least 20 consecutive trading days, the simple average of the following prices established for each of 20 consecutive trading days selected by the Borrower commencing not later than 45 trading days before such date:
- (a) the average of the bid and ask prices for each day on which there was no trading, and
 - (b) the closing price of the Common Shares for each day that there was trading,
- or in the event that at any date the Common Shares are not listed on the Exchange or on the over-the-counter market, the current market price shall be as determined by the directors of the Borrower or such firm of independent chartered accountants as may be selected by the directors of the Borrower, acting reasonably, and in good faith in their sole discretion; for these purposes, the weighted average price for any period shall be determined by dividing the aggregate sale prices during such period by the total number of Common Shares sold during such period.
- (17) “**Credit Documents**” means this Debenture, and all other security and/or guarantees granted by the Borrower and the Subsidiaries, or any other Person from time to time in favour of the Debentureholder, as security for the Borrower’s obligations, including, without limitation, each general security agreement granted by the Subsidiaries, or any of them, in favour of the Debentureholder and each guarantee granted by the Subsidiaries, or any of them, in favour of the Debentureholder;
- (18) “**Debentureholders**” means, collectively, the holders of the Debentures;
- (19) “**Debentures**” means this senior secured convertible debenture and any other debentures substantially on the same terms as this debenture issued by the Borrower under the Offering;
- (20) “**dividend paid in the ordinary course**” has the meaning attributed thereto in Section 4.3(g);
- (21) “**Escrow Agreement**” means the escrow agreement entered into among the Lender, the Borrower and McMillan LLP, as escrow agent, in respect of the interest on the Principal Amount outstanding under this Debenture on terms reasonably acceptable to the Lender;
- (22) “**Event of Default**” has the meaning attributed thereto in Section 7.1;
- (23) “**Exchange**” means the Canadian Securities Exchange or such other stock exchange in Canada as approved by the holders of the Debentures, on which the Common Shares are principally traded;
- (24) “**Indebtedness**” has the meaning attributed thereto in Section 7.1;
- (25) “**Interest Payment Date**” means the last day of March, June, September and December in each year commencing on March 31, 2018, as well as the Maturity Date, and the date on which this Debenture is redeemed or converted, whichever is earlier;

(26) **“Issue Date”** has the meaning attributed thereto in Section 4.2;

(27) **“Lien”** means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property of such Person;

(28) **“Make-Whole Amount”** means an amount payable in cash equal to 50% of the interest payments that would have been made in respect of the Principal Amount outstanding under the Debenture if the Debenture is: (a) repaid, exchanged or converted pursuant to a Change of Control or Merger, or (b) redeemed pursuant to additional financing, if the Principal Amount remained outstanding from such date until the Maturity Date;

(29) **“Maturity Date”** means March 2, 2019;

(30) **“Merger”** means any transaction (whether by way of arrangement, amalgamation, merger, transfer, sale or lease) whereby all or substantially all of the Borrower’s assets would become the property of any other Person, or, in the case of any such arrangement, amalgamation or merger, of the continuing corporation or other entity resulting therefrom;

(31) **“Offering”** means the offering of Debentures up to a maximum aggregate principal amount of \$5,000,000 to be issued and sold by the Borrower, as announced in the Borrower’s press release dated February 27, 2018;

(32) **“Per Share Cost”** has the meaning attributed thereto in Section 4.3(b);

(33) **“Permitted Acquisition”** means, with respect to any Person, any transaction by which such Person acquires as a going concern the business of, or all or substantially all of the assets of any corporation or other business entity or division thereof or any other person, whether through purchase of assets, purchase of shares or other equity interests, amalgamation, merger, joint venture or otherwise, but in each case only if:

(a) no Event of Default is continuing on the date of the acquisition or would occur as a result of such acquisition;

(b) the Person or Persons from whom the acquisition is made are at arm’s length to such Person;

(c) the relevant business is related to the strategic objectives of the business carried on by such Person; and

(d) the aggregate purchase price (including associated expenses) for the acquisition does not exceed the fair market value of such business,

it being agreed by the Borrower and the Lender that the proposed Agro-Biotech Acquisition shall constitute a “Permitted Acquisition” for the purposes of this Debenture;

(34) **“Permitted Encumbrance”** has the meaning attributed thereto in Section 6.2(b);

(35) **“Permitted Secured Debt”** means, with respect to the Borrower or the Subsidiaries, any Secured Debt of the Borrower or the Subsidiaries that:

(a) is existing at the date hereof; and

(b) is owing by the Subsidiaries to the Borrower or to another wholly-owned subsidiary of the Borrower; and

(c) is incurred or assumed by the Borrower or the Subsidiaries in connection with the purchase of real or personal property in the ordinary course of the Borrower's or the Subsidiaries' business, provided that the applicable Lien extends only to such property and its proceeds, and secures an amount not exceeding the purchase price of such property; or

(d) is a Capital Lease obligation of the Borrower or the Subsidiaries, including, without limitation, any indebtedness incurred for the purchase or lease of specifically identified equipment, for which a purchase money security interest (as defined in the *Personal Property Security Act* (Ontario) or comparable legislation of another Canadian jurisdiction) is granted;

(36) **"Permitted Share Issuance"** means the issuance by the Borrower of Common Shares in connection with the following:

(a) as consideration for a Permitted Acquisition;

(b) exercise or conversion of currently outstanding convertible securities and conversion of the Debentures; and

(c) issuance of stock options or the exercise of stock options currently outstanding or to be issued in accordance with the Borrower's stock option plan.

(37) **"Permitted Subordinated Debt"** means any and all indebtedness incurred or assumed by the Borrower or the Subsidiaries after the date of issue of this Debenture in respect of which all obligations of payment and performance, together with all security interests or collateral granted as security for payment and performance, are fully postponed and subordinated to the indebtedness owed to and security held by the holder of this Debenture;

(38) **"Person"** means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof;

(39) **"Rights Offering"** has the meaning attributed thereto in Section 4.3(b);

(40) **"Rights Period"** has the meaning attributed thereto in Section 4.3(b);

(41) **"Secured Debt"** means, with respect to any Person, any obligation of such Person for borrowed money that is secured in any manner by any Lien on any real or personal property of such Person;

(42) **"Special Distribution"** has the meaning attributed thereto in Section 4.3(g);

(43) **"Subsidiary"** means: (i) in respect of the Borrower, Pivot Green Stream Health Solutions Inc.; and (ii) as to any Person, any corporation or other business entity in which such Person or one or more of its Subsidiaries owns, directly or indirectly, sufficient equity or voting interests to enable it or them (as a group) to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries;

(44) **"Taxes"** means any present or future income and other taxes, levies, rates, royalties, deductions, withholdings, assessments, fees, dues, duties, imposts and other charges of any nature whatsoever, together with any interest and penalties, additions to tax and other additional amounts, levied, assessed or imposed by any governmental authority;

(45) **"trading day"** means a day on which the Exchange is open for trading (or if the Borrower's Common Shares are not then listed on the Exchange, such other recognized stock exchange or quotation system on which the Common Shares may trade or be quoted);

(46) “VWAP” means the daily volume weighted average trading price of the Common Shares on the Exchange; and

(47) “VWAP Days” has the meaning attributed thereto in Section 4.1(2).

Section 1.2 Headings

The inclusion of headings in this Debenture is for convenience of reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Currency

Unless otherwise indicated, all amounts in this Debenture are stated and shall be paid in currency of Canada.

Section 1.4 Number, Gender and Persons

Unless the context otherwise requires, words importing the singular in number only shall include the plural and vice versa, words importing the use of gender shall include the masculine, feminine and neuter genders and words importing persons shall include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities.

Section 1.5 Severability

If any provision of this Debenture is determined by a Court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each such provision shall be interpreted in such a manner as to render them valid, legal and enforceable to the greatest extent permitted by applicable law. Each provision of this Debenture is declared to be separate, severable and distinct.

Section 1.6 Entire Agreement

This Debenture, including any schedules attached hereto, constitutes the entire agreement between the Borrower and the Lender relating to the subject matter hereof, and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements, understandings, conditions or collateral agreements, whether oral or written, express or implied, with respect to the subject matter hereof.

ARTICLE 2 – PAYMENT OF PRINCIPAL AND INTEREST

Section 2.1 Repayment of Principal

Subject to the terms and conditions hereof, the Principal Amount outstanding under this Debenture, together with any accrued and unpaid interest owing thereon, shall be repaid by the Borrower to the Lender in cash in lawful money of Canada on the Maturity Date.

Section 2.2 Interest Payable

Interest on the Principal Amount outstanding under this Debenture shall be at the rate of ten percent (10.00%) per annum, calculated and payable quarterly, not in advance, from the date of issue, and shall be paid on the applicable Interest Payment Dates, and, for greater certainty, such interest shall be payable before, during or after the occurrence of an Event of Default. The March 31, 2018 interest payment will represent accrued interest from the Closing Date to March 31, 2018. For greater certainty, such interest shall be payable before, during or after the occurrence of an Event of Default.

Section 2.3 Additional Interest Payable in Event of Default

If any Event of Default shall occur for any reason, additional interest on the Principal Amount outstanding under this Debenture shall payable be at the rate of five percent (5.00%) per annum, calculated and payable quarterly, not in advance, from the date of the occurrence of an Event of Default, and shall be paid on the applicable Interest Payment Dates during the period that an Event of Default is continuing.

Section 2.4 Method of Paying Interest

The Borrower shall satisfy its obligation to pay interest on the Debenture, on an applicable Interest Payment Date, in cash in lawful money of Canada.

Section 2.5 Rank

The Debentures will constitute direct secured obligations of the Borrower. Each Debenture will rank *pari passu* with each other Debenture in right of payment of principal and interest (regardless of their actual date of issue) and, subject to statutory preferred exceptions, will rank in priority to all other indebtedness of the Borrower, other than the Permitted Secured Debt.

Section 2.6 Guarantee

This Debenture is entitled to and shall have the benefit of a guarantee of the Subsidiaries of all indebtedness and liability (present and future, direct or indirect, absolute or contingent, matured or not) of the Borrower to the Lender under or in connection with this Debenture in favour of the Lender dated as of the date of this Debenture (the “Guarantees”). As security for the obligations under the Guarantees, the Subsidiaries shall each grant in favour of the Debentureholder a security interest over all of such Subsidiaries’ respective present and after acquired personal property in which such Subsidiaries have rights, of whatsoever nature or kind and wherever situate which shall rank *pari passu* between and among the Debentureholders. The security granted to the Debentureholder by each of the Subsidiaries shall be evidenced by one or more general security agreements entered into between each of the Subsidiaries and the Debentureholder.

ARTICLE 3 – REDEMPTION OR PURCHASE OF DEBENTURE

Section 3.1 No Early Redemption

Except pursuant to Section 3.2 and Section 3.4, the Borrower shall not be permitted to redeem or repay the Debentures prior to the Maturity Date without the prior written consent of the Lender, in its sole and absolute discretion.

Section 3.2 Redemption or Conversion if Change of Control

The Borrower shall notify the Debentureholder of any pending Change of Control or Merger in accordance with Section 3.3, and the Debentureholder shall, in its sole discretion, have the right to require the Borrower to, either: (i) purchase the Debentures at 104% of the then outstanding Principal Amount thereof together with accrued and unpaid interest and an amount equal to the Make-Whole Amount; or (ii) if the Change of Control results in a new issuer, convert the Debenture into a replacement debenture of the new issuer in the aggregate principal amount of 100% of the Principal Amount of the Debenture then outstanding on substantially equivalent terms to those terms contained herein and pay a cash payment equal to accrued and unpaid interest; or (iii) convert the Debentures at the Conversion Price and pay a cash payment equal to the Make-Whole Amount.

Section 3.3 Notice of Change of Control

Upon the occurrence of any event constituting or reasonably likely to constitute a Change of Control or Merger, the Borrower shall give written notice to the Lender of such Change of Control or Merger at least thirty (30) days or as soon as reasonably possible prior to the effective date of any such Change of Control or Merger and another written notice on or immediately after the effective date of such Change of Control or Merger (the “**Change of Control Notice**”).

Section 3.4 Redemption if Additional Equity Offering or Indebtedness

Except in connection with a Permitted Acquisition, the Borrower shall not issue additional Common Shares or securities convertible into Common Shares (including without limitation through the exercise of outstanding options, warrants or other securities convertible into Common Shares) or assume or incur any additional indebtedness, whether secured or unsecured, (each an “Additional Financing”) unless: (i) the Borrower first makes an irrevocable offer to redeem such amount of the then outstanding Principal Amount of the Debentures as is equal to the proceeds raised from the Additional Financing, together with the accrued and unpaid interest and a Make-Whole Amount proportionate to the outstanding Principal Amount to be redeemed; and (ii) the use of proceeds of any such issuance of equity securities or indebtedness are irrevocably allocated to redeem the aforesaid amount of the then outstanding Principal Amount of this Debenture together with the accrued and unpaid interest and aforesaid proportionate share of the Make-Whole Amount, provided that the proceeds from such Additional Financing are not less than \$100,000. If the proceeds of any Additional Financing are less than \$100,000, the Borrower shall segregate such proceeds until the aggregate proceeds from Additional Financings are a minimum of \$100,000.

Section 3.5 Purchases for Cancellation

The Borrower will have the right at any time and from time to time to purchase the Debentures for cancellation in the market, by tender, or by private contract.

ARTICLE 4 – CONVERSION

Section 4.1 Conversion Right

(1) Upon and subject to the terms and conditions hereinafter set forth, the Lender shall have the right (the “**Conversion Right**”), but not the obligation, at any time, and from time to time, up to and including the earlier of: (a) the Business Day immediately preceding the Maturity Date; and (b) the Business Day prior to any redemption of the Debenture in accordance with terms hereof, to notify the Borrower that it wishes to exchange or convert, for no additional consideration, all or any part of the Principal Amount of this Debenture (the “**Converted Debenture Amount**”) into fully paid and non-assessable Common Shares at the Conversion Price in effect on the Issue Date (as hereinafter defined), provided that the Lender must exchange or convert the Principal Amount of this Debenture in a minimum amount of \$250,000, unless the principal amount remaining is less than \$250,000 in which case, the entire remaining amount shall be converted. For greater certainty, if the Lender is electing to convert all or a portion of the Principal Amount, then the applicable amount of accrued and unpaid interest on the Principal Amount being converted must be paid by the Borrower up to, but excluding, the applicable date of conversion (the “**Conversion Date**”) in accordance with Section 2.2 and Section 2.3.

(2) Upon and subject to the terms and conditions hereinafter set forth, the Borrower shall have the right (the “**Accelerated Conversion Right**”), at any time prior to the Maturity Date, to require the Debentureholder to convert all but not less than all of the Principal Amount outstanding under this Debenture at the Conversion Price if, for any twenty (20) consecutive trading days commencing on the date that is four months plus one day following the Closing Date and prior to the Maturity Date (the “**VWAP Days**”), the VWAP of the Common Shares on the Exchange is greater than \$2.50. For greater certainty, VWAP Days shall not include any trading day on which the Common Shares issuable upon such conversion would be subject to restrictions on resale in Canada upon conversion of this Debenture. Notwithstanding the foregoing, the Borrower shall not be permitted to force conversion of this Debenture if the Common Shares issuable upon such conversion will be subject to restrictions on resale in Canada.

(3) The Conversion Right and the Accelerated Conversion Right shall extend only to the maximum number of whole Common Shares into which the Principal Amount of this Debenture or any part thereof may be converted in accordance with this Section 4.1. Fractional interests in Common Shares shall be adjusted in the manner provided in Section 4.4.

Section 4.2 Conversion Procedure

(1) The Conversion Right may be exercised by the Lender by completing and signing the notice of conversion (the “**Conversion Notice**”) attached hereto as **Schedule C**, and delivering the Conversion Notice and this Debenture to the Borrower. The Conversion Notice shall provide that the Conversion Right is being exercised, shall specify the Principal Amount being converted, and shall set out the date (the “**Issue Date**”) on which Common Shares are to be issued upon the exercise of the Conversion Right (such date to be no earlier than three (3) Business Days and no later than seven (7) Business Days after the day on which the Conversion Notice is issued). The conversion shall be deemed to have been effected immediately prior to the close of business on the Issue Date and the Common Shares issuable upon conversion shall be deemed to be issued as fully paid and non-assessable at such time. Within seven (7) Business Days after the Issue Date, a certificate for the required number of Common Shares shall be issued to the Lender. If less than all of the Principal Amount of this Debenture is the subject of the Conversion Right, then within seven (7) Business Days after the Issue Date, the Borrower shall deliver to the Lender a replacement Debenture in the form hereof in the principal amount of the unconverted principal balance hereof, and this Debenture shall be cancelled. If the Conversion Right is being exercised in respect of the entire Principal Amount of this Debenture, this Debenture shall be cancelled.

(2) The Accelerated Conversion Right may be exercised by the Borrower by delivering 30 days’ advance written notice (the “**Accelerated Conversion Notice**”) to the Lender. The Accelerated Conversion Notice shall provide that the Accelerated Conversion Right is being exercised, shall specify the amount of the Principal Amount being converted, shall specify the ten (10) consecutive VWAP Days on the Exchange on which the VWAP of the Common Shares exceeded \$2.50, and shall set out the date (the “**Accelerated Issue Date**”) on which Common Shares are to be issued upon the exercise of the Accelerated Conversion Right (such date to be no earlier than three (3) Business Days and no later than seven (7) Business Days after the day on which the Accelerated Conversion Notice is issued, unless otherwise mutually agreed by the Borrower and the Lender). The conversion shall be deemed to have been effected immediately prior to the close of business on the Accelerated Issue Date and the Common Shares issuable upon conversion shall be deemed to be issued as fully paid and non-assessable at such time. Within seven (7) Business Days after the Accelerated Issue Date, provided a certificate for the required number of Common Shares has been issued to the Lender, this Debenture shall be cancelled.

Section 4.3 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (a) If and whenever at any time prior to the Maturity Date, the Borrower shall:
- (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares;
 - (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares;
 - (iii) issue Common Shares (or securities convertible into or exchangeable for Common Shares) to the holders of all or substantially all of the outstanding Common Shares by way of stock dividend; or
 - (iv) make a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares,

the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares (or securities convertible into or exchangeable for Common Shares) by way of a stock dividend or other distribution, as the case may be, shall, in the case of the events referred to in Sections 4.3(a)(i), (iii) and (iv) above, be decreased in proportion to the increase in the number of outstanding Common Shares resulting from such subdivision, redivision or dividend (including, in the case where securities convertible into or exchangeable for Common Shares are issued, the number of Common Shares that would have been outstanding had such securities been converted into or exchanged for Common Shares on such effective or record date) or shall, in the case of the events referred to in Section 4.3(a)(ii) above, be increased in proportion to the decrease in the number of outstanding Common Shares resulting from such reduction, combination or consolidation on such effective or record date. Such adjustment shall be made successively whenever any event referred to in this Section 4.3(a) shall occur. Any such issue of Common Shares (or securities convertible into or exchangeable for Common Shares) by way of a stock dividend or other distribution shall be deemed to have been made on the record date for the stock dividend or other distribution for the purpose of calculating the number of outstanding Common Shares under Sections 4.3(b) and (g); to the extent that any such securities are not converted into or exchanged for Common Shares prior to the expiration of the conversion or exchange right, the Conversion Price shall be readjusted effective as at the date of such expiration to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued on the exercise of such conversion or exchange right.

(b) If and whenever at any time prior to the Maturity Date, the Borrower shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than forty-five (45) days after such date of issue (such period from the record date to the date of expiry being referred to in this Section 4.3(b) as the “**Rights Period**”), to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) (such subscription price per Common Share (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) being referred to in this Section 4.3(b) as the “**Per Share Cost**”), the Borrower shall give written notice to the Lender with respect thereto (any of such events herein referred to as a “**Rights Offering**”), and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the record date for the issuance of such rights, options or warrants. If the Lender elects not to convert any of the Principal Amount of this Debenture, there shall continue to be an adjustment to the Conversion Price as a result of the issuance of such rights, options or warrants, in the manner hereinafter provided. The Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

(i) the numerator of which is the aggregate of:

(A) the number of Common Shares outstanding as of the record date for the Rights Offering; and

(B) the number determined by dividing the product of the Per Share Cost and:

(I) where the event giving rise to the application of this Section 4.3(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or

(II) where the event giving rise to the application of this Section 4.3(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price (as hereinafter defined) of the Common Shares as of the record date for the Rights Offering; and

(ii) the denominator of which is:

(A) in the case described in subparagraph 4.3(b)(i)(B)(I), the number of Common Shares outstanding, or

(B) in the case described in subparagraph 4.3(b)(i)(B)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.3(b)(i)(B)(II) had been issued,

as at the end of the Rights Period.

(c) Any Common Shares owned by or held for the account of the Borrower or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Borrower will be deemed not to be outstanding for the purpose of any such computation.

(d) If by the terms of the rights, options or warrants referred to in this Section 4.3(b), there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

(i) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and

(ii) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

(e) To the extent that any adjustment in the Conversion Price occurs pursuant to this Section 4.3(b) as a result of the fixing by the Borrower of a record date for the distribution of rights, options or warrants referred to in this Section 4.3(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

(f) If the Lender has exercised its Conversion Right in accordance herewith during the Rights Period, the Lender will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the difference, if any, between the Conversion Price in effect immediately prior to, and the Conversion Price in effect immediately following the end of such Rights Offering pursuant to this Section 4.3(b), is multiplied by the number of Common Shares received upon the exercise of the Conversion Right during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this Section 4.3(b); provided that no fractional Common Shares will be issued. Such additional Common Shares will be deemed to have been issued to the Lender immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to the Lender within 10 Business Days following the end of the Rights Period.

(g) If and whenever at any time prior to the Maturity Date, the Borrower shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares (or other than securities convertible into or exchangeable for Common Shares), or (ii) rights, options or warrants (other than rights, options or warrants referred to in Section 4.3(b)), or (iii) evidences of its indebtedness, or (iv) assets (in each case, other than dividends paid in the ordinary course) then, in each such case, the Borrower shall give written notice to the Lender with respect thereto, and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the record date for the making of such distribution. If the Lender elects not to convert any of the Principal Amount of this Debenture, there shall continue to be an adjustment to the Conversion Price as a result of the making of such distribution, (herein referred to as a “**Special Distribution**”) determined in the manner hereafter set out in Section 4.3(h). In this Section 4.3(g) the term “**dividends paid in the ordinary course**” shall include the value of any securities or other property or assets distributed in lieu of cash dividends paid in the ordinary course at the option of shareholders.

(h) In circumstances described in Section 4.3(g), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

(i) the numerator of which is:

(A) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less

(B) the aggregate fair market value (as determined by action by the directors of the Borrower, acting reasonably) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

(ii) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Borrower or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Borrower will be deemed not to be outstanding for the purpose of any such computation.

(i) In the case of any reclassification of, or other change in, the outstanding Common Shares pursuant to a Change of Control, if the Lender elects not to redeem this Debenture in accordance with Section 3.1, the Lender may elect, prior to the effective date of such Change of Control, to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. To exercise such right the Lender must provide a notice in writing to the Borrower no later than seven days prior to the effective date of such Change of Control, failing which the Lender’s right to convert this Debenture as a consequence of such Change of Control shall cease. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the effective date of such Change of Control. If the Lender elects not to convert any of the Principal Amount of this Debenture, the Conversion Price in effect after the effective date of such Change of Control shall be increased or decreased, as the case may be, in proportion to any decrease or increase in the number of outstanding Common Shares resulting from such Change of Control so that the Lender, upon exercising the Conversion Right after the effective date of such Change of Control, will be entitled to receive the aggregate number of Common Shares or other securities, if any, which the Lender would have been entitled to receive as a result of such Change of Control if, on the effective date thereof, the Lender had been the registered holder of the number of Common Shares to which the Lender was theretofore entitled upon exercise of the Conversion Right.

(j) In the case of any reclassification of, or other change in, the outstanding Common Shares (other than a change referred to in Section 4.3(a), Section 4.3(b), Section 4.3(g) or 4.3(i) hereof), the Conversion Price shall be adjusted in such manner, if any, and at such time, as the Board of Directors of the Borrower determines to be appropriate on a basis consistent with the intent of this Section 4.3; provided that if at any time a dispute arises with respect to adjustments provided for in this Section 4, such dispute will be conclusively determined by the auditors of the Borrower or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the directors of the Borrower, acting reasonably, and any such determination will be binding on the Borrower and the Lender. The Borrower will provide such auditors or accountants with access to all necessary records of the Borrower. If and whenever at any time after the date hereof there is a reclassification or redesignation of the Common Shares outstanding at any time or change of the Common Shares into other shares or into other securities (other than as set out in Section 4.3(a), (b), (g) or (i)), or a consolidation, amalgamation or merger of the Borrower with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares and other than as set forth in Section 4.3(i)), or a transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Lender, upon the exercising the Conversion Right, after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which the Lender was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property, if any, which the Lender would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Lender had been the registered holder of the number of Common Shares to which such Lender was theretofore entitled upon exercise of the Conversion Right. If determined appropriate by action of the directors of the Borrower, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.3 with respect to the rights and interests thereafter of the Lender to the end that the provisions set forth in this Section 4.3 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the Conversion Right. Any such adjustment must be made by and set forth in an amendment to this Debenture approved by action by the directors of the Borrower, acting reasonably, and will for all purposes be conclusively deemed to be an appropriate adjustment.

(k) In any case in which this Section 4.3 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Borrower may defer, until the occurrence of such event, issuing to the Lender before the occurrence of such event, the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Borrower shall deliver to the Lender an appropriate instrument evidencing the Lender’s right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Issue Date or such later date as the Lender would, but for the provisions of this Section 4.3(k), have become the holder of such additional Common Shares pursuant to Section 4.3(b).

(l) The adjustments provided for in this Section 4.3 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other event resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this Section 4.3(l) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

No Conversion Price adjustment will be made to the extent that the Borrower makes an equivalent distribution to holders of Debentures. No adjustment to the Conversion Price will be made for distributions or dividends on Common Shares issuable upon conversion of Debentures that have been surrendered for conversion, provided that holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest payable in cash from, and including, the most recent interest payment date to, but excluding, the date of conversion.

Section 4.4 No Requirement to Issue Fractional Common Shares

The Borrower shall not be required to issue fractional Common Shares upon the conversion of the Debenture pursuant to this Article 4. If any fractional interest in a Common Share, would, except for the provisions of this Section 4.4, be deliverable upon the conversion of any amount hereunder, the number of Common Shares to be issued shall be rounded down to the nearest whole Common Share.

Section 4.5 Borrower to Reserve Common Shares

The Borrower covenants with the Lender that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon exercise of the Conversion Right or the Accelerated Conversion Right, and conditionally allot to the Lender, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Borrower covenants with the Lender that all Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

Section 4.6 Certificate as to Adjustment

The Borrower shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.3, deliver an officer's certificate to the Lender specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Subject to the dispute resolution procedure in subsection 4.3(j), such certificate shall be binding and determinative of the adjustment to be made, absent manifest error.

Section 4.7 Shareholder of Record

For all purposes, on the Issue Date or Accelerated Issue Date, the Lender shall be deemed to have become the holder of record of the Common Shares into which the Principal Amount of this Debenture (or a portion thereof) is converted in accordance with Section 4.2.

Section 4.8 Resale Restrictions, Legending and Disclosure

By its acceptance hereof the Lender acknowledges that this Debenture and the Common Shares issuable upon conversion hereof will be subject to certain resale restrictions under applicable securities laws, and the Lender agrees to comply with all such restrictions and laws. The Lender further acknowledges and agrees that all Common Share certificates will bear the legend substantially in the form set forth on the face page hereof, provided that such legend shall not be required on Common Share certificates issued at any time following four months plus one day after the date hereof. The Lender acknowledges that the Borrower will be required to provide to the applicable securities regulatory authorities and the Exchange the identity of the Lender and its principals and the Lender hereby agrees thereto.

ARTICLE 5 – SECURITY

Section 5.1 Security

As security for the Obligations under this Debenture, the Borrower shall grant the Debentureholder a security interest over all of the Borrower's present and after acquired personal property in which the Borrower has rights, of whatsoever nature or kind and wherever situate, save and except property specifically excluded in any general security agreement granted by the Borrower to the Debentureholders, which shall rank *pari passu* between and among the Debentureholders (the "Security Interest"). The Security Interest shall be evidenced by one or more general security agreements entered into between the Borrower and the Debentureholder.

Section 5.2 Priority of Security

Subject to Section 5.7, the Security Interest granted by the Borrower, subject to statutory preferred exceptions, shall rank in priority in all respects (including, without limitation, the right of payment) to all other existing security granted by the Borrower. As of the date of issue of the Debenture, save and except for any Permitted Encumbrances, any outstanding indebtedness of the Borrower shall be subordinated to the Debenture.

Section 5.3 Distribution on Dissolution, Etc.

Upon any sale, in one transaction or a series of transactions, of all, or substantially all, of the assets of the Borrower or distribution of the assets of the Borrower upon any dissolution or winding-up or total liquidation of the Borrower, whether in bankruptcy, liquidation, re-organization, insolvency, receivership or other similar proceedings or upon an assignment to or for the benefit of creditors of the Borrower or otherwise any payment or distribution of assets of the Borrower, whether in cash, property or security shall be paid or delivered by the trustee in bankruptcy, receiver, assignee of or for the benefit of creditors or other liquidating agent of the Borrower making such payment or distribution, directly to the holder of the Debentures or their representatives, to the extent necessary, to pay all obligations pursuant to the Debentures in full.

Section 5.4 Certificate Regarding Creditors

Upon any payment or distribution of assets of the Borrower referred to in this Section 5.4, the Debentureholder shall be entitled to rely upon a certificate of the trustee in bankruptcy, receiver, assignee of or for benefit of creditors or other liquidating agent of the Borrower making such payment or distribution, delivered to the Debentureholder, for the purpose of ascertaining the persons entitled to participate in such distribution, and other indebtedness of the Borrower, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 5.4.

Section 5.5 Rights of Debentureholder Reserved

Nothing contained in this Article 5 or elsewhere in this Debenture is intended to or shall impair, as between the Borrower and the Debentureholder, the obligation of the Borrower, which is absolute and unconditional, to pay to the Debentureholder the Principal Amount and interest on the Debenture, as and when the same shall become due and payable in accordance with their terms, nor shall anything herein prevent the Debentureholder from exercising all remedies otherwise permitted by applicable law upon default under this Debenture.

Section 5.6 Payment of Debenture Permitted

Nothing contained in this Debenture shall:

- (a) prevent the Borrower from making payments of the Principal Amount, interest and other amounts to the Debentureholder under this Debenture as herein provided;
- (b) prevent the conversion of this Debenture into Common Shares as herein provided or as otherwise permitted according to law, including in connection with a bankruptcy, reorganization, insolvency, or other arrangement with creditors, of the Borrower; and
- (c) prevent the redemption of this Debenture by the Borrower as herein provided or as otherwise permitted according to law.

Section 5.7 Debentures and Security to Rank *Pari Passu*

The Debentures issued by the Borrower, and the security interest to be granted to the Debentureholders in connection with the issuance of the Debentures shall, once issued and granted, rank *pari passu* with each other and each Debentureholder shall be equally and proportionately entitled to the benefits hereof as if all of the Debentures and security had been issued, granted and negotiated simultaneously.

ARTICLE 6 – COVENANTS OF THE BORROWER

Section 6.1 Positive Covenants

The Borrower covenants and agrees that:

- (a) **Maintain Corporate Existence.** Each of the Borrower and its Subsidiaries shall maintain its corporate existence, and preserve its rights, powers, licenses and privileges which are necessary or material to the conduct of its business, and not materially change the nature of its business;
- (b) **Compliance with Laws.** Each of the Borrower and its Subsidiaries shall comply in all material respects with all applicable laws, rules, governmental restrictions and regulations;
- (c) **Maintain Books and Records.** The Borrower shall, and shall cause each of its Subsidiaries to, keep adequate and accurate records and books of account in which complete entries will be made reflecting all financial transactions and prepare its financial statements in accordance with generally accepted accounting principles;
- (d) **Payment of Taxes.** Each of the Borrower and its Subsidiaries shall pay and discharge promptly all Taxes assessed or imposed upon it or its property as and when the same become due and payable save and except where it contests in good faith the validity thereof by proper legal proceedings;
- (e) **Payment of Obligations.** The Borrower shall pay all principal, interest and other amounts owing to the Lender hereunder promptly when due;
- (f) **Performance of Covenants.** The Borrower shall promptly perform and satisfy all covenants and obligations to be performed by it under this Debenture;
- (g) **Insurance.** Each of the Borrower and its Subsidiaries shall maintain insurance with respect to its properties and business against such casualties and contingencies, of such types, on such terms and in such amounts as is customary in the case of entities engaged in the same or a similar business and similarly situated;

*(h) **Maintain Listing.** The Borrower shall use reasonable commercial efforts to maintain the listing of the Common Shares on the Exchange and to maintain the Borrower's status as a "reporting issuer" not in default of the requirements of the Canadian Securities Laws*

(i) Notice of Event of Default. The Borrower shall promptly, and in any event within five (5) Business Days after a responsible officer of the Borrower becoming aware, give notice to the Lender of the existence of any Event of Default; and

(j) Escrow Agreement for Interest Payments. The proceeds of the Offering in such amount necessary to satisfy the interest on the Principal Amount outstanding under this Debenture until the Maturity date shall be deposited and held in escrow under the terms of the Escrow Agreement and shall be released to the Lender on each Interest Payment Date in accordance with the terms thereof in satisfaction of the applicable interest payment.

Section 6.2 Negative Covenants

The Borrower covenants and agrees that, without the prior written consent of the Lender:

(a) Indebtedness. Except for other Debentures issued pursuant to the Offering and unsecured indebtedness incurred by the Borrower or a Subsidiary for the purposes of financing a Permitted Acquisition, the Borrower shall not, and shall not permit its Subsidiaries, to assume any additional indebtedness other than (i) Permitted Secured Debt, and (ii) Permitted Subordinated Debt, without the prior written consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed) provided such additional indebtedness shall be fully postponed and subordinated to the indebtedness owed to and security held by the holder of this Debenture;

(b) Encumbrances. The Borrower shall not, and shall not permit the Subsidiaries to, create, assume or permit to exist any Lien on any assets or property, other than (i) such Liens as existed on the date hereof, (ii) Liens imposed by any governmental authority for any Taxes not yet due and delinquent or which are being contested in good faith, (iii) Liens granted after the date hereof to secure Permitted Secured Debt, and (iv) Secured Debt incurred or assumed by the Borrower and its Subsidiaries after the date hereof and secured by Liens pursuant to subparagraph Section 6.2(a) (collectively, the "**Permitted Encumbrances**");

(c) Distributions. The Borrower shall not declare, pay or make any dividend or other distribution on any shares in the capital of the Borrower or authorize the repurchase of any shares in the capital of the Borrower;

(d) Guarantees. The Borrower shall not become liable under any guarantees or otherwise become a surety for the indebtedness of another Person, other than (i) in the ordinary course of business, or (ii) in connection with Permitted Secured Debt incurred or assumed by the Borrower or its Subsidiaries;

(e) Related Party Transactions. The Borrower shall not enter into any contract or transaction with any related party except for (a) the purchase and/or sale of goods and/or services at fair market value or with Subsidiaries; (b) the issuance of securities of the Borrower on the same terms as offered to non-related parties; (c) amendments to the terms of previously issued securities that are approved by the Exchange; (d) internal reorganizations that are not otherwise prohibited hereunder; (e) entering into, or amending, employment, consulting and similar agreements with employees, officers or directors, or persons occupying similar roles; and (f) providing equity-based compensation to employees, officers or directors, or persons occupying similar roles;

(f) **Secured Debt of the Subsidiaries.** The Borrower shall not permit the Subsidiaries to incur or assume any Secured Debt other than Permitted Secured Debt without the prior written consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed);

(g) **Dispositions.** Subject to Section 6.2(j), none of the Borrower or its Subsidiaries shall sell, transfer or otherwise dispose of any property (including shares of Subsidiaries), other than:

(i) obsolete or worn-out property no longer used in the Business;

(ii) inventory, receivables or other property sold or disposed of in the ordinary course of business at fair market value; or

(iii) property (including shares of Subsidiaries) sold or disposed of for fair market value to Persons at arm's length to the Borrower provided that (i) no Event of Default is continuing on the date of such sale or would occur as a result of such sale and (ii) the cash component of the aggregate proceeds of such sale is not less than 75% of such proceeds.

For greater certainty, this Section 6.2(g) shall not in any way restrict the Borrower from (A) issuing Common Shares or securities convertible into Common Shares or (B) incurring or assuming Permitted Secured Debt, in either case at any time and from time to time after the date hereof.

(h) **Change in Nature of Business.** The Borrower shall not, nor will it permit any of its Subsidiaries to, engage to any material respect in any lines of business other than the Business conducted by the Borrower and its Subsidiaries at the date hereof other than as a result of the Agro-Biotech Acquisition;

(i) **Investments.** The Borrower shall not, nor will it permit any of its Subsidiaries to, make any investment in any Person, whether by acquisition of shares, indebtedness or other securities, or by loan, guarantee, advance, capital contribution or otherwise, other than:

(i) investments made prior to the date hereof, and any roll-over, renewal or extension thereof;

(ii) investments in Subsidiaries of the Borrower and investments in entities in which Subsidiaries of the Borrower are a general or limited partner;

(iii) deposit accounts with and certificates of deposit and other instruments issued by banks;

(iv) obligations of or guaranteed by the governments of Canada, the United States of America or any province or state thereof;

(v) security deposits with utilities, governmental authorities and other like Persons in the ordinary course of business; and

(vi) Permitted Acquisitions; and

(j) **Mergers.** The Borrower shall not enter into any Merger unless:

(i) the continuing corporation or other entity formed by the applicable consolidation, amalgamation or merger, or the Person that acquires by transfer, sale or lease all or substantially all of the assets of the Borrower, as the case may be, executes and delivers to the Lender its assumption in writing of the due and punctual performance and observance of each covenant and condition of this Debenture; and

(ii) no Event of Default is continuing on the date of such transaction or would occur as a result of such transaction.

ARTICLE 7 – EVENTS OF DEFAULT

Section 7.1 Events of Default

Any of the following shall constitute an Event of Default under this Debenture (each an “**Event of Default**”):

(a) the Principal Amount owing hereunder shall not be paid when due;

(b) if the Borrower breaches any representation contained in any of the Credit Documents, fails to make any payment or to observe, perform or comply with any term, covenant, condition or obligation of the Borrower contained in any of the Credit Documents or is otherwise in default of any of the provisions of any of the Credit Documents and such breach or default shall continue for thirty (30) days after written notice thereof has been given by the Lender to the Borrower, which shall set forth the nature of such default;

(c) any interest or other amount payable under this Debenture shall not be paid within ten (10) Business Days of when it was due and such default, if capable of being remedied, is not remedied within ten (10) days after the Borrower receiving written notice of such default from the Lender;

(d) the Borrower defaults in the performance of or compliance with any other term contained herein (other than referred in subparagraphs (a) and (b) of this Section 7.1) and such default, if capable of being remedied, is not remedied within thirty (30) days after the Borrower receiving written notice of such default from the Lender;

(e) if the Borrower shall generally fail to pay, or admit in writing its inability or unwillingness to pay, debts as they become due or if a decree or order of a court having jurisdiction is entered adjudging the Borrower a bankrupt or insolvent;

(f) if the Borrower shall apply for, consent to or acquiesce in the appointment of a trustee, receiver, or other custodian for the Borrower or for a substantial part of the property thereof, or make a general assignment for the benefit of creditors;

(g) if the Borrower shall in the absence of such application, consent or acquiescence, become subject to the appointment of a trustee, receiver, or other custodian for the Borrower or for a substantial part of the property thereof, or have a distress, execution, attachment, sequestration or other legal process levied or enforced on or against a substantial part of the property of the Borrower;

(h) if the Borrower shall permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower and, if any such case or proceeding is not commenced by the Borrower, such case or proceeding, if contested by the Borrower is not dismissed within thirty (30) days; or

(i) any other notes, debentures, bonds or other indebtedness for money borrowed having an aggregate principal amount of at least \$500,000 (or its equivalent in any other currency or currencies determined at the then current exchange rate) or more (hereinafter called "**Indebtedness**") of the Borrower shall become prematurely repayable following default, or steps are taken to enforce any security therefor, or the Borrower defaults in the repayment of any such Indebtedness at the maturity thereof or (in the case of Indebtedness due on demand) on demand, or, in either case, at the expiration of any applicable grace period therefor, (if any) or any guarantee of or indemnity in respect of any Indebtedness of others given by the Borrower shall not be honored when due and called upon.

If an Event of Default described in (f), (g) or (h) above shall occur, the entire unpaid principal of and accrued interest on this Debenture shall become immediately due and payable without any declaration or other act on the part of the Lender. Immediately upon the occurrence of any Event of Default described in (a), (b), (c), (d), (e) or (i) above, or upon failure to pay this Debenture on the Maturity Date, the Lender, upon notice to the Borrower, may proceed to protect, enforce, exercise and pursue any and all rights and remedies available to the Lender under this Debenture or at law or in equity.

If any other Event of Default shall occur for any reason, whether voluntary or involuntary, and be continuing the Lender may by notice to the Borrower declare all or any portion of the outstanding Principal Amount of this Debenture to be due and payable, whereupon the full unpaid amount of this Debenture which shall be so declared due and payable shall be and become immediately due and payable without further notice, demand or presentment pursuant to the terms of this Debenture.

ARTICLE 8 – MUTILATION, LOSS, THEFT OR DESTRUCTION OF DEBENTURE CERTIFICATE

In case this Debenture certificate shall become mutilated or be lost, stolen or destroyed, the Corporation, shall issue and deliver, a new replacement debenture certificate upon surrender and cancellation of the mutilated Debenture certificate or, in the case of a lost, stolen or destroyed Debenture certificate, in lieu of and in substitution for the same. In the case of loss, theft or destruction, the applicant for a substituted debenture certificate shall furnish to the Borrower such evidence of the loss, theft or destruction of the Debenture certificate as shall be satisfactory to the Borrower in its discretion and shall also furnish an indemnity and surety bond satisfactory to the Borrower in its discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted debenture certificate.

ARTICLE 9 – GENERAL

Section 9.1 Taxes, etc.

All payments made by the Borrower to the Lender under this Debenture shall be made free and clear of, and without deduction for or on account of, any withholding Taxes now or hereafter imposed by any official body in any jurisdiction. If any such withholding Taxes are required to be withheld or deducted from any amounts payable by the Borrower to the Lender hereunder, the Borrower shall:

(a) within the time period for payment permitted by applicable law, pay to the appropriate governmental body the full amount of such withholding Taxes and any additional Taxes in respect of the payment required under Section 9.1(b) hereof and make such reports and filings in connection therewith in the manner required by applicable law; and

(b) pay to the Lender an additional amount which (after deduction of all withholding Taxes incurred by reason of the payment or receipt of such additional amount) will be sufficient to yield to the Lender the full amount which would have been received by it had no deduction or withholding been made.

Upon the request of the Lender, the Borrower shall furnish to the Lender the original or a certified copy of a receipt for (or other satisfactory evidence as to) the payment of each of the withholding Taxes (if any) payable in respect of such payment. If the Lender receives a refund of any withholding Taxes with respect to which the Borrower has paid any additional amount under this Section 9.1, the Lender shall pay over such refund to the Borrower.

Section 9.2 Notice.

Any demand, notice, direction or other communication to be made or given hereunder (in each case, "**Communication**") shall be in writing and shall be made or given by personal delivery, by courier, by facsimile or email transmission, or sent by registered mail, charges prepaid, addressed to the respective parties as follows:

(a) if to the Borrower:

Pivot Pharmaceuticals Inc.
1275 West 6th Avenue
Vancouver, British Columbia
V6H 1A6

Attention: Patrick Frankham
Email: pfrankham@pivotpharma.com

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

Blake, Cassels & Graydon LLP
1 Place Ville Marie, Suite 3000
Montreal, Quebec
H3B 4N8

Attention: John Leopardi or Howard Levine
Email: john.leopardi@blakes.com or howard.levine@blakes.com

(b) if to the Lender:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Attention: [REDACTED]
E-mail: [REDACTED]

or to such other address or email or facsimile number as any party may from time to time designate in accordance with this Section. Any Communication made by personal delivery or by courier shall be conclusively deemed to have been given and received on the day of actual delivery thereof or if such day is not a Business Day, on the first Business Day thereafter. Any Communication made or given by facsimile or email on a Business Day before 4:00 p.m. (local time of the recipient) shall be conclusively deemed to have been given and received on such Business Day and otherwise shall be conclusively deemed to have been given and received on the first Business Day following the transmittal thereof. Any Communication that is mailed shall be conclusively deemed to have been given and received on the fifth Business Day following the date of mailing but if, at the time of mailing or within five (5) Business Days thereafter, there is or occurs a labour dispute or other event that might reasonably be expected to disrupt delivery of documents by mail, any Communication shall be delivered or transmitted by any other means provided for in this Section.

Section 9.3 Change of Control of Borrower

By its acceptance hereof, each of the Borrower and the Lender acknowledges and agrees that in the event a Change of Control occurs, then all references herein to the Borrower shall extend to and include the entity resulting therefrom or which thereafter will carry on the business of the Borrower.

Section 9.4 Amendments

This Debenture may not be amended or otherwise modified except by an instrument in writing executed by the Borrower and the Lender.

Section 9.5 Waivers

The Lender shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by the Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

Section 9.6 Registration of Debentures

The Borrower shall cause to be kept at the head office of the Borrower in the city of Toronto or Vancouver, in the discretion of the Borrower, a register in which shall be entered the name and latest known address of the Lender and any other holders of Debentures. Such register shall at all reasonable times during regular business hours of the Borrower be open for inspection by the Lender and any such holder. The Borrower shall not be charged with notice of or be bound to see to the performance of any trust, whether express, implied, or constructive, in respect of this Debenture and may act on the direction of the Lender, whether named as trustee or otherwise, as though the Lender were the beneficial owner of this Debenture.

Section 9.7 Transfer of Debenture

No transfer of this Debenture shall be valid unless made in accordance with applicable laws, including all applicable Canadian Securities Laws. If the Lender intends to transfer this Debenture or any portion thereof, it shall deliver to the Borrower the transfer form attached to this Debenture as **Schedule D**, duly executed by the Lender. Upon compliance with the foregoing conditions and the surrender by the Lender of this Debenture, the Borrower shall execute and deliver to the applicable transferee a new Debenture registered in the name of the transferee. If less than the full principal amount of this Debenture is transferred, the Lender shall be entitled to receive, in the same manner, a new Debenture registered in its name evidencing the portion of the principal amount of this Debenture not so transferred. Prior to registration of any transfer of this Debenture, the Lender and the applicable transferee shall be required to provide the Borrower with necessary information and documents, including certificates and statutory declarations, as may be required to be filed under applicable laws.

Section 9.8 Release and Discharge

If the Lender exercises all conversion rights attached to this Debenture pursuant to Article 4 hereof or if the Borrower pays all of the Obligations in full to the Lender, the Lender shall release this Debenture and the Borrower shall be, and shall be deemed to have, discharged of all its obligations under this Debenture.

Section 9.9 Successors and Assigns

This Debenture shall enure to the benefit of the Lender and its successors and assigns, and shall be binding upon the Borrower and its successors and permitted assigns.

Section 9.10 Time

Time shall be of the essence of this Debenture.

Section 9.11 Governing Law

This Debenture shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower and, by its acceptance hereof, the Lender each hereby irrevocably submit and attorn to the nonexclusive jurisdiction of the courts of the Province of Ontario in connection with this Debenture.

Section 9.12 Further Assurances

The Borrower shall forthwith, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such documents, agreements, opinions, certificates and instruments reasonably requested by the Lender or its counsel as may be necessary or desirable to complete the transactions contemplated by this Debenture and carry out its provisions and intention.

Schedule B – Guarantee and Confirmation

For value received, the receipt and sufficiency of which is hereby acknowledged, _____ (the “Guarantor”) hereby guarantees to _____ (the “Debentureholder”) payment, forthwith after demand made therefor as hereinafter provided, of all indebtedness and liabilities (present and future, direct or indirect, absolute or contingent, matured or not) of Pivot Pharmaceuticals Inc., formerly known as Neurokine Pharmaceuticals Inc. (the “Company”), to the Debentureholder under or in connection with the senior secured convertible debenture (the “Debenture”) dated _____ in the aggregate principal amount of \$ _____ issued by the Company to the Debentureholder, including principal, interest, default interest and all other monies payable under the Debentures (collectively, the “Obligations”); and the Guarantor further agrees that:

1. The Guarantor’s obligation to pay under this guarantee shall not be limited or reduced as a result of the termination, invalidity or unenforceability of any right of the Debentureholder against the Company or any other party (including other guarantors) for any cause whatsoever.
2. This guarantee shall be a continuing security for payment by the Company to the Debentureholder of all amounts owing under the Debenture.
3. The Debentureholder shall not be bound to exhaust its recourse against the Company or other parties or the securities that it may hold before being entitled to payment from the Guarantor under this guarantee.
4. Any change or changes in the name of the Company shall not affect or in any way limit or lessen the liability of the Guarantor under this guarantee and this guarantee shall extend to the person, firm or corporation acquiring or from time to time carrying on the business of the Company.
5. Any account settled or stated by or between the Debentureholder and the Company shall be accepted by the Guarantor as conclusive evidence that the balance or amount thereby appearing due by the Company to the Debentureholder is in fact so due.
6. The Guarantor agrees not to assert any right of subrogation against the Company or contribution against any other guarantor until all amounts owing under the Debenture have been paid in full. If the Debentureholder should receive from the Guarantor a payment in full or on account of the indebtedness or liability under this guarantee, all rights of subrogation arising therefrom shall be postponed and the Guarantor shall not be entitled to claim repayment against the Company or the Company’s estate until all amounts owing under the Debenture have been paid in full; and in the case of liquidation, winding up or bankruptcy of the Company (whether voluntary or compulsory) or in the event that the Company shall make a bulk sale of any of the Company’s assets within the bulk transfer provisions of any applicable legislation, or shall make any compromise with creditors or scheme of arrangement, the Debentureholder shall have the right to rank for its full claim and receive all dividends or other payments in respect thereof until its claim has been paid in full and the Guarantor shall continue to be liable, up to the amount guaranteed, less any payments made by the Guarantor, for any balance which may be owing to the Debentureholder by the Company.
7. Any notice or demand which the Debentureholder may wish to give may be served on the on any officer or director of the Guarantor, or by sending the same registered mail in an envelope addressed to the last known address of the Guarantor to be served as it appears on the Debentureholder’s records and the notice so sent shall be deemed to be received on the fifth business day following that on which it is mailed.

8. The Guarantor shall be currently liable under this guarantee at any time for the full amount of the Company's liabilities then outstanding under the Debenture, subject to the limit of liability of the Guarantor set forth above, provided that the Guarantor shall not be in default under or in breach of this guarantee unless and until the Debentureholder has made demand upon the Guarantor hereunder and the Guarantor have failed to pay the amount demanded or otherwise failed to comply with such demand forthwith following receipt (or deemed receipt) of such demand. In the case of default the Debentureholder may maintain an action upon this guarantee whether or not the Company is joined therein or separate action is brought against the Company or judgment obtained against it. The Debentureholder's rights are cumulative and shall not be exhausted by the exercise of any number of successive actions until and unless all indebtedness and liability hereby guaranteed has been paid and each of the Guarantor's obligations under the guarantee has been fully performed.

9. The Guarantor shall pay to the Debentureholder on demand (in addition to all debts and liabilities of the Company hereby guaranteed) all reasonable out-of-pocket costs, charges and expenses (including, without limitation, reasonable lawyer's fees as between solicitor and his own client on a full indemnity basis) actually incurred by the Debentureholder (and not otherwise reimbursed) for the enforcement of this guarantee, together with interest thereon, both before and after demand, default and judgment, calculated from the date of payment by the Debentureholder of each such cost, charge and expense until payment by the Guarantor hereunder, at the rate per annum then payable under the Debenture. All amounts payable by the Guarantor under this instrument shall be paid to the Debentureholder at the address directed in writing by the Debentureholder.

10. This instrument is in addition and without prejudice to any other securities of any kind including any other guarantees, whether or not in the same form as this instrument, now or hereafter held by the Debentureholder. Without limiting the generality of the foregoing, all limits and evidence of liability pursuant to any guarantee now or hereafter held by the Debentureholder shall be cumulative.

11. There are no representations, warranties, collateral agreements or conditions with respect to this guarantee or affecting the Guarantor's liability hereunder other than as contained herein, or in any other document or instrument by the Guarantor to the Debentureholder.

12. This instrument shall be construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. The Guarantor agrees that any legal suit, action or proceedings arising out of or relating to this instrument may be instituted in the courts of Ontario and the Guarantor hereby accepts and irrevocably submits to the jurisdiction of the said courts and acknowledges their competence and agrees to be bound by any judgement thereof, provided that nothing herein shall limit the Debentureholder's right to bring proceedings against the Guarantor elsewhere.

13. This instrument shall extend to and enure to the benefit of the successors and assigns of the Debentureholder and shall be binding upon the Guarantor and the heirs, executors, administrators and successors of the Guarantor.

14. Executed copies of this instrument may be delivered by facsimile transmission or electronic mail transmission.

15. In the event of any conflict or inconsistency between the provisions of this instrument and the provisions of the Debenture then, notwithstanding anything contained in this instrument, the provisions contained in the Debenture shall prevail to the extent of such conflict or inconsistency and the provisions of this instrument shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, it being understood that the purpose of this instrument is to add to, and not detract from, the rights granted to the Debentureholder under the Debenture.

IN WITNESS WHEREOF each Guarantor has duly executed and delivered this guarantee as of the ____ day of _____, 2018.

Address: _____

By: _____
Name:
Title:

Schedule C – Conversion Notice

TO: PIVOT PHARMACEUTICALS INC. (formerly known as Neurokine Pharmaceuticals Inc.) (the “Borrower”)

Pursuant to the 10.00% Senior Secured Convertible Debenture (the “**Debenture**”) of the Borrower issued to the undersigned on _____, 2018, the undersigned hereby notifies you that \$_____ of the principal amount outstanding under the Debenture shall be converted into Common Shares of the Borrower in accordance with the terms of the Debenture on _____, 20__.

The certificates representing the Common Shares to be issued shall be registered as follows:

Name	Address for Delivery	# of Common Shares

(Print name as name is to appear on Share Certificate)

DATED this ____ day of _____, 20__.

[NAME]

By: _____
Name:
Title:

Schedule D – Form of Transfer

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to:

(Name)

(Address)

(the “**Transferee**”), of \$ _____ principal amount of Senior Secured Convertible Debenture (the “**Debentures**”) of Pivot Pharmaceuticals Inc. issued on _____, 2018 registered in the name of the undersigned on the register of Debentures represented by the attached Debenture, and irrevocably appoints _____ as the attorney of the undersigned to transfer to the Transferee the said principal amount of the Debenture on the books or register of transfer, with full power of substitution.

DATED this ____ day of _____, 2018.

[NAME]

By: _____

Name:

Title:

Note to Debentureholder: In order to transfer the Debenture, this transfer form must be delivered to Pivot Pharmaceuticals Inc.

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JULY 3, 2018.

PIVOT PHARMACEUTICALS INC.
(FORMERLY KNOWN AS NEUROKINE PHARMACEUTICALS INC.)

10.00% SENIOR SECURED CONVERTIBLE DEBENTURE DUE MARCH 2, 2019

DEBENTURE

CERTIFICATE NUMBER: CD-2

PRINCIPAL AMOUNT: CDN\$2,500,000

PIVOT PHARMACEUTICALS INC. (formerly known as **Neurokine Pharmaceuticals Inc.**), a corporation incorporated under the laws of British Columbia (the "**Borrower**"), for value received, hereby acknowledges itself indebted and promises to pay to or to the order of [REDACTED]

[REDACTED] (hereinafter referred to as the "**Lender**" or the "**Debentureholder**"), the principal amount of two million five hundred thousand dollars (\$2,500,000) (the "**Principal Amount**") in lawful money of Canada in the manner hereinafter provided at the foregoing address of the nominee, or at such other place or places as the Lender may designate by notice in writing to the Borrower, on March 2, 2019, or such earlier date as the Principal Amount may become due and payable (the "**Maturity Date**"), and to pay interest to the Lender on the Principal Amount outstanding from time to time owing hereunder to the date of payment as hereinafter provided, both before and after maturity or demand, default and judgment.

The Debentureholder has the right, from time to time and at any time on or prior to 5:00 p.m. (Eastern Standard time) on the earlier of the Business Day (as defined herein) immediately preceding (i) the Maturity Date, and (ii) the date fixed for redemption of this Debenture in accordance with terms hereof, to convert all or any portion of the outstanding Principal Amount into Common Shares (as defined herein), at a price equal to the Conversion Price (as defined herein), subject to adjustment in certain events. Beginning on the date that is four months plus one day following the Closing Date (as defined herein), if, for any 20 consecutive VWAP Days (as defined herein), the VWAP (as defined herein) of the Common Shares on the Exchange (as defined herein) is greater than \$2.50, the Borrower has the right to require the Debentureholder to convert all but not less than all of the Principal Amount then outstanding under this Debenture at the Conversion Price on not less than 30 days' notice. Notwithstanding the foregoing, the Borrower shall not be permitted to force conversion of the Debenture if the Common Shares issuable upon such conversion will be subject to restrictions on resale in Canada.

Unless the Lender exercises the conversion rights attached to this Debenture or the Borrower exercises the Accelerated Conversion Right (as defined herein), the Principal Amount owing, or the portion of the principal amount which has yet to be converted, together with any accrued and unpaid interest owing thereon and all other amounts now or hereafter payable hereunder (collectively, the "**Obligations**") shall be due and payable on the Maturity Date in accordance with the terms hereof. This Debenture is issued subject to the terms and conditions appended hereto as **Schedule A**. To further ensure the repayment of the Principal Amount and the interest thereon as provided in this Debenture, the Subsidiaries (as defined herein) have agreed to guarantee the obligations of the Borrower set out herein and shall, concurrent with the execution and delivery of this Debenture by the Borrower, execute and deliver the form of guarantee and confirmation substantially in the form appended hereto as **Schedule B**.

IN WITNESS WHEREOF, the Borrower has caused this Debenture to be executed by a duly authorized officer.

DATED for reference this 2nd day of March, 2018.

PIVOT PHARMACEUTICALS INC.

By: /s/ Patrick Frankham
Authorized Signatory

(See terms and conditions attached hereto)

Schedule A – Terms and Conditions for 10.00% Senior Secured Convertible Debenture

ARTICLE 1 – INTERPRETATION

Section 1.1 Definitions

In this Agreement:

- (1) “Accelerated Conversion Right” means the right attached to this Debenture which permits the Borrower to require the Debentureholder to convert the Principal Amount, or any portion thereof, into Common Shares in accordance with Article 4;
- (2) “Accelerated Issue Date” has the meaning attributed thereto in Section 4.2(2);
- (3) “Agro-Biotech Acquisition” means the proposed acquisition of Agro-Biotech Inc. by the Borrower pursuant to the terms disclosed by the Borrower by way of press release on February 22, 2018;
- (4) “**Business**” means the business of the Borrower, being the development and commercialization of therapeutic pharmaceuticals and nutraceuticals as well as drug delivery platform technologies;
- (5) “**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario or Vancouver, British Columbia, Canada are authorized by law to close;
- (6) “**Canadian Securities Laws**” means the *Securities Act* (Ontario) and the securities laws of any other province or territory of Canada, if applicable, and the rules, regulations and policies of any Canadian securities regulatory authority administering such securities laws, as the same shall be in effect from time to time;
- (7) “**Capital Lease**” means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with the accounting standards applicable to such lessee;
- (8) “**Capital Reorganization**” has the meaning attributed thereto in Section 4.3(j);
- (9) “**Change of Control**” means
 - (a) any transaction (whether by purchase, merger or otherwise) whereby a person or persons acting jointly or in concert directly or indirectly acquires the right to cast, at a general meeting of shareholders of the Borrower, more than 50% of the votes attached to the Common Shares that may be ordinarily cast at a general meeting;
 - (b) the Borrower’s amalgamation, consolidation or merger with or into any other person, any merger of another person into the Borrower, unless the holders of voting securities of the Borrower immediately prior to such amalgamation, consolidation or merger hold securities representing 50% or more of the voting control or direction in the Borrower or the successor entity upon completion of the amalgamation, consolidation or merger; or
 - (c) any conveyance, transfer, sale lease or other disposition of all or substantially all of the Borrower’s and the Borrower’s subsidiaries’ assets and properties, taken as a whole, to another arm’s length Person;

- (10) “Change of Control Notice” has the meaning attributed thereto in Section 3.3;
- (11) “Closing Date” means March 2, 2018;
- (12) “**Common Shares**” means the common shares in the capital of the Borrower or the common shares of the continuing corporation or other resulting issuer formed as a result of a Merger;
- (13) “**Conversion Date**” has the meaning attributed thereto in Section 4.1;
- (14) “**Conversion Price**” means \$1.74 per Common Share, subject to adjustment in certain events in accordance with the terms hereof;
- (15) “**Conversion Right**” has the meaning attributed thereto in Section 4.1;
- (16) “**Current Market Price**” of the Common Shares at any date, means the weighted average of the sale prices per Common Share at which the Common Shares have traded on the Exchange or, if the Common Shares are not listed on any stock exchange, then on the over-the-counter market, for any 20 consecutive trading days selected by the Borrower commencing not later than 45 trading days and ending no later than five (5) trading days before such date; provided, however, if such Common Shares are not traded during such 45 day period for at least 20 consecutive trading days, the simple average of the following prices established for each of 20 consecutive trading days selected by the Borrower commencing not later than 45 trading days before such date:
- (a) the average of the bid and ask prices for each day on which there was no trading, and
 - (b) the closing price of the Common Shares for each day that there was trading,
- or in the event that at any date the Common Shares are not listed on the Exchange or on the over-the-counter market, the current market price shall be as determined by the directors of the Borrower or such firm of independent chartered accountants as may be selected by the directors of the Borrower, acting reasonably, and in good faith in their sole discretion; for these purposes, the weighted average price for any period shall be determined by dividing the aggregate sale prices during such period by the total number of Common Shares sold during such period.
- (17) “**Credit Documents**” means this Debenture, and all other security and/or guarantees granted by the Borrower and the Subsidiaries, or any other Person from time to time in favour of the Debentureholder, as security for the Borrower’s obligations, including, without limitation, each general security agreement granted by the Subsidiaries, or any of them, in favour of the Debentureholder and each guarantee granted by the Subsidiaries, or any of them, in favour of the Debentureholder;
- (18) “**Debentureholders**” means, collectively, the holders of the Debentures;
- (19) “**Debentures**” means this senior secured convertible debenture and any other debentures substantially on the same terms as this debenture issued by the Borrower under the Offering;
- (20) “**dividend paid in the ordinary course**” has the meaning attributed thereto in Section 4.3(g);
- (21) “**Escrow Agreement**” means the escrow agreement entered into among the Lender, the Borrower and McMillan LLP, as escrow agent, in respect of the interest on the Principal Amount outstanding under this Debenture on terms reasonably acceptable to the Lender;

- (22) **“Event of Default”** has the meaning attributed thereto in Section 7.1;
- (23) **“Exchange”** means the Canadian Securities Exchange or such other stock exchange in Canada as approved by the holders of the Debentures, on which the Common Shares are principally traded;
- (24) **“Indebtedness”** has the meaning attributed thereto in Section 7.1;
- (25) **“Interest Payment Date”** means the last day of March, June, September and December in each year commencing on March 31, 2018, as well as the Maturity Date, and the date on which this Debenture is redeemed or converted, whichever is earlier;
- (26) **“Issue Date”** has the meaning attributed thereto in Section 4.2;
- (27) **“Lien”** means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property of such Person;
- (28) **“Make-Whole Amount”** means an amount payable in cash equal to 50% of the interest payments that would have been made in respect of the Principal Amount outstanding under the Debenture if the Debenture is: (a) repaid, exchanged or converted pursuant to a Change of Control or Merger, or (b) redeemed pursuant to additional financing, if the Principal Amount remained outstanding from such date until the Maturity Date;
- (29) **“Maturity Date”** means March 2, 2019;
- (30) **“Merger”** means any transaction (whether by way of arrangement, amalgamation, merger, transfer, sale or lease) whereby all or substantially all of the Borrower's assets would become the property of any other Person, or, in the case of any such arrangement, amalgamation or merger, of the continuing corporation or other entity resulting therefrom;
- (31) **“Offering”** means the offering of Debentures up to a maximum aggregate principal amount of \$5,000,000 to be issued and sold by the Borrower, as announced in the Borrower's press release dated February 27, 2018;
- (32) **“Per Share Cost”** has the meaning attributed thereto in Section 4.3(b);
- (33) **“Permitted Acquisition”** means, with respect to any Person, any transaction by which such Person acquires as a going concern the business of, or all or substantially all of the assets of any corporation or other business entity or division thereof or any other person, whether through purchase of assets, purchase of shares or other equity interests, amalgamation, merger, joint venture or otherwise, but in each case only if:
- (a) no Event of Default is continuing on the date of the acquisition or would occur as a result of such acquisition;
 - (b) the Person or Persons from whom the acquisition is made are at arm's length to such Person;
 - (c) the relevant business is related to the strategic objectives of the business carried on by such Person; and
 - (d) the aggregate purchase price (including associated expenses) for the acquisition does not exceed the fair market value of such business,
- it being agreed by the Borrower and the Lender that the proposed Agro-Biotech Acquisition shall constitute a “Permitted Acquisition” for the purposes of this Debenture;

- (34) **“Permitted Encumbrance”** has the meaning attributed thereto in Section 6.2(b);
- (35) **“Permitted Secured Debt”** means, with respect to the Borrower or the Subsidiaries, any Secured Debt of the Borrower or the Subsidiaries that:
- (a) is existing at the date hereof; and
 - (b) is owing by the Subsidiaries to the Borrower or to another wholly-owned subsidiary of the Borrower; and
 - (c) is incurred or assumed by the Borrower or the Subsidiaries in connection with the purchase of real or personal property in the ordinary course of the Borrower’s or the Subsidiaries’ business, provided that the applicable Lien extends only to such property and its proceeds, and secures an amount not exceeding the purchase price of such property; or
 - (d) is a Capital Lease obligation of the Borrower or the Subsidiaries, including, without limitation, any indebtedness incurred for the purchase or lease of specifically identified equipment, for which a purchase money security interest (as defined in the *Personal Property Security Act* (Ontario) or comparable legislation of another Canadian jurisdiction) is granted;
- (36) **“Permitted Share Issuance”** means the issuance by the Borrower of Common Shares in connection with the following:
- (a) as consideration for a Permitted Acquisition;
 - (b) exercise or conversion of currently outstanding convertible securities and conversion of the Debentures; and
 - (c) issuance of stock options or the exercise of stock options currently outstanding or to be issued in accordance with the Borrower’s stock option plan.
- (37) **“Permitted Subordinated Debt”** means any and all indebtedness incurred or assumed by the Borrower or the Subsidiaries after the date of issue of this Debenture in respect of which all obligations of payment and performance, together with all security interests or collateral granted as security for payment and performance, are fully postponed and subordinated to the indebtedness owed to and security held by the holder of this Debenture;
- (38) **“Person”** means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof;
- (39) **“Rights Offering”** has the meaning attributed thereto in Section 4.3(b);
- (40) **“Rights Period”** has the meaning attributed thereto in Section 4.3(b);
- (41) **“Secured Debt”** means, with respect to any Person, any obligation of such Person for borrowed money that is secured in any manner by any Lien on any real or personal property of such Person;
- (42) **“Special Distribution”** has the meaning attributed thereto in Section 4.3(g);

(43) “**Subsidiary**” means: (i) in respect of the Borrower, Pivot Green Stream Health Solutions Inc.; and (ii) as to any Person, any corporation or other business entity in which such Person or one or more of its Subsidiaries owns, directly or indirectly, sufficient equity or voting interests to enable it or them (as a group) to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries;

(44) “**Taxes**” means any present or future income and other taxes, levies, rates, royalties, deductions, withholdings, assessments, fees, dues, duties, imposts and other charges of any nature whatsoever, together with any interest and penalties, additions to tax and other additional amounts, levied, assessed or imposed by any governmental authority;

(45) “**trading day**” means a day on which the Exchange is open for trading (or if the Borrower’s Common Shares are not then listed on the Exchange, such other recognized stock exchange or quotation system on which the Common Shares may trade or be quoted);

(46) “**VWAP**” means the daily volume weighted average trading price of the Common Shares on the Exchange; and

(47) “**VWAP Days**” has the meaning attributed thereto in Section 4.1(2).

Section 1.2 Headings

The inclusion of headings in this Debenture is for convenience of reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Currency

Unless otherwise indicated, all amounts in this Debenture are stated and shall be paid in currency of Canada.

Section 1.4 Number, Gender and Persons

Unless the context otherwise requires, words importing the singular in number only shall include the plural and vice versa, words importing the use of gender shall include the masculine, feminine and neuter genders and words importing persons shall include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities.

Section 1.5 Severability

If any provision of this Debenture is determined by a Court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each such provision shall be interpreted in such a manner as to render them valid, legal and enforceable to the greatest extent permitted by applicable law. Each provision of this Debenture is declared to be separate, severable and distinct.

Section 1.6 Entire Agreement

This Debenture, including any schedules attached hereto, constitutes the entire agreement between the Borrower and the Lender relating to the subject matter hereof, and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements, understandings, conditions or collateral agreements, whether oral or written, express or implied, with respect to the subject matter hereof.

ARTICLE 2 – PAYMENT OF PRINCIPAL AND INTEREST

Section 2.1 Repayment of Principal

Subject to the terms and conditions hereof, the Principal Amount outstanding under this Debenture, together with any accrued and unpaid interest owing thereon, shall be repaid by the Borrower to the Lender in cash in lawful money of Canada on the Maturity Date.

Section 2.2 Interest Payable

Interest on the Principal Amount outstanding under this Debenture shall be at the rate of ten percent (10.00%) per annum, calculated and payable quarterly, not in advance, from the date of issue, and shall be paid on the applicable Interest Payment Dates, and, for greater certainty, such interest shall be payable before, during or after the occurrence of an Event of Default. The March 31, 2018 interest payment will represent accrued interest from the Closing Date to March 31, 2018. For greater certainty, such interest shall be payable before, during or after the occurrence of an Event of Default.

Section 2.3 Additional Interest Payable in Event of Default

If any Event of Default shall occur for any reason, additional interest on the Principal Amount outstanding under this Debenture shall payable be at the rate of five percent (5.00%) per annum, calculated and payable quarterly, not in advance, from the date of the occurrence of an Event of Default, and shall be paid on the applicable Interest Payment Dates during the period that an Event of Default is continuing.

Section 2.4 Method of Paying Interest

The Borrower shall satisfy its obligation to pay interest on the Debenture, on an applicable Interest Payment Date, in cash in lawful money of Canada.

Section 2.5 Rank

The Debentures will constitute direct secured obligations of the Borrower. Each Debenture will rank *pari passu* with each other Debenture in right of payment of principal and interest (regardless of their actual date of issue) and, subject to statutory preferred exceptions, will rank in priority to all other indebtedness of the Borrower, other than the Permitted Secured Debt.

Section 2.6 Guarantee

This Debenture is entitled to and shall have the benefit of a guarantee of the Subsidiaries of all indebtedness and liability (present and future, direct or indirect, absolute or contingent, matured or not) of the Borrower to the Lender under or in connection with this Debenture in favour of the Lender dated as of the date of this Debenture (the “Guarantees”). As security for the obligations under the Guarantees, the Subsidiaries shall each grant in favour of the Debentureholder a security interest over all of such Subsidiaries’ respective present and after acquired personal property in which such Subsidiaries have rights, of whatsoever nature or kind and wherever situate which shall rank *pari passu* between and among the Debentureholders. The security granted to the Debentureholder by each of the Subsidiaries shall be evidenced by one or more general security agreements entered into between each of the Subsidiaries and the Debentureholder.

ARTICLE 3 – REDEMPTION OR PURCHASE OF DEBENTURE

Section 3.1 No Early Redemption

Except pursuant to Section 3.2 and Section 3.4, the Borrower shall not be permitted to redeem or repay the Debentures prior to the Maturity Date without the prior written consent of the Lender, in its sole and absolute discretion.

Section 3.2 Redemption or Conversion if Change of Control

The Borrower shall notify the Debentureholder of any pending Change of Control or Merger in accordance with Section 3.3, and the Debentureholder shall, in its sole discretion, have the right to require the Borrower to, either: (i) purchase the Debentures at 104% of the then outstanding Principal Amount thereof together with accrued and unpaid interest and an amount equal to the Make-Whole Amount; or (ii) if the Change of Control results in a new issuer, convert the Debenture into a replacement debenture of the new issuer in the aggregate principal amount of 100% of the Principal Amount of the Debenture then outstanding on substantially equivalent terms to those terms contained herein and pay a cash payment equal to accrued and unpaid interest; or (iii) convert the Debentures at the Conversion Price and pay a cash payment equal to the Make-Whole Amount.

Section 3.3 Notice of Change of Control

Upon the occurrence of any event constituting or reasonably likely to constitute a Change of Control or Merger, the Borrower shall give written notice to the Lender of such Change of Control or Merger at least thirty (30) days or as soon as reasonably possible prior to the effective date of any such Change of Control or Merger and another written notice on or immediately after the effective date of such Change of Control or Merger (the “**Change of Control Notice**”).

Section 3.4 Redemption if Additional Equity Offering or Indebtedness

Except in connection with a Permitted Acquisition, the Borrower shall not issue additional Common Shares or securities convertible into Common Shares (including without limitation through the exercise of outstanding options, warrants or other securities convertible into Common Shares) or assume or incur any additional indebtedness, whether secured or unsecured, (each an “Additional Financing”) unless: (i) the Borrower first makes an irrevocable offer to redeem such amount of the then outstanding Principal Amount of the Debentures as is equal to the proceeds raised from the Additional Financing, together with the accrued and unpaid interest and a Make-Whole Amount proportionate to the outstanding Principal Amount to be redeemed; and (ii) the use of proceeds of any such issuance of equity securities or indebtedness are irrevocably allocated to redeem the aforesaid amount of the then outstanding Principal Amount of this Debenture together with the accrued and unpaid interest and aforesaid proportionate share of the Make-Whole Amount, provided that the proceeds from such Additional Financing are not less than \$100,000. If the proceeds of any Additional Financing are less than \$100,000, the Borrower shall segregate such proceeds until the aggregate proceeds from Additional Financings are a minimum of \$100,000.

Section 3.5 Purchases for Cancellation

The Borrower will have the right at any time and from time to time to purchase the Debentures for cancellation in the market, by tender, or by private contract.

ARTICLE 4 – CONVERSION

Section 4.1 Conversion Right

(1) Upon and subject to the terms and conditions hereinafter set forth, the Lender shall have the right (the “**Conversion Right**”), but not the obligation, at any time, and from time to time, up to and including the earlier of: (a) the Business Day immediately preceding the Maturity Date; and (b) the Business Day prior to any redemption of the Debenture in accordance with terms hereof, to notify the Borrower that it wishes to exchange or convert, for no additional consideration, all or any part of the Principal Amount of this Debenture (the “**Converted Debenture Amount**”) into fully paid and non-assessable Common Shares at the Conversion Price in effect on the Issue Date (as hereinafter defined), provided that the Lender must exchange or convert the Principal Amount of this Debenture in a minimum amount of \$250,000, unless the principal amount remaining is less than \$250,000 in which case, the entire remaining amount shall be converted. For greater certainty, if the Lender is electing to convert all or a portion of the Principal Amount, then the applicable amount of accrued and unpaid interest on the Principal Amount being converted must be paid by the Borrower up to, but excluding, the applicable date of conversion (the “**Conversion Date**”) in accordance with Section 2.2 and Section 2.3.

(2) Upon and subject to the terms and conditions hereinafter set forth, the Borrower shall have the right (the “**Accelerated Conversion Right**”), at any time prior to the Maturity Date, to require the Debentureholder to convert all but not less than all of the Principal Amount outstanding under this Debenture at the Conversion Price if, for any twenty (20) consecutive trading days commencing on the date that is four months plus one day following the Closing Date and prior to the Maturity Date (the “**VWAP Days**”), the VWAP of the Common Shares on the Exchange is greater than \$2.50. For greater certainty, VWAP Days shall not include any trading day on which the Common Shares issuable upon such conversion would be subject to restrictions on resale in Canada upon conversion of this Debenture. Notwithstanding the foregoing, the Borrower shall not be permitted to force conversion of this Debenture if the Common Shares issuable upon such conversion will be subject to restrictions on resale in Canada.

(3) The Conversion Right and the Accelerated Conversion Right shall extend only to the maximum number of whole Common Shares into which the Principal Amount of this Debenture or any part thereof may be converted in accordance with this Section 4.1. Fractional interests in Common Shares shall be adjusted in the manner provided in Section 4.4.

Section 4.2 Conversion Procedure

(1) The Conversion Right may be exercised by the Lender by completing and signing the notice of conversion (the “**Conversion Notice**”) attached hereto as **Schedule C**, and delivering the Conversion Notice and this Debenture to the Borrower. The Conversion Notice shall provide that the Conversion Right is being exercised, shall specify the Principal Amount being converted, and shall set out the date (the “**Issue Date**”) on which Common Shares are to be issued upon the exercise of the Conversion Right (such date to be no earlier than three (3) Business Days and no later than seven (7) Business Days after the day on which the Conversion Notice is issued). The conversion shall be deemed to have been effected immediately prior to the close of business on the Issue Date and the Common Shares issuable upon conversion shall be deemed to be issued as fully paid and non-assessable at such time. Within seven (7) Business Days after the Issue Date, a certificate for the required number of Common Shares shall be issued to the Lender. If less than all of the Principal Amount of this Debenture is the subject of the Conversion Right, then within seven (7) Business Days after the Issue Date, the Borrower shall deliver to the Lender a replacement Debenture in the form hereof in the principal amount of the unconverted principal balance hereof, and this Debenture shall be cancelled. If the Conversion Right is being exercised in respect of the entire Principal Amount of this Debenture, this Debenture shall be cancelled.

(2) The Accelerated Conversion Right may be exercised by the Borrower by delivering 30 days’ advance written notice (the “**Accelerated Conversion Notice**”) to the Lender. The Accelerated Conversion Notice shall provide that the Accelerated Conversion Right is being exercised, shall specify the amount of the Principal Amount being converted, shall specify the ten (10) consecutive VWAP Days on the Exchange on which the VWAP of the Common Shares exceeded \$2.50, and shall set out the date (the “**Accelerated Issue Date**”) on which Common Shares are to be issued upon the exercise of the Accelerated Conversion Right (such date to be no earlier than three (3) Business Days and no later than seven (7) Business Days after the day on which the Accelerated Conversion Notice is issued, unless otherwise mutually agreed by the Borrower and the Lender). The conversion shall be deemed to have been effected immediately prior to the close of business on the Accelerated Issue Date and the Common Shares issuable upon conversion shall be deemed to be issued as fully paid and non-assessable at such time. Within seven (7) Business Days after the Accelerated Issue Date, provided a certificate for the required number of Common Shares has been issued to the Lender, this Debenture shall be cancelled.

Section 4.3 Adjustment of Conversion Price

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (a) If and whenever at any time prior to the Maturity Date, the Borrower shall:
 - (i) subdivide or redivide the outstanding Common Shares into a greater number of Common Shares;
 - (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares;
 - (iii) issue Common Shares (or securities convertible into or exchangeable for Common Shares) to the holders of all or substantially all of the outstanding Common Shares by way of stock dividend; or
 - (iv) make a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares,

the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares (or securities convertible into or exchangeable for Common Shares) by way of a stock dividend or other distribution, as the case may be, shall, in the case of the events referred to in Sections 4.3(a)(i), (iii) and (iv) above, be decreased in proportion to the increase in the number of outstanding Common Shares resulting from such subdivision, redivision or dividend (including, in the case where securities convertible into or exchangeable for Common Shares are issued, the number of Common Shares that would have been outstanding had such securities been converted into or exchanged for Common Shares on such effective or record date) or shall, in the case of the events referred to in Section 4.3(a)(ii) above, be increased in proportion to the decrease in the number of outstanding Common Shares resulting from such reduction, combination or consolidation on such effective or record date. Such adjustment shall be made successively whenever any event referred to in this Section 4.3(a) shall occur. Any such issue of Common Shares (or securities convertible into or exchangeable for Common Shares) by way of a stock dividend or other distribution shall be deemed to have been made on the record date for the stock dividend or other distribution for the purpose of calculating the number of outstanding Common Shares under Sections 4.3(b) and (g); to the extent that any such securities are not converted into or exchanged for Common Shares prior to the expiration of the conversion or exchange right, the Conversion Price shall be readjusted effective as at the date of such expiration to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued on the exercise of such conversion or exchange right.

(b) If and whenever at any time prior to the Maturity Date, the Borrower shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than forty-five (45) days after such date of issue (such period from the record date to the date of expiry being referred to in this Section 4.3(b) as the “**Rights Period**”), to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) (such subscription price per Common Share (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) being referred to in this Section 4.3(b) as the “**Per Share Cost**”), the Borrower shall give written notice to the Lender with respect thereto (any of such events herein referred to as a “**Rights Offering**”), and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the record date for the issuance of such rights, options or warrants. If the Lender elects not to convert any of the Principal Amount of this Debenture, there shall continue to be an adjustment to the Conversion Price as a result of the issuance of such rights, options or warrants, in the manner hereinafter provided. The Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

(i) the numerator of which is the aggregate of:

(A) the number of Common Shares outstanding as of the record date for the Rights Offering; and

(B) the number determined by dividing the product of the Per Share Cost and:

(I) where the event giving rise to the application of this Section 4.3(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or

(II) where the event giving rise to the application of this Section 4.3(b) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price (as hereinafter defined) of the Common Shares as of the record date for the Rights Offering; and

(ii) the denominator of which is:

(A) in the case described in subparagraph 4.3(b)(i)(B)(I), the number of Common Shares outstanding, or

(B) in the case described in subparagraph 4.3(b)(i)(B)(II), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.3(b)(i)(B)(II) had been issued,

as at the end of the Rights Period.

(c) Any Common Shares owned by or held for the account of the Borrower or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Borrower will be deemed not to be outstanding for the purpose of any such computation.

(d) If by the terms of the rights, options or warrants referred to in this Section 4.3(b), there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of:

(i) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and

(ii) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

(e) To the extent that any adjustment in the Conversion Price occurs pursuant to this Section 4.3(b) as a result of the fixing by the Borrower of a record date for the distribution of rights, options or warrants referred to in this Section 4.3(b), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

(f) If the Lender has exercised its Conversion Right in accordance herewith during the Rights Period, the Lender will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the difference, if any, between the Conversion Price in effect immediately prior to, and the Conversion Price in effect immediately following the end of such Rights Offering pursuant to this Section 4.3(b), is multiplied by the number of Common Shares received upon the exercise of the Conversion Right during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this Section 4.3(b); provided that no fractional Common Shares will be issued. Such additional Common Shares will be deemed to have been issued to the Lender immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to the Lender within 10 Business Days following the end of the Rights Period.

(g) If and whenever at any time prior to the Maturity Date, the Borrower shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares (or other than securities convertible into or exchangeable for Common Shares), or (ii) rights, options or warrants (other than rights, options or warrants referred to in Section 4.3(b)), or (iii) evidences of its indebtedness, or (iv) assets (in each case, other than dividends paid in the ordinary course) then, in each such case, the Borrower shall give written notice to the Lender with respect thereto, and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the record date for the making of such distribution. If the Lender elects not to convert any of the Principal Amount of this Debenture, there shall continue to be an adjustment to the Conversion Price as a result of the making of such distribution, (herein referred to as a "**Special Distribution**") determined in the manner hereafter set out in Section 4.3(h). In this Section 4.3(g) the term "**dividends paid in the ordinary course**" shall include the value of any securities or other property or assets distributed in lieu of cash dividends paid in the ordinary course at the option of shareholders.

(h) In circumstances described in Section 4.3(g), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

(i) the numerator of which is:

(A) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less

(B) the aggregate fair market value (as determined by action by the directors of the Borrower, acting reasonably) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

(ii) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Borrower or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Borrower will be deemed not to be outstanding for the purpose of any such computation.

(i) In the case of any reclassification of, or other change in, the outstanding Common Shares pursuant to a Change of Control, if the Lender elects not to redeem this Debenture in accordance with Section 3.1, the Lender may elect, prior to the effective date of such Change of Control, to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. To exercise such right the Lender must provide a notice in writing to the Borrower no later than seven days prior to the effective date of such Change of Control, failing which the Lender's right to convert this Debenture as a consequence of such Change of Control shall cease. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the effective date of such Change of Control. If the Lender elects not to convert any of the Principal Amount of this Debenture, the Conversion Price in effect after the effective date of such Change of Control shall be increased or decreased, as the case may be, in proportion to any decrease or increase in the number of outstanding Common Shares resulting from such Change of Control so that the Lender, upon exercising the Conversion Right after the effective date of such Change of Control, will be entitled to receive the aggregate number of Common Shares or other securities, if any, which the Lender would have been entitled to receive as a result of such Change of Control if, on the effective date thereof, the Lender had been the registered holder of the number of Common Shares to which the Lender was theretofore entitled upon exercise of the Conversion Right.

(j) In the case of any reclassification of, or other change in, the outstanding Common Shares (other than a change referred to in Section 4.3(a), Section 4.3(b), Section 4.3(g) or 4.3(i) hereof), the Conversion Price shall be adjusted in such manner, if any, and at such time, as the Board of Directors of the Borrower determines to be appropriate on a basis consistent with the intent of this Section 4.3; provided that if at any time a dispute arises with respect to adjustments provided for in this Section 4, such dispute will be conclusively determined by the auditors of the Borrower or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the directors of the Borrower, acting reasonably, and any such determination will be binding on the Borrower and the Lender. The Borrower will provide such auditors or accountants with access to all necessary records of the Borrower. If and whenever at any time after the date hereof there is a reclassification or redesignation of the Common Shares outstanding at any time or change of the Common Shares into other shares or into other securities (other than as set out in Section 4.3(a), (b), (g) or (i)), or a consolidation, amalgamation or merger of the Borrower with or into any other corporation or other entity (other than a consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares and other than as set forth in Section 4.3(i)), or a transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a "**Capital Reorganization**"), the Lender, upon the exercising the Conversion Right, after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which the Lender was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property, if any, which the Lender would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Lender had been the registered holder of the number of Common Shares to which such Lender was theretofore entitled upon exercise of the Conversion Right. If determined appropriate by action of the directors of the Borrower, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.3 with respect to the rights and interests thereafter of the Lender to the end that the provisions set forth in this Section 4.3 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the Conversion Right. Any such adjustment must be made by and set forth in an amendment to this Debenture approved by action by the directors of the Borrower, acting reasonably, and will for all purposes be conclusively deemed to be an appropriate adjustment.

(k) In any case in which this Section 4.3 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Borrower may defer, until the occurrence of such event, issuing to the Lender before the occurrence of such event, the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Borrower shall deliver to the Lender an appropriate instrument evidencing the Lender's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Issue Date or such later date as the Lender would, but for the provisions of this Section 4.3(k), have become the holder of such additional Common Shares pursuant to Section 4.3(b).

(l) The adjustments provided for in this Section 4.3 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other event resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this Section 4.3(l) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

No Conversion Price adjustment will be made to the extent that the Borrower makes an equivalent distribution to holders of Debentures. No adjustment to the Conversion Price will be made for distributions or dividends on Common Shares issuable upon conversion of Debentures that have been surrendered for conversion, provided that holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest payable in cash from, and including, the most recent interest payment date to, but excluding, the date of conversion.

Section 4.4 No Requirement to Issue Fractional Common Shares

The Borrower shall not be required to issue fractional Common Shares upon the conversion of the Debenture pursuant to this Article 4. If any fractional interest in a Common Share, would, except for the provisions of this Section 4.4, be deliverable upon the conversion of any amount hereunder, the number of Common Shares to be issued shall be rounded down to the nearest whole Common Share.

Section 4.5 Borrower to Reserve Common Shares

The Borrower covenants with the Lender that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon exercise of the Conversion Right or the Accelerated Conversion Right, and conditionally allot to the Lender, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Borrower covenants with the Lender that all Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

Section 4.6 Certificate as to Adjustment

The Borrower shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.3, deliver an officer's certificate to the Lender specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Subject to the dispute resolution procedure in subsection 4.3(j), such certificate shall be binding and determinative of the adjustment to be made, absent manifest error.

Section 4.7 Shareholder of Record

For all purposes, on the Issue Date or Accelerated Issue Date, the Lender shall be deemed to have become the holder of record of the Common Shares into which the Principal Amount of this Debenture (or a portion thereof) is converted in accordance with Section 4.2.

Section 4.8 Resale Restrictions, Legending and Disclosure

By its acceptance hereof the Lender acknowledges that this Debenture and the Common Shares issuable upon conversion hereof will be subject to certain resale restrictions under applicable securities laws, and the Lender agrees to comply with all such restrictions and laws. The Lender further acknowledges and agrees that all Common Share certificates will bear the legend substantially in the form set forth on the face page hereof, provided that such legend shall not be required on Common Share certificates issued at any time following four months plus one day after the date hereof. The Lender acknowledges that the Borrower will be required to provide to the applicable securities regulatory authorities and the Exchange the identity of the Lender and its principals and the Lender hereby agrees thereto.

ARTICLE 5 – SECURITY

Section 5.1 Security

As security for the Obligations under this Debenture, the Borrower shall grant the Debentureholder a security interest over all of the Borrower's present and after acquired personal property in which the Borrower has rights, of whatsoever nature or kind and wherever situate, save and except property specifically excluded in any general security agreement granted by the Borrower to the Debentureholders, which shall rank *pari passu* between and among the Debentureholders (the "Security Interest"). The Security Interest shall be evidenced by one or more general security agreements entered into between the Borrower and the Debentureholder.

Section 5.2 Priority of Security

Subject to Section 5.7, the Security Interest granted by the Borrower, subject to statutory preferred exceptions, shall rank in priority in all respects (including, without limitation, the right of payment) to all other existing security granted by the Borrower. As of the date of issue of the Debenture, save and except for any Permitted Encumbrances, any outstanding indebtedness of the Borrower shall be subordinated to the Debenture.

Section 5.3 Distribution on Dissolution, Etc.

Upon any sale, in one transaction or a series of transactions, of all, or substantially all, of the assets of the Borrower or distribution of the assets of the Borrower upon any dissolution or winding-up or total liquidation of the Borrower, whether in bankruptcy, liquidation, re-organization, insolvency, receivership or other similar proceedings or upon an assignment to or for the benefit of creditors of the Borrower or otherwise any payment or distribution of assets of the Borrower, whether in cash, property or security shall be paid or delivered by the trustee in bankruptcy, receiver, assignee of or for the benefit of creditors or other liquidating agent of the Borrower making such payment or distribution, directly to the holder of the Debentures or their representatives, to the extent necessary, to pay all obligations pursuant to the Debentures in full.

Section 5.4 Certificate Regarding Creditors

Upon any payment or distribution of assets of the Borrower referred to in this Section 5.4, the Debentureholder shall be entitled to rely upon a certificate of the trustee in bankruptcy, receiver, assignee of or for benefit of creditors or other liquidating agent of the Borrower making such payment or distribution, delivered to the Debentureholder, for the purpose of ascertaining the persons entitled to participate in such distribution, and other indebtedness of the Borrower, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 5.4.

Section 5.5 Rights of Debentureholder Reserved

Nothing contained in this Article 5 or elsewhere in this Debenture is intended to or shall impair, as between the Borrower and the Debentureholder, the obligation of the Borrower, which is absolute and unconditional, to pay to the Debentureholder the Principal Amount and interest on the Debenture, as and when the same shall become due and payable in accordance with their terms, nor shall anything herein prevent the Debentureholder from exercising all remedies otherwise permitted by applicable law upon default under this Debenture.

Section 5.6 Payment of Debenture Permitted

Nothing contained in this Debenture shall:

- (a) prevent the Borrower from making payments of the Principal Amount, interest and other amounts to the Debentureholder under this Debenture as herein provided;
- (b) prevent the conversion of this Debenture into Common Shares as herein provided or as otherwise permitted according to law, including in connection with a bankruptcy, reorganization, insolvency, or other arrangement with creditors, of the Borrower; and
- (c) prevent the redemption of this Debenture by the Borrower as herein provided or as otherwise permitted according to law.

Section 5.7 Debentures and Security to Rank *Pari Passu*

The Debentures issued by the Borrower, and the security interest to be granted to the Debentureholders in connection with the issuance of the Debentures shall, once issued and granted, rank *pari passu* with each other and each Debentureholder shall be equally and proportionately entitled to the benefits hereof as if all of the Debentures and security had been issued, granted and negotiated simultaneously.

ARTICLE 6 – COVENANTS OF THE BORROWER

Section 6.1 Positive Covenants

The Borrower covenants and agrees that:

- (a) **Maintain Corporate Existence.** Each of the Borrower and its Subsidiaries shall maintain its corporate existence, and preserve its rights, powers, licenses and privileges which are necessary or material to the conduct of its business, and not materially change the nature of its business;
- (b) **Compliance with Laws.** Each of the Borrower and its Subsidiaries shall comply in all material respects with all applicable laws, rules, governmental restrictions and regulations;
- (c) **Maintain Books and Records.** The Borrower shall, and shall cause each of its Subsidiaries to, keep adequate and accurate records and books of account in which complete entries will be made reflecting all financial transactions and prepare its financial statements in accordance with generally accepted accounting principles;
- (d) **Payment of Taxes.** Each of the Borrower and its Subsidiaries shall pay and discharge promptly all Taxes assessed or imposed upon it or its property as and when the same become due and payable save and except where it contests in good faith the validity thereof by proper legal proceedings;
- (e) **Payment of Obligations.** The Borrower shall pay all principal, interest and other amounts owing to the Lender hereunder promptly when due;
- (f) **Performance of Covenants.** The Borrower shall promptly perform and satisfy all covenants and obligations to be performed by it under this Debenture;
- (g) **Insurance.** Each of the Borrower and its Subsidiaries shall maintain insurance with respect to its properties and business against such casualties and contingencies, of such types, on such terms and in such amounts as is customary in the case of entities engaged in the same or a similar business and similarly situated;

(h) **Maintain Listing.** *The Borrower shall use reasonable commercial efforts to maintain the listing of the Common Shares on the Exchange and to maintain the Borrower's status as a "reporting issuer" not in default of the requirements of the Canadian Securities Laws*

(i) **Notice of Event of Default.** The Borrower shall promptly, and in any event within five (5) Business Days after a responsible officer of the Borrower becoming aware, give notice to the Lender of the existence of any Event of Default; and

(j) **Escrow Agreement for Interest Payments.** The proceeds of the Offering in such amount necessary to satisfy the interest on the Principal Amount outstanding under this Debenture until the Maturity date shall be deposited and held in escrow under the terms of the Escrow Agreement and shall be released to the Lender on each Interest Payment Date in accordance with the terms thereof in satisfaction of the applicable interest payment.

Section 6.2 Negative Covenants

The Borrower covenants and agrees that, without the prior written consent of the Lender:

(a) **Indebtedness.** Except for other Debentures issued pursuant to the Offering and unsecured indebtedness incurred by the Borrower or a Subsidiary for the purposes of financing a Permitted Acquisition, the Borrower shall not, and shall not permit its Subsidiaries, to assume any additional indebtedness other than (i) Permitted Secured Debt, and (ii) Permitted Subordinated Debt, without the prior written consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed) provided such additional indebtedness shall be fully postponed and subordinated to the indebtedness owed to and security held by the holder of this Debenture;

(b) **Encumbrances.** The Borrower shall not, and shall not permit the Subsidiaries to, create, assume or permit to exist any Lien on any assets or property, other than (i) such Liens as existed on the date hereof, (ii) Liens imposed by any governmental authority for any Taxes not yet due and delinquent or which are being contested in good faith, (iii) Liens granted after the date hereof to secure Permitted Secured Debt, and (iv) Secured Debt incurred or assumed by the Borrower and its Subsidiaries after the date hereof and secured by Liens pursuant to subparagraph Section 6.2(a) (collectively, the "**Permitted Encumbrances**");

(c) **Distributions.** The Borrower shall not declare, pay or make any dividend or other distribution on any shares in the capital of the Borrower or authorize the repurchase of any shares in the capital of the Borrower;

(d) **Guarantees.** The Borrower shall not become liable under any guarantees or otherwise become a surety for the indebtedness of another Person, other than (i) in the ordinary course of business, or (ii) in connection with Permitted Secured Debt incurred or assumed by the Borrower or its Subsidiaries;

(e) **Related Party Transactions.** The Borrower shall not enter into any contract or transaction with any related party except for (a) the purchase and/or sale of goods and/or services at fair market value or with Subsidiaries; (b) the issuance of securities of the Borrower on the same terms as offered to non-related parties; (c) amendments to the terms of previously issued securities that are approved by the Exchange; (d) internal reorganizations that are not otherwise prohibited hereunder; (e) entering into, or amending, employment, consulting and similar agreements with employees, officers or directors, or persons occupying similar roles; and (f) providing equity-based compensation to employees, officers or directors, or persons occupying similar roles;

(f) **Secured Debt of the Subsidiaries.** The Borrower shall not permit the Subsidiaries to incur or assume any Secured Debt other than Permitted Secured Debt without the prior written consent of the Lender (such consent not to be unreasonably withheld, conditioned or delayed);

(g) **Dispositions.** Subject to Section 6.2(j), none of the Borrower or its Subsidiaries shall sell, transfer or otherwise dispose of any property (including shares of Subsidiaries), other than:

(i) obsolete or worn-out property no longer used in the Business;

(ii) inventory, receivables or other property sold or disposed of in the ordinary course of business at fair market value; or

(iii) property (including shares of Subsidiaries) sold or disposed of for fair market value to Persons at arm's length to the Borrower provided that (i) no Event of Default is continuing on the date of such sale or would occur as a result of such sale and (ii) the cash component of the aggregate proceeds of such sale is not less than 75% of such proceeds.

For greater certainty, this Section 6.2(g) shall not in any way restrict the Borrower from (A) issuing Common Shares or securities convertible into Common Shares or (B) incurring or assuming Permitted Secured Debt, in either case at any time and from time to time after the date hereof.

(h) **Change in Nature of Business.** The Borrower shall not, nor will it permit any of its Subsidiaries to, engage to any material respect in any lines of business other than the Business conducted by the Borrower and its Subsidiaries at the date hereof other than as a result of the Agro-Biotech Acquisition;

(i) **Investments.** The Borrower shall not, nor will it permit any of its Subsidiaries to, make any investment in any Person, whether by acquisition of shares, indebtedness or other securities, or by loan, guarantee, advance, capital contribution or otherwise, other than:

(i) investments made prior to the date hereof, and any roll-over, renewal or extension thereof;

(ii) investments in Subsidiaries of the Borrower and investments in entities in which Subsidiaries of the Borrower are a general or limited partner;

(iii) deposit accounts with and certificates of deposit and other instruments issued by banks;

(iv) obligations of or guaranteed by the governments of Canada, the United States of America or any province or state thereof;

(v) security deposits with utilities, governmental authorities and other like Persons in the ordinary course of business; and

(vi) Permitted Acquisitions; and

(j) **Mergers.** The Borrower shall not enter into any Merger unless:

(i) the continuing corporation or other entity formed by the applicable consolidation, amalgamation or merger, or the Person that acquires by transfer, sale or lease all or substantially all of the assets of the Borrower, as the case may be, executes and delivers to the Lender its assumption in writing of the due and punctual performance and observance of each covenant and condition of this Debenture; and

(ii) no Event of Default is continuing on the date of such transaction or would occur as a result of such transaction.

ARTICLE 7 – EVENTS OF DEFAULT

Section 7.1 Events of Default

Any of the following shall constitute an Event of Default under this Debenture (each an “**Event of Default**”):

- (a) the Principal Amount owing hereunder shall not be paid when due;
- (b) if the Borrower breaches any representation contained in any of the Credit Documents, fails to make any payment or to observe, perform or comply with any term, covenant, condition or obligation of the Borrower contained in any of the Credit Documents or is otherwise in default of any of the provisions of any of the Credit Documents and such breach or default shall continue for thirty (30) days after written notice thereof has been given by the Lender to the Borrower, which shall set forth the nature of such default;
- (c) any interest or other amount payable under this Debenture shall not be paid within ten (10) Business Days of when it was due and such default, if capable of being remedied, is not remedied within ten (10) days after the Borrower receiving written notice of such default from the Lender;
- (d) the Borrower defaults in the performance of or compliance with any other term contained herein (other than referred in subparagraphs (a) and (b) of this Section 7.1) and such default, if capable of being remedied, is not remedied within thirty (30) days after the Borrower receiving written notice of such default from the Lender;
- (e) if the Borrower shall generally fail to pay, or admit in writing its inability or unwillingness to pay, debts as they become due or if a decree or order of a court having jurisdiction is entered adjudging the Borrower a bankrupt or insolvent;
- (f) if the Borrower shall apply for, consent to or acquiesce in the appointment of a trustee, receiver, or other custodian for the Borrower or for a substantial part of the property thereof, or make a general assignment for the benefit of creditors;
- (g) if the Borrower shall in the absence of such application, consent or acquiescence, become subject to the appointment of a trustee, receiver, or other custodian for the Borrower or for a substantial part of the property thereof, or have a distress, execution, attachment, sequestration or other legal process levied or enforced on or against a substantial part of the property of the Borrower;
- (h) if the Borrower shall permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower and, if any such case or proceeding is not commenced by the Borrower, such case or proceeding, if contested by the Borrower is not dismissed within thirty (30) days; or
- (i) any other notes, debentures, bonds or other indebtedness for money borrowed having an aggregate principal amount of at least \$500,000 (or its equivalent in any other currency or currencies determined at the then current exchange rate) or more (hereinafter called “**Indebtedness**”) of the Borrower shall become prematurely repayable following default, or steps are taken to enforce any security therefor, or the Borrower defaults in the repayment of any such Indebtedness at the maturity thereof or (in the case of Indebtedness due on demand) on demand, or, in either case, at the expiration of any applicable grace period therefor, (if any) or any guarantee of or indemnity in respect of any Indebtedness of others given by the Borrower shall not be honored when due and called upon.

If an Event of Default described in (f), (g) or (h) above shall occur, the entire unpaid principal of and accrued interest on this Debenture shall become immediately due and payable without any declaration or other act on the part of the Lender. Immediately upon the occurrence of any Event of Default described in (a), (b), (c), (d), (e) or (i) above, or upon failure to pay this Debenture on the Maturity Date, the Lender, upon notice to the Borrower, may proceed to protect, enforce, exercise and pursue any and all rights and remedies available to the Lender under this Debenture or at law or in equity.

If any other Event of Default shall occur for any reason, whether voluntary or involuntary, and be continuing the Lender may by notice to the Borrower declare all or any portion of the outstanding Principal Amount of this Debenture to be due and payable, whereupon the full unpaid amount of this Debenture which shall be so declared due and payable shall be and become immediately due and payable without further notice, demand or presentment pursuant to the terms of this Debenture.

ARTICLE 8 – MUTILATION, LOSS, THEFT OR DESTRUCTION OF DEBENTURE CERTIFICATE

In case this Debenture certificate shall become mutilated or be lost, stolen or destroyed, the Corporation, shall issue and deliver, a new replacement debenture certificate upon surrender and cancellation of the mutilated Debenture certificate or, in the case of a lost, stolen or destroyed Debenture certificate, in lieu of and in substitution for the same. In the case of loss, theft or destruction, the applicant for a substituted debenture certificate shall furnish to the Borrower such evidence of the loss, theft or destruction of the Debenture certificate as shall be satisfactory to the Borrower in its discretion and shall also furnish an indemnity and surety bond satisfactory to the Borrower in its discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted debenture certificate.

ARTICLE 9 – GENERAL

Section 9.1 Taxes, etc.

All payments made by the Borrower to the Lender under this Debenture shall be made free and clear of, and without deduction for or on account of, any withholding Taxes now or hereafter imposed by any official body in any jurisdiction. If any such withholding Taxes are required to be withheld or deducted from any amounts payable by the Borrower to the Lender hereunder, the Borrower shall:

(a) within the time period for payment permitted by applicable law, pay to the appropriate governmental body the full amount of such withholding Taxes and any additional Taxes in respect of the payment required under Section 9.1(b) hereof and make such reports and filings in connection therewith in the manner required by applicable law; and

(b) pay to the Lender an additional amount which (after deduction of all withholding Taxes incurred by reason of the payment or receipt of such additional amount) will be sufficient to yield to the Lender the full amount which would have been received by it had no deduction or withholding been made.

Upon the request of the Lender, the Borrower shall furnish to the Lender the original or a certified copy of a receipt for (or other satisfactory evidence as to) the payment of each of the withholding Taxes (if any) payable in respect of such payment. If the Lender receives a refund of any withholding Taxes with respect to which the Borrower has paid any additional amount under this Section 9.1, the Lender shall pay over such refund to the Borrower.

Section 9.2 Notice.

Any demand, notice, direction or other communication to be made or given hereunder (in each case, “**Communication**”) shall be in writing and shall be made or given by personal delivery, by courier, by facsimile or email transmission, or sent by registered mail, charges prepaid, addressed to the respective parties as follows:

(a) if to the Borrower:

Pivot Pharmaceuticals Inc.
1275 West 6th Avenue
Vancouver, British Columbia
V6H 1A6

Attention: Patrick Frankham
Email: pfrankham@pivotpharma.com

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

Blake, Cassels & Graydon LLP
1 Place Ville Marie, Suite 3000
Montreal, Quebec
H3B 4N8

Attention: John Leopardi or Howard Levine
Email: john.leopardi@blakes.com or howard.levine@blakes.com

(b) if to the Lender:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Attention: [REDACTED]
E-mail: [REDACTED]

or to such other address or email or facsimile number as any party may from time to time designate in accordance with this Section. Any Communication made by personal delivery or by courier shall be conclusively deemed to have been given and received on the day of actual delivery thereof or if such day is not a Business Day, on the first Business Day thereafter. Any Communication made or given by facsimile or email on a Business Day before 4:00 p.m. (local time of the recipient) shall be conclusively deemed to have been given and received on such Business Day and otherwise shall be conclusively deemed to have been given and received on the first Business Day following the transmittal thereof. Any Communication that is mailed shall be conclusively deemed to have been given and received on the fifth Business Day following the date of mailing but if, at the time of mailing or within five (5) Business Days thereafter, there is or occurs a labour dispute or other event that might reasonably be expected to disrupt delivery of documents by mail, any Communication shall be delivered or transmitted by any other means provided for in this Section.

Section 9.3 Change of Control of Borrower

By its acceptance hereof, each of the Borrower and the Lender acknowledges and agrees that in the event a Change of Control occurs, then all references herein to the Borrower shall extend to and include the entity resulting therefrom or which thereafter will carry on the business of the Borrower.

Section 9.4 Amendments

This Debenture may not be amended or otherwise modified except by an instrument in writing executed by the Borrower and the Lender.

Section 9.5 Waivers

The Lender shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by the Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

Section 9.6 Registration of Debentures

The Borrower shall cause to be kept at the head office of the Borrower in the city of Toronto or Vancouver, in the discretion of the Borrower, a register in which shall be entered the name and latest known address of the Lender and any other holders of Debentures. Such register shall at all reasonable times during regular business hours of the Borrower be open for inspection by the Lender and any such holder. The Borrower shall not be charged with notice of or be bound to see to the performance of any trust, whether express, implied, or constructive, in respect of this Debenture and may act on the direction of the Lender, whether named as trustee or otherwise, as though the Lender were the beneficial owner of this Debenture.

Section 9.7 Transfer of Debenture

No transfer of this Debenture shall be valid unless made in accordance with applicable laws, including all applicable Canadian Securities Laws. If the Lender intends to transfer this Debenture or any portion thereof, it shall deliver to the Borrower the transfer form attached to this Debenture as **Schedule D**, duly executed by the Lender. Upon compliance with the foregoing conditions and the surrender by the Lender of this Debenture, the Borrower shall execute and deliver to the applicable transferee a new Debenture registered in the name of the transferee. If less than the full principal amount of this Debenture is transferred, the Lender shall be entitled to receive, in the same manner, a new Debenture registered in its name evidencing the portion of the principal amount of this Debenture not so transferred. Prior to registration of any transfer of this Debenture, the Lender and the applicable transferee shall be required to provide the Borrower with necessary information and documents, including certificates and statutory declarations, as may be required to be filed under applicable laws.

Section 9.8 Release and Discharge

If the Lender exercises all conversion rights attached to this Debenture pursuant to Article 4 hereof or if the Borrower pays all of the Obligations in full to the Lender, the Lender shall release this Debenture and the Borrower shall be, and shall be deemed to have, discharged of all its obligations under this Debenture.

Section 9.9 Successors and Assigns

This Debenture shall enure to the benefit of the Lender and its successors and assigns, and shall be binding upon the Borrower and its successors and permitted assigns.

Section 9.10 Time

Time shall be of the essence of this Debenture.

Section 9.11 Governing Law

This Debenture shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower and, by its acceptance hereof, the Lender each hereby irrevocably submit and attorn to the nonexclusive jurisdiction of the courts of the Province of Ontario in connection with this Debenture.

Section 9.12 Further Assurances

The Borrower shall forthwith, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such documents, agreements, opinions, certificates and instruments reasonably requested by the Lender or its counsel as may be necessary or desirable to complete the transactions contemplated by this Debenture and carry out its provisions and intention.

Schedule B – Guarantee and Confirmation

For value received, the receipt and sufficiency of which is hereby acknowledged, _____ (the “Guarantor”) hereby guarantees to _____ (the “Debentureholder”) payment, forthwith after demand made therefor as hereinafter provided, of all indebtedness and liabilities (present and future, direct or indirect, absolute or contingent, matured or not) of Pivot Pharmaceuticals Inc., formerly known as Neurokine Pharmaceuticals Inc. (the “Company”), to the Debentureholder under or in connection with the senior secured convertible debenture (the “Debenture”) dated _____ in the aggregate principal amount of \$ _____ issued by the Company to the Debentureholder, including principal, interest, default interest and all other monies payable under the Debentures (collectively, the “Obligations”); and the Guarantor further agrees that:

1. The Guarantor’s obligation to pay under this guarantee shall not be limited or reduced as a result of the termination, invalidity or unenforceability of any right of the Debentureholder against the Company or any other party (including other guarantors) for any cause whatsoever.
2. This guarantee shall be a continuing security for payment by the Company to the Debentureholder of all amounts owing under the Debenture.
3. The Debentureholder shall not be bound to exhaust its recourse against the Company or other parties or the securities that it may hold before being entitled to payment from the Guarantor under this guarantee.
4. Any change or changes in the name of the Company shall not affect or in any way limit or lessen the liability of the Guarantor under this guarantee and this guarantee shall extend to the person, firm or corporation acquiring or from time to time carrying on the business of the Company.
5. Any account settled or stated by or between the Debentureholder and the Company shall be accepted by the Guarantor as conclusive evidence that the balance or amount thereby appearing due by the Company to the Debentureholder is in fact so due.
6. The Guarantor agrees not to assert any right of subrogation against the Company or contribution against any other guarantor until all amounts owing under the Debenture have been paid in full. If the Debentureholder should receive from the Guarantor a payment in full or on account of the indebtedness or liability under this guarantee, all rights of subrogation arising therefrom shall be postponed and the Guarantor shall not be entitled to claim repayment against the Company or the Company’s estate until all amounts owing under the Debenture have been paid in full; and in the case of liquidation, winding up or bankruptcy of the Company (whether voluntary or compulsory) or in the event that the Company shall make a bulk sale of any of the Company’s assets within the bulk transfer provisions of any applicable legislation, or shall make any compromise with creditors or scheme of arrangement, the Debentureholder shall have the right to rank for its full claim and receive all dividends or other payments in respect thereof until its claim has been paid in full and the Guarantor shall continue to be liable, up to the amount guaranteed, less any payments made by the Guarantor, for any balance which may be owing to the Debentureholder by the Company.
7. Any notice or demand which the Debentureholder may wish to give may be served on the on any officer or director of the Guarantor, or by sending the same registered mail in an envelope addressed to the last known address of the Guarantor to be served as it appears on the Debentureholder’s records and the notice so sent shall be deemed to be received on the fifth business day following that on which it is mailed.
8. The Guarantor shall be currently liable under this guarantee at any time for the full amount of the Company’s liabilities then outstanding under the Debenture, subject to the limit of liability of the Guarantor set forth above, provided that the Guarantor shall not be in default under or in breach of this guarantee unless and until the Debentureholder has made demand upon the Guarantor hereunder and the Guarantor have failed to pay the amount demanded or otherwise failed to comply with such demand forthwith following receipt (or deemed receipt) of such demand. In the case of default the Debentureholder may maintain an action upon this guarantee whether or not the Company is joined therein or separate action is brought against the Company or judgment obtained against it. The Debentureholder’s rights are cumulative and shall not be exhausted by the exercise of any number of successive actions until and unless all indebtedness and liability hereby guaranteed has been paid and each of the Guarantor’s obligations under the guarantee has been fully performed.

9. The Guarantor shall pay to the Debentureholder on demand (in addition to all debts and liabilities of the Company hereby guaranteed) all reasonable out-of-pocket costs, charges and expenses (including, without limitation, reasonable lawyer's fees as between solicitor and his own client on a full indemnity basis) actually incurred by the Debentureholder (and not otherwise reimbursed) for the enforcement of this guarantee, together with interest thereon, both before and after demand, default and judgment, calculated from the date of payment by the Debentureholder of each such cost, charge and expense until payment by the Guarantor hereunder, at the rate per annum then payable under the Debenture. All amounts payable by the Guarantor under this instrument shall be paid to the Debentureholder at the address directed in writing by the Debentureholder.

10. This instrument is in addition and without prejudice to any other securities of any kind including any other guarantees, whether or not in the same form as this instrument, now or hereafter held by the Debentureholder. Without limiting the generality of the foregoing, all limits and evidence of liability pursuant to any guarantee now or hereafter held by the Debentureholder shall be cumulative.

11. There are no representations, warranties, collateral agreements or conditions with respect to this guarantee or affecting the Guarantor's liability hereunder other than as contained herein, or in any other document or instrument by the Guarantor to the Debentureholder.

12. This instrument shall be construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. The Guarantor agrees that any legal suit, action or proceedings arising out of or relating to this instrument may be instituted in the courts of Ontario and the Guarantor hereby accepts and irrevocably submits to the jurisdiction of the said courts and acknowledges their competence and agrees to be bound by any judgement thereof, provided that nothing herein shall limit the Debentureholder's right to bring proceedings against the Guarantor elsewhere.

13. This instrument shall extend to and enure to the benefit of the successors and assigns of the Debentureholder and shall be binding upon the Guarantor and the heirs, executors, administrators and successors of the Guarantor.

14. Executed copies of this instrument may be delivered by facsimile transmission or electronic mail transmission.

15. In the event of any conflict or inconsistency between the provisions of this instrument and the provisions of the Debenture then, notwithstanding anything contained in this instrument, the provisions contained in the Debenture shall prevail to the extent of such conflict or inconsistency and the provisions of this instrument shall be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency, it being understood that the purpose of this instrument is to add to, and not detract from, the rights granted to the Debentureholder under the Debenture.

IN WITNESS WHEREOF each Guarantor has duly executed and delivered this guarantee as of the ____ day of _____, 2018.

Address: _____

By: _____
Name:
Title:

Schedule C – Conversion Notice

TO: PIVOT PHARMACEUTICALS INC. (formerly known as Neurokinine Pharmaceuticals Inc.) (the “Borrower”)

Pursuant to the 10.00% Senior Secured Convertible Debenture (the “**Debenture**”) of the Borrower issued to the undersigned on _____, 2018, the undersigned hereby notifies you that \$_____ of the principal amount outstanding under the Debenture shall be converted into Common Shares of the Borrower in accordance with the terms of the Debenture on _____, 20__.

The certificates representing the Common Shares to be issued shall be registered as follows:

Name	Address for Delivery	# of Common Shares

(Print name as name is to appear on Share Certificate)

DATED this ____ day of _____, 20__.

[NAME]

By: _____
Name:
Title:

Schedule D – Form of Transfer

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers to:

(Name)

(Address)

(the “**Transferee**”), of \$ _____ principal amount of Senior Secured Convertible Debenture (the “**Debentures**”) of Pivot Pharmaceuticals Inc. issued on _____, 2018 registered in the name of the undersigned on the register of Debentures represented by the attached Debenture, and irrevocably appoints _____ as the attorney of the undersigned to transfer to the Transferee the said principal amount of the Debenture on the books or register of transfer, with full power of substitution.

DATED this ____ day of _____, 2018.

[NAME]

By: _____

Name:

Title:

Note to Debentureholder: In order to transfer the Debenture, this transfer form must be delivered to Pivot Pharmaceuticals Inc.