CANNABIS N.-B. LTÉE / CANNABIS NB LTD.

AND

TORONTO HERBAL REMEDIES INC.

PRODUCTION AND SUPPLY AGREEMENT - SA000018

Dated December 4th , 2019

PRODUCTION AND SUPPLY AGREEMENT

_		PPLY AGREEMENT (this "Master Agreement") is made on the 4th day of	
Dec	cember 20	14 (the "Effective Date").	
BETW	EEN:		
		CANNABIS NB. LTÉE / CANNABIS NB LTD., a body corporate incorporated under the laws of the Province of New Brunswick, and having its Head Office at	
		(hereinafter called the "Buyer")	
		OF THE FIRST PART	
		- and —	
		TORONTO HERBAL REMEDIES INC., body corporate incorporated under the laws of the Province of Ontario, and having its Head Office at	
		(hereinafter called the "Seller", and together with the Buyer, the "Parties", and each, a "Party")	
		OF THE SECOND PART	
WHER	EAS:		
A.	Seller is licensed under applicable Law to produce, and is in the business of producing a supplying, the Products (as hereinafter defined).		
B.	Buyer wishes to purchase certain Products from Seller.		
C.	Seller desires to prod	luce and supply the Products to Buyer.	
for oth		eration of the mutual covenants and agreements hereinafter set forth, and onsideration, the receipt and sufficiency of which are hereby acknowledged,	

ARTICLE 1 DEFINITIONS AND PARAMOUNTCY

1.01 **Definitions.** In this Agreement:

"Action" means any actual or threatened claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, investigative, regulatory or other, whether at law, in equity or otherwise.

"Affiliate" of a Person means any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such Person.

"Agreement" means this Master Agreement, any Purchase Orders issued hereunder, and all schedules, exhibits, attachments or appendices specifically referenced herein or therein.

"Aroma Pod" means the specific containers used to display dried flower buds for promotional purposes.

"Basic Purchase Order Terms" means any one or more of the following terms specified by Buyer in a Purchase Order: (a) the Products to be ordered (b) the quantity of each of the Products ordered; (c) the Delivery Date; (d) the unit Price for each of the Products to be purchased; (e) the billing address; and (f) the Delivery Location.

"Business Day" means any day other than a Saturday, Sunday or any other day on which commercial banks located in New Brunswick are authorized or required by Law to be closed for business.

"Buyer" has the meaning set out in the preamble of this Agreement.

"Buyer Contracts" means all contracts or agreements to which Buyer is a party or by which any of its material assets are bound.

"Buyer Parties" means Buyer, its Affiliates, customers, subcontractors and successors and assigns, and each of their respective Representatives.

"Claim" means any Action brought against a Person entitled to indemnification under Article XIV.

"Confidential Information" has the meaning set forth in Section 11.01.

"Confirmation" has the meaning set forth in Section 3.02.

"Control" (and with correlative meanings, the terms "Controlled by" and "under common Control with") means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of another Person, whether through the ownership of voting securities, by contract, or otherwise.

"Defective" means not conforming to the Product Warranty under Section 8.01.

"Defective Products" means goods shipped by Seller to Buyer under this Agreement that are Defective.

"Delivery Date" means the delivery date for Products ordered hereunder that is set forth in Schedule 1 or in a Purchase Order.

"Delivery Location" means the street address within the Territory for delivery of the Products specified in the applicable Purchase Order.

"Disclosing Party" has the meaning set forth in Section 11.01.

"Dispute" has the meaning set forth in Section 17.15.

"Dispute Notice" has the meaning set forth in Section 17.15.

"Effective Date" means the date first set forth above.

"Excess Products" means Products that, when counted together with all other Products having the same UPC and received by Buyer under the same Purchase Order, are in excess of the quantities of the Products ordered under that Purchase Order.

"Force Majeure Event" has the meaning set forth in Section 17.20.

"Forecast" means, with respect to any 3 month period, a good faith projection or estimate of Buyer's requirements for Products during each month during the period, which approximates, based on information available at the time to Buyer, the quantity of Products that Buyer may order for each such month.

"Governmental Authority" means any federal, provincial, territorial, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, award, direction or determination entered or delivered by or with any Governmental Authority.

"HST" means harmonized sales tax, or goods and services tax, imposed under the HST Act (or any provincial or territorial legislation imposing sales tax, harmonized sales tax or goods and services tax).

"HST Act" means Part IX of the Excise Tax Act (Canada).

"IFRS" means international financial reporting standards as established by the International Accounting Standards Board, consistently applied and as in effect from time to time.

"Indemnified Parties" has the meaning set forth in Section 14.01.

"Indemnifying Party" has the meaning set forth in Section 14.01.

"Individual Transaction" means a transaction under this Agreement that is governed by the terms and conditions of this Agreement and, if applicable, a Purchase Order that has been accepted by Seller under Section 3.02 that incorporates by reference the terms and conditions of this Agreement.

"Initial Term" has the meaning set forth in Section 16.01.

"Intellectual Property Rights" means all industrial and other intellectual property rights comprising or relating to: (a) Patents; (b) Trade-marks; (c) internet domain names, whether or not Trade-marks,









registered by any authorized private registrar or Governmental Authority, web addresses, web pages, website and URLs; (d) works of authorship, expressions, designs and industrial design registrations, whether or not copyrightable, including copyrights and copyrightable works, software and firmware, data, data files, and databases and other specifications and documentation; (e) Trade Secrets; (f) agricultural and plant breeder's rights, whether or not acquired or registered under the *Plant Breeders' Rights Act* (Canada); and (g) all industrial and other intellectual property rights, and all rights, interests and protections that are associated with, equivalent or similar to, or required for the exercise of, any of the foregoing, however arising, in each case whether registered or unregistered and including all registrations and applications for, and renewals or extensions of, such rights or forms of protection under the Laws of any jurisdiction in any part of the world.

"Inventory Bank" means an adequate quantity of safety stock of finished Products and raw materials and components, based on Buyer's projected requirements of the Products as set forth in any Forecast supplied hereunder.

"Law" means any statute, ordinance, regulation, rule, code, constitution, treaty, common law, Governmental Order or other requirement or rule of law of any Governmental Authority.

"Losses" has the meaning set forth in Section 14.01.

"Master Agreement" has the meaning set out in the preamble of this Agreement.

"Non-conforming Products" means any products received by Buyer from Seller that: (a) do not conform to the UPC listed in the applicable Purchase Order; (b) do not fully conform to the Specifications; or (c) on inspection, are otherwise determined by Buyer to be Defective. Where the context requires, Non-conforming Products are deemed to be Products for purposes of this Agreement.

"Notice" has the meaning set forth in Section 17.05.

"Party" has the meaning set forth in the preamble to this Agreement.

"Patents" means all patents (including all reissues, divisionals, provisionals, continuations and continuations-in-part, re-examinations, renewals, substitutions and extensions thereof), patent applications, and other patent rights and any other Governmental Authority-issued indicia of invention ownership (including inventor's certificates and patent utility models).

"Permits" means permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from any Governmental Authority.

"Person" means any individual, partnership, corporation, trust, unlimited liability company, unincorporated organization, association, Governmental Authority or any other entity.

"Personnel" means any agents, employees, contractors or subcontractors engaged or appointed by a Party.

"Price" has the meaning set forth in Section 5.01.

"Privacy Acts" means, collectively, the Right to Information and Protection of Privacy Act (New Brunswick) and the Personal Information Protection and Electronic Documents Act (Canada).





"Product Warranty" has the meaning set forth in Section 8.01.

"production" and "produce" means development, growth, manufacture, production, assembly, testing, storage and packing.

"Products" means the products identified in Schedule 2 and described in the Specifications.

"Purchase Order" means a purchase order issued by Buyer to Seller hereunder, which may, among other things, specify items such as: (a) the Products to be purchased; (b) the quantity of each of the Products ordered; (c) the Delivery Date; (d) the unit Price for each of the Products to be purchased; (e) the billing address; and (f) the Delivery Location, in each case, including all terms and conditions attached to, or incorporated into, such purchase order, and any Release issued by Buyer to Seller under a Purchase Order. For the avoidance of doubt, any references to Purchase Orders hereunder also include any applicable Releases.

"Quality Standards" means, at any point in time, (a) the standards adopted by Buyer in respect of the Products and the production and shipping of same; and (b) the requirements of applicable Law and Governmental Authorities having authority over the Products and the production, sale and distribution of same.

"Receiving Party" has the meaning set forth in Section 11.01.

"Release" means a document issued by Buyer to Seller under a Purchase Order that identifies (to the extent not specified in the original Purchase Order) the quantities of Products constituting Buyer's requirements or otherwise to be included in a particular order, the Delivery Locations, and requested Delivery Dates for such Products.

"Renewal Term" has the meaning set forth in Section 16.02.

"Representatives" means a Party's Affiliates and each of their respective Personnel, officers, directors partners, agents, lawyers, third-party advisors, successors and permitted assigns.

"Sales Transaction Data" means any details captured via the sales system of Buyer for each public customer sales transaction. These details include: the transaction identification number, location of transaction, date of transaction, product name of item(s) in the transaction, UPC (or other such product identification number) of item(s) in the transaction, price of item(s) in the transaction, quantity of each item purchased/returned in the transaction.

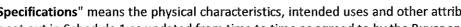
"Seller" has the meaning set forth in the preamble to this Agreement.

"Seller Contracts" means all contracts or agreements to which Seller is a party or by which any of its material assets are bound.

"Seller Parties" means Seller, its Affiliates, customers (other than Buyer), subcontractors and successors and assigns, and each of their respective Representatives.

"Social Responsibility Amount" has the meaning ascribed thereto in Section 9.01(b).

"Specifications" means the physical characteristics, intended uses and other attributes for the Products, as set out in Schedule 1 as updated from time to time as agreed to by the Buyer and Seller.







"Taxes" means any commodity tax, including sales, use, excise, value-added, HST, consumption or other similar tax, including penalties or interest, imposed, levied or assessed by any Governmental Authority.

"Term" has the meaning set forth in Section 16.02.

"Territory" means New Brunswick.

"Trade-marks" means all rights in and to Canadian and foreign trade-marks, trade dress, trade and business names, brand names, logos, design rights, corporate names and domain names and other similar designations of source, sponsorship, association or origin, together with the goodwill symbolized by any of the foregoing, in each case whether registered or unregistered and including all registrations and applications for, and renewals and extensions of, such rights and all similar or equivalent rights or forms of protection in any part of the world.

"Trade Secrets" means all inventions, discoveries, trade secrets, business and technical information and know-how, databases, data collections, patent disclosures and other confidential and proprietary information and all rights therein.

"UPC" means, collectively, with respect to the Products, the universal product codes, product numbers, barcodes or other unique identifier applicable to such Products.

"Warranty Period" has the meaning set forth in Section 8.01.

- 1.02 Order of Precedence. The express terms and conditions contained in this Agreement and the Purchase Orders issued hereunder exclusively govern and control each of the Parties' respective rights and obligations regarding the production, purchase and sale of the Products, and the Parties' agreement is expressly limited to such terms and conditions. Notwithstanding the foregoing, if any terms and conditions contained in a Purchase Order conflict with any terms and conditions contained in this Master Agreement, the order of precedence is:
 - (a) this Master Agreement; and
 - (b) the relevant Purchase Order.

Subject to the order of precedence above, each Individual Transaction consists of the terms and conditions of each Purchase Order, which incorporates by reference the terms and conditions of this Master Agreement for all applicable purposes hereunder.

Without limiting anything contained in this Section 1.02, any additional, contrary or different terms contained in any Confirmation or any of Seller's invoices or other communications, and any other attempt to modify, supersede, supplement or otherwise alter this Agreement, are deemed rejected by Buyer and will not modify this Agreement or be binding on the Parties unless such terms have been fully approved in a signed writing by authorized Representatives of both Parties.

ARTICLE 2 AGREEMENT TO PRODUCE AND SELL PRODUCTS

2.01 Production, Purchase and Sale.

- (a) Subject to the terms and conditions of this Agreement, during the Term, Buyer shall purchase Products from Seller, and Seller shall produce and sell Products to Buyer, at the Prices.
- (b) Notwithstanding any Forecasts, Buyer is not obligated to purchase any minimum quantities from Seller under this Agreement.
- (c) Seller is not obligated to sell any minimum quantities to Buyer under this Agreement, except for any amount set out in a Purchase Order confirmed in accordance with Section 3.02
- (d) Except as expressly set out in this Agreement, Seller shall furnish all labour, materials, equipment and facilities necessary for the production of Products under this Agreement.

2.02 Capacity and Availability. Throughout the Term:

- (a) Seller shall use commercially reasonable efforts to maintain an Inventory Bank, at its sole a risk and expense, of such capacity and availability to supply Buyer's peak daily, weekly, monthly and annual requirements of Products (as contained in this Agreement or communicated by Buyer to Seller in its Forecasts under Section 2.02(b)).
- (b) Forecasts. From time-to-time, Buyer may, but shall not be required to, provide Seller with Forecasts. Forecasts are for informational purposes only. Any product quantities cited in or under this Agreement, except for quantities cited in a Purchase Order as firm, are preliminary and non-binding only. Buyer makes no representation or warranty as to the quantity of products that it will purchase, if any.

Without limitation of the foregoing, under no circumstances will Buyer be obligated to purchase any quantity of Products in excess of its actual requirements of the Products.

ARTICLE 3 ORDER PROCEDURE

- 3.01 Purchase Orders. Buyer shall issue Purchase Orders to Seller in written or electronic form via e-mail, or facsimile. From time-to-time, Buyer may also issue Releases to Seller.
- 3.02 Acceptance and Rejection of Purchase Orders. Seller shall confirm to Buyer the receipt of each Purchase Order issued hereunder (each, a "Confirmation") within 2 Business Days following a) the date of delivery on the email containing the Purchase Order or b) the date of electronic confirmation of delivery by facsimile of the Purchase Order. Each Confirmation must reference Buyer's Purchase Order number, confirm acceptance of the Purchase Order or, solely if permitted under this Section 3.02, advise Buyer of Seller's rejection of such Purchase Order, the date of acceptance or rejection and the basis for rejection, if applicable.

If Seller fails to issue a Confirmation within the time set forth in the first sentence of this Section 3.02, Seller will be deemed to have accepted the Purchase Order. Buyer may withdraw any Purchase Order before Seller's acceptance or deemed acceptance thereof. Seller may only reject a Purchase Order if (a) Seller has sent Buyer a Notice of termination; or (b) Seller is unwilling to accept the Basic Purchase Order Terms set out in the Purchase Order.

- 3.03 Buyer's Right to Request Amendments to Purchase Orders. Buyer may, on Notice to Seller, request changes to a Purchase Order. On or before the second Business Day after receiving the request, Seller shall submit to Buyer its good faith description of the effect of such changes on the Basic Purchase Order Terms. Buyer may then submit an amended Purchase Order reflecting all Seller accepted changes, in which case the Seller shall accept or reject the amended Purchase Order in accordance with Section 3.02.
- 3.04 **Buyer's Right to Refuse Substitutions.** Unless otherwise expressly agreed to by the Parties in writing and amendments made to the Products in this Agreement, Seller may not substitute any Product on a Purchase Order, for any other product, including any Product listed in Schedule 2 to this Agreement.

ARTICLE 4 SHIPMENT, DELIVERY AND ACCEPTANCE

4.01 **Shipment and Delivery Requirements.** Subject to Section 17.20, time, quantity and delivery to the Delivery Location are of the essence under this Agreement. Seller shall produce, mark and ship Products strictly in the quantities, by the methods, to the Delivery Locations and by the Delivery Dates, specified in this Agreement or in an applicable Purchase Order or Release. Delivery times will be measured to the time that Products are actually received at the Delivery Location.

If Seller does not comply with any of its delivery obligations under this ARTICLE 4, except where such non-compliance is due in whole or in part to any action or inaction of Buyer or otherwise excused in accordance with the terms and conditions of this Agreement or any mutually agreed to Purchase Order, without limiting Buyer's other rights under this Agreement or applicable Law, Buyer may, in Buyer's sole discretion and at Seller's sole cost and expense:

- (a) approve a revised Delivery Date, or
- (b) require expedited or premium shipment.

Unless otherwise expressly agreed to by the Parties in writing, Seller may not make partial shipments of Products to Buyer.

4.02 Transfer of Title and Risk of Loss.

- (a) Title to Products shipped under any Individual Transaction passes to Buyer upon the earliest to occur of (i) delivery of the Products to the Buyer, (ii) payment of any portion of the Price for such Products by Buyer, (iii) the acceptance of the Products by the Buyer, and (iv) the time of delivery of the Products to Delivery Location. Title will transfer to Buyer even if Seller has not been paid for such Products, **provided** that Buyer will not be relieved of its obligation to pay for Products in accordance with the terms of this Agreement.
- (b) Notwithstanding any agreement between Buyer and Seller concerning transfer of title or responsibility for shipping costs, risk of loss to Products shipped under any Individual Transaction passes to Buyer upon receipt by Buyer at the Delivery Location, and Seller will bear all risk of loss or damage with respect to Products until Buyer's receipt of such Products in accordance with the terms hereof.

- 4.03 Inspection and Acceptance. Products are subject to Buyer's inspection and approval or rejection notwithstanding Buyer's prior receipt of or payment for the Products. Buyer will be deemed to have accepted Products unless it provides Seller with written notice of Non-conforming Products within 30 Calendar Days of receipt. If Buyer reasonably determines that Products delivered under this Agreement are Non-conforming Products or Excess Products, Buyer may, at its option:
 - (a) if such Products are Non-conforming Products, either:
 - (i) reject Non-conforming Products (including entire lots of Products) for a refund plus any inspection, testing, shipping, handling and transportation charges paid by Buyer; or
 - (ii) require prompt replacement of such Products, at Seller's sole cost, on Buyer's written instruction;
 - (b) if such Products are Excess Products, reject such Excess Products and the Seller shall refund to the Buyer any amounts paid for such Excess Products, and pay to the Buyer any inspection, testing, shipping, handling and transportation charges incurred by Buyer in respect of such Excess Products; or
 - (c) in either case, retain such Products.

In each case, the exercise by Buyer of any other rights available to Buyer under this Agreement or under applicable Law shall not be limited. Buyer may ship from any location, at Seller's expense and risk of loss, the Non-conforming Products or Excess Products to the nearest authorized Seller location. For greater clarity, Seller shall have the right and opportunity to pick up, at Seller's sole expense and risk of loss, any and all Non-conforming Products or Excess Products at a time mutually agreed upon by the Parties. If Buyer exercises its option to replace Non-conforming Products, Seller shall, after receiving Buyer's shipment of Non-conforming Products, ship to Buyer, at Seller's expense and risk of loss, the replaced Products to the Delivery Location in a timely manner.

- 4.04 **Right of Return.** Without limiting its rights under Section 4.03, Buyer may return Products purchased under this Agreement to Seller; *provided* that:
 - (a) Buyer provides Seller with a written notice outlining the reasons for the return of Product and Seller provides written acceptance of the return.
 - (b) Buyer returns the Products unused, undamaged, in their original unopened packaging within 30 Calendar Days of receipt;
 - (c) Returns are made at Buyer's expense and risk of loss;
 - (d) Buyer provides Seller with an itemized inventory of all Products returned under this Section 4.04; and
 - (e) the Products are not obsolete or discontinued.

For each returned Product under this Section 4.04, once Seller verifies its quantity and quality, subject to Section 5.05, Seller shall refund the Price in cash or by return credit at Buyer's discretion.

ARTICLE 5 PRICE AND PAYMENT

5.01 Price. Seller shall provide Products to Buyer at the prices set forth in Schedule 2 attached hereto (the "Prices"). All Prices include, and Seller is solely responsible for, all costs and expenses relating to packing, crating, boxing, transporting, loading and unloading, customs, tariffs and duties, insurance and any other similar financial contributions or obligations relating to the production, sale and delivery of the Products. All Prices are firm and are not subject to increase for any reason, including changes in market conditions, increases in raw material, component, labour or overhead costs or because of labour disruptions or fluctuations in production volumes.

The Parties shall reflect any adjustment to pricing under this Section 5.01 as provided for in Section 16.02 in an amendment to Schedule 2; provided, however, that, notwithstanding anything to the contrary contained in Section 1.02, the execution and delivery of any such amendment by each of the Parties will not be a condition to the effectiveness of such price adjustment.

- 5.02 Invoices. Seller shall issue an invoice to Buyer for each accepted Purchase Order. Each invoice shall set forth in reasonable detail the amounts payable by Buyer under this Agreement and contain the following information, as applicable: a reference to this Agreement; Purchase Order number; amendment number; Seller's name; Seller's identification number and the UPC for the subject Products; carrier name; ship-to address; quantity of each type of Product shipped; number of cartons or containers in shipment; bill of lading number; country of origin; and any other information necessary for identification and control of the Products. Buyer reserves the right to return and withhold payment due to any invoices or related documents that are inaccurate or incorrectly submitted to Buyer until corrections are made, excluding with respect to formatting. Any payment by Buyer of an invoice is not an acceptance of any non-conforming element or terms on such invoice or the related Products.
- 5.03 Invoice Disputes. Buyer shall notify Seller of any dispute with any invoice within 10 Business Days from Buyer's receipt of such invoice. The Parties shall seek to resolve all such disputes expeditiously and in good faith in accordance with the dispute resolution provisions set forth in Section 17.15. Notwithstanding anything to the contrary, Seller shall continue performing its obligations under this Agreement during any such dispute.
- 5.04 **Payment Terms.** Except for any amounts disputed by Buyer in good faith, Buyer shall pay all accurate and correctly submitted invoices of the Seller within 30 calendar days following the later of:
 - (a) Buyer's receipt of Seller's invoice; or
 - (b) Buyer's receipt of the applicable Products.

Payment of invoices will not be deemed acceptance of the Products or waive Buyer's right of inspection, but rather such Products will be subject to acceptance under Section 4.03. Buyer is entitled to any discounts allowable by Seller for prompt payment even though Buyer is unable to

make payment within the time limits set by Seller, if such failure is due to Seller's actions or other circumstances or events beyond Buyer's reasonable control.

Buyer shall make all payments in Canadian dollars by cheque, wire transfer or electronic funds transfer, as directed by Seller.

5.05 **Set-off.** Buyer may set-off against amounts Buyer may owe Seller pursuant to this ARTICLE 5 any amounts Seller may owe buyer under this agreement, including but not limited to those amounts provided for under Sections 4.03(b), 4.04, 8.03(b), 8.04(c) and ARTICLE 14

5.06 Taxes.

- (a) The Prices are exclusive of applicable sales taxes (such as HST and provincial sales tax) and inclusive of applicable duty and or excise taxes. Each Party will be responsible for the payment of and will pay any applicable taxes, duties and levies levied on that Party from time to time in relation to this Agreement.
- (b) Seller will timely remit all applicable sales, use, value-added, services, consumption and #HST charged to the appropriate Governmental Authorities which it is required to collect from Buyer in respect of any Tax referred to in Section 5.06(a).
- (c) Seller represents, warrants and covenants to the Buyer that:
 - (i) Seller will charge, collect and timely remit all Taxes that it is required to collect and remit under applicable Law;
 - (ii) Seller is registered for HST purposes and for provincial sales tax purposes and will
 continue to be registered for HST and provincial sales tax purposes;
 - (iii) if any other provincial sales tax is applicable to the Products, Seller is and will continue to be registered as a vendor for the purposes of such provincial sales tax; and
 - (iv) Seller's HST registration number is

ARTICLE 6 CERTAIN OBLIGATIONS OF SELLER

6.01 Quality.

- (a) Seller shall meet the Quality Standards and the Specifications for the Products, and:
 - (i) At Buyer's request, Seller shall furnish to Buyer test samples of Products as reasonably required by Buyer, and as permitted under applicable Canadian Law, Buyer's customers or any certification agent identified by Buyer, to determine if the Products or their production are in compliance with the Quality Standards and Specifications.
 - (ii) Seller shall perform quality assurance testing of Products in accordance with the Quality Standards before delivery and shall certify the results in the manner requested by Buyer. Seller shall provide reasonable support as requested by



Buyer to address and correct any quality concerns beyond the requirements of the Quality Standards and the Specifications.

- (iii) In addition to its other rights and remedies, Buyer may hold Seller responsible for costs associated with any investigation or containment related to compliance of the Products with the Quality Standards and Specifications, to the extent caused by Seller's acts or omissions.
- (b) Seller shall, on a continuous basis, use commercially reasonable efforts to identify ways to improve the quality, service, performance standards and technology for the Products, including through Seller's commercially reasonable participation in Buyer's quality improvement initiatives.
- 6.02 Packaging and Labelling. Seller shall properly pack, mark and ship Products as instructed by Buyer and otherwise in accordance with applicable Law and industry standards, and shall provide Buyer with shipment documentation containing the following information: the Purchase Order number; amendment number; Seller's name; Seller's identification number and the UPC for the subject Products; carrier name; ship-to address; weight of shipment; weight of each carton or container; the quantity of each type of Product shipped; the number of cartons or containers in shipment; the bill of lading number; the country of origin; and any other information necessary for the identification and shipment of the Products.
- 6.03 **Disclosure.** Upon Buyer's request, Seller shall promptly provide to Buyer, in such form and detail as Buyer requests, a list of all Specifications, updates to Specifications and supporting information related to the Specifications, if any.
 - (a) Without limitation of the foregoing, upon Buyer's request, Seller shall provide to Buyer all information (in sufficient detail), with written certifications thereof, to enable Buyer to timely comply with all of Buyer's and Buyer's customers' due diligence, disclosure and audit requirements under applicable Law or directives from Governmental Authorities, including due inquiry of Seller's supply chain (and certifications by such suppliers).
 - (b) For each shipment of Products, Seller shall provide Buyer, in writing, sufficient advance warning and notice (in addition to including appropriate labels on Products, containers and packing) of any hazardous or restricted material (other than cannabis) that is an ingredient or a part of the shipment, together with such special handling instructions as may be necessary to advise logistics providers, handlers of the Products and personnel of how to exercise that measure of care and precaution that will comply with any applicable Laws and prevent bodily injury or property damage in the handling, transportation, processing, use or disposal of the Products, containers and packing.

6.04 Protection Against Supply Interruptions.

(a) Seller shall, at Seller's sole cost and expense make commercially reasonable efforts to provide the uninterrupted supply of Products to Buyer in accordance with the Forecasts, during any foreseeable or anticipated event or circumstance that could interrupt or delay Seller's performance under this Agreement, including any labour disruption, whether or not resulting from the expiration of Seller's collective agreements or other labour contracts (and whether or not such occurrence constitutes a Force Majeure Event hereunder).

- (b) Seller shall notify Buyer at least 120 days before the termination or expiration of any collective bargaining or other labour agreement that relates to Seller's Personnel involved in the production or delivery of the Products.
- 6.05 **Duty to Advise.** Seller shall promptly provide Notice to Buyer of any of the following events or occurrences, or any facts or circumstances reasonably likely to give rise to any of the following events or occurrences:
 - (a) any failure by Seller to perform any of its obligations under this Agreement;
 - (b) any delay in delivery of Products;
 - (c) any defects or quality problems relating to Products, including as may require a recall;
 - (d) any change in Control of Seller;
 - (e) any deficiency in specifications, samples, prototypes or test results relating to this Agreement;
 - (f) any failure by Seller, or its subcontractors or common carriers, to comply with Law;
 - (g) any changes to UPCs; or
 - (h) any change to Seller's licence status with Health Canada or other Government Authorities that relate to the Seller's obligations under this agreement.

In addition, Seller shall promptly notify Buyer in writing of any change in Seller's authorized Representatives, insurance coverage or professional certifications.

6.06 Seller's Financial Condition.

- (a) Each acceptance of a Purchase Order or delivery of Products, as the case may be, by Seller will constitute Seller's representation and warranty that:
 - (i) Seller is not insolvent on a balance sheet basis;
 - (ii) Seller is paying all debts as they become due;
 - (iii) Seller is in material compliance with all loan covenants and other obligations to which it is subject; and
 - (iv) all financial information provided to Buyer concerning Seller is true and accurate, fairly represents Seller's financial condition and has been prepared in accordance with IFRS, uniformly and consistently applied.
- (b) Strictly for the purpose of establishing the financial position of Seller, Seller shall furnish Buyer with statements accurately and fairly evidencing Seller's financial condition as Buyer may, from time to time, reasonably request. Buyer recognizes that such statements are highly Confidential and shall restrict any internal review of such statements to only such employees of the Buyer as are necessary to complete the review. For greater clarity, any other use of the aforementioned statements shall be strictly prohibited.









- (C) Seller shall promptly notify Buyer, in writing, of any and all events that have had or may have a material adverse effect on Seller's business or financial condition, including:
 - (i) any change in senior management;
 - (ii) any sale, lease or exchange of a material portion of Seller's assets; or
 - (iii) the breach of any material loan covenants or other material obligations of Seller to its creditors.

6.07 General Compliance with Laws.

- (a) Seller shall at all times comply with all Laws applicable to this Agreement, Seller's operation of its business and the exercise of its rights and performance of its obligations hereunder, including the Seller's production of Products and sale of Products to Buyer.
- (b) Without limiting the generality of the foregoing, Seller shall ensure the Products and any related packaging, conform fully to any applicable Law.
- (c) Upon Buyer's request, Seller shall provide Buyer with:
 - (i) written certification of Seller's compliance with applicable Laws;
 - (ii) written certification of the origin of any cannabis ingredients or cannabis materials in the Products; and
 - (iii) any additional information regarding the Products reasonably requested by Buyer such that Buyer may comply in a timely manner with its obligations under applicable Law.
- (d) Seller shall obtain and maintain all Permits necessary for the performance of its obligations under this Agreement, including any Permits required for the production of Products or any raw materials used in the production of the Products, and the shipment of hazardous materials, as applicable.
- (e) Seller shall not engage in any activity or transaction involving the Products, by way of shipment, use or otherwise, that violates any Law.

ARTICLE 7 REPRESENTATIONS AND WARRANTIES

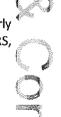
7.01 Seller's Representations and Warranties. Seller represents and warrants to Buyer that:

- (a) it is a corporation duly incorporated and validly existing under the laws of New Brunswick;
- (b) it is duly licensed or registered to carry on business in every jurisdiction in which such license or registration is required;
- (c) it has all necessary power, capacity and authority to enter into this Agreement, grant the rights and licenses granted under this Agreement, and perform its obligations hereunder;

- (d) the execution of this Agreement by its Representative whose signature is set forth at the end of this Agreement, and the delivery of this Agreement by Seller, have been duly authorized by all necessary corporate action on the part of Seller;
- (e) the execution, delivery and performance of this Agreement by Seller will not violate, conflict with, require consent under or result in any breach or default under (i) any of Seller's organisational or constating documents, (ii) any applicable Law or (iii) with or without notice or lapse of time or both, the provisions of any Seller Contract;
- (f) when executed and delivered by Buyer and Seller, this Agreement will constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms;
- (g) it is in compliance with all applicable Laws and Seller Contracts relating to this Agreement, the Products and the operation of its business (including all loan covenants and other financing obligations to which it is subject);
- (h) it has obtained all Permits required by applicable Laws to conduct its business generally and to exercise its rights and perform its obligations under this Agreement;
- (i) it is not insolvent and is paying all of its debts as they become due; and
- (j) all financial information that it has provided to Buyer is true and accurate, fairly represents Seller's financial condition and has been prepared in accordance with IFRS, uniformly and consistently applied.

7.02 **Buyer's Representations and Warranties.** Buyer represents and warrants to Seller that:

- (a) it is a corporation, duly incorporated and validly existing under Law;
- (b) it is duly licensed or registered to carry on business in every jurisdiction in which such license or registration is required for purposes of this Agreement;
- (c) it has all necessary corporate power and capacity to enter into this Agreement, grant the rights and licenses granted under this Agreement, and perform its obligations hereunder;
- (d) the execution of this Agreement by its Representative whose signature is set forth at the end of this Agreement, and the delivery of this Agreement by Buyer, have been duly authorized by all necessary corporate action on the part of Buyer; and
- (e) the execution, delivery and performance of this Agreement by Buyer will not violate, conflict with, require consent under or result in any breach or default under (i) any of Buyer's organizational or constating documents, (ii) any applicable Law or (iii) with or without notice or lapse of time or both, the provisions of any Buyer Contract; and
- (f) when executed and delivered by Buyer and Seller, this Agreement will constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.





ARTICLE 8 PRODUCT WARRANTY AND RECALL

- 8.01 **Product Warranty.** Seller warrants to the Buyer Parties as follows (together constituting the "**Product Warranty**" hereunder):
 - (a) for a period of 1 year from the date of shipment of the Products, or for such longer period as provided by Buyer to its customers (the "Warranty Period"), the Products will:
 - (i) conform, in all respects, with the Quality Standards and the Specifications;
 - (ii) not infringe upon, violate or misappropriate the Intellectual Property Rights of any Person;
 - (iii) be fit and safe for use consistent with, and sufficient for, the particular purpose intended by Buyer and its customers, of which the Seller is aware (and Seller acknowledges that it knows of Buyer's intended use of the Products and that such Products have been selected, designed or produced by Seller based upon Buyer's stated use and will be fit and sufficient for the particular purposes intended by Buyer); and



- (b) The Product Warranty does not apply to any Product that has been subjected to abuse, misuse, neglect, negligence, accident, improper testing, improper storage, improper handling, abnormal environmental conditions or use contrary to instructions by the Seller or to Product that has been reconstructed, repaired or altered by Persons other than Seller or its representatives.
- 8.02 Additional Product Warranty Terms.
 - (a) The Product Warranty:
 - (i) is in addition to all other warranties, express, implied, statutory and common law;
 - survives Seller's delivery of the Products, Buyer's receipt, inspection, acceptance, use of the Products and payment for the Products, and the termination or expiration of this Agreement;
 - (iii) enures to the benefit of the Buyer Parties; and
 - (iv) may not be limited or disclaimed by Seller.
 - (b) Buyer's approval of the Specifications or similar requirements shall not be construed so as to relieve Seller of any warranties.
 - (c) Any applicable statute of limitations on Buyer's claims for breach of warranty will commence no earlier than the date on which Buyer discovers the breach.

- 8.03 Remedies for Breach of Product Warranty. During the Warranty Period, if Products do not comply with the warranties in this Agreement, in addition to other remedies available at Law or in this Agreement, Seller shall, at Buyer's discretion:
 - (a) repair or replace such Defective Products, as applicable; or
 - (b) credit or refund the Price of such Defective Products plus any inspection, testing, shipping, handling and transportation charges paid by Buyer, less any applicable discounts, rebates or credits.

For such Products, Buyer shall ship, at Seller's expense and risk of loss, such allegedly Defective Products to the nearest authorized Seller location and Seller will, at Seller's expense and risk of loss, return any repaired or replaced Product to a location designated by Buyer in a timely manner.

If Seller fails to repair or replace Products in a timely manner, Buyer may do so, and Seller shall reimburse Buyer for actual and reasonable expenses.

8.04 Recalls.

- (a) Upon determination by Seller or any Governmental Authority that any Products sold to Buyer are Defective and a recall campaign is necessary, either Party may implement such recall campaign. Buyer must return Defective Products to Seller or destroy such Products, at the option of the Seller.
- (b) Without prejudice to Buyer's rights under ARTICLE 8, if a recall campaign is implemented, at Buyer's option and Seller's sole cost, Seller shall promptly replace any Defective Products and provide such replacement Products to Buyer or Buyer's designee. The foregoing will apply even if the Product Warranty and any other product warranty applicable to the Products have expired provided that such out of warranty product is subject to the recall.
- (c) Seller will be liable for all of Buyer's reasonable costs associated with any recall campaign, including costs related to returning or destroying Defective Products and all reasonable expenses associated with determining whether a recall campaign is necessary, if such recall campaign is based upon a reasonable determination that either:
 - (i) the Products, as delivered to the Buyer, failed to conform to the warranties set forth in this Agreement and the requirements of applicable Law; or
 - (ii) the basis for the recall arose from Seller's negligence or wilful misconduct.
- (d) Buyer will be liable for all of Seller's reasonable direct costs associated with any recall campaign, including costs related to returning or destroying Defective Products and all reasonable expenses associated with determining whether a recall campaign is necessary, if, on reasonable determination, such recall campaign arose as a result of:
 - the improper storage, transport or other handling of the Products by the Buyer or a Buyer Party following receipt of the Products, or
 - (ii) the Buyer's negligence or wilfull misconduct.

ARTICLE 9 SOCIAL RESPONSIBILITY

- 9.01 Social Responsibility. Seller agrees:
 - (a) To comply with and abide by all Laws, directives and policies of the Buyer, its Affiliates and applicable Governmental Authorities relating to responsible consumption, marketing and sale of the Products.
 - (b) To remit a monetary amount equal to two per cent (2%) of the total Price of the Products purchased by the Buyer annually for the purposes of social and/or educational programs to be implemented by the Buyer or its designate (the "Social Responsibility Amount").
 - (c) That Buyer shall withhold the Social Responsibility Amount from each payment made to the Seller for these purposes.

ARTICLE 10 PROMOTION

10.01 **Promotion.** Seller agrees to credit or refund the Price of any Product in accordance with the specifications furnished by Buyer that is opened and placed in an Aroma Pod and Buyer shall, each month, withhold the Price from payment made to the Seller for these purposes.

ARTICLE 11 CONFIDENTIALITY

- 11.01 Scope of Confidential Information. From time to time during the Term, either Party (as the "Disclosing Party") may disclose or make available to the other Party (as the "Receiving Party") information about its business affairs, goods and services (including any Forecasts), confidential information and materials comprising or relating to Intellectual Property Rights, trade secrets, third-party confidential information and other sensitive or proprietary information. Such information, as well as the terms of this Agreement, whether oral or in written, electronic or other form or media, and whether or not marked, designated or otherwise identified as "confidential" constitutes "Confidential Information" hereunder. Confidential Information does not include information that, at the time of disclosure and as established by documentary evidence:
 - is or becomes generally available to and known by the public other than as a result of, directly or indirectly, any breach of this ARTICLE 11 by the Receiving Party or any of its Representatives;
 - is or becomes available to the Receiving Party on a non-confidential basis from a thirdparty source, provided that such third party is not and was not prohibited from disclosing such Confidential Information;
 - (c) was known by or in the possession of the Receiving Party or its Representatives before being disclosed by or on behalf of the Disclosing Party, provided that such information was not in the possession of the Receiving Party or its Representatives as a result of a prohibited disclosure of such Confidential Information;
 - (d) was or is independently developed by the Receiving Party without reference to or use of, in whole or in part, any of the Disclosing Party's Confidential Information; or
 - (e) is required to be disclosed under applicable Law.

11.02 Protection of Confidential Information. The Receiving Party shall:

- (a) protect and safeguard the confidentiality of the Disclosing Party's Confidential Information with at least the same degree of care as the Receiving Party would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care;
- (b) not use the Disclosing Party's Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Agreement; and
- (c) not disclose any such Confidential Information to any Person, except to the Receiving Party's Representatives who need to know the Confidential Information to assist the Receiving Party, or act on its behalf, to exercise its rights or perform its obligations under this Agreement.

The Receiving Party shall be responsible for any breach of this Section 11.02 caused by any of its Representatives. The provisions of this ARTICLE 11 shall survive termination or expiration of this Agreement for any reason for a period of one year after such termination or expiration. On the expiration or earlier termination of this Agreement, the Receiving Party and its Representatives shall promptly destroy all Confidential Information and copies thereof that it has received under this Agreement.

In the event of any conflict between the terms and provisions of this ARTICLE 11 and those of any other provision of this Agreement, the terms and provisions of this ARTICLE 11 shall prevail.

- 11.03 **Privacy legislation.** Without limiting the generality of the balance of this ARTICLE 11 Seller acknowledges that personal information arising from the performance of this Agreement may be subject to privacy legislation, including the Privacy Acts. Seller will maintain the confidentiality of personal information in accordance with applicable Law and adhere to the Privacy Acts and any other applicable privacy legislation. Seller further acknowledges that all information relating to this Agreement that is in the custody or control of Buyer or its Affiliates may be subject to the Right to Information and Protection of Privacy Act (New Brunswick) under which Buyer or its Affiliates may be required to disclose certain or all information.
- 11.04 **Disclosure Required by Law**. Either Party may disclose Confidential Information of the other Party to the extent required to be disclosed by Law, including but not limited to requests under the *Right to Information and Protection of Privacy Act* (New Brunswick). In the event that either Party is required by Law to disclose Confidential Information, the Party required to make such disclosure shall take all reasonable steps (if lawful) to give the other Party sufficient notice prior to making the disclosure in order to contest such order and, in the event the disclosure is ultimately required, only disclose only such Confidential Information as is required.
- 11.05 **Disclosure of Buyers's Sales Data.** Seller expressly consents to the disclosure and use by Buyer of Buyer's sales data including:
 - (a) Any product attribute that is already publicly disclosed by Seller either via the website of Buyer, or via the website of Seller, or by means of any other public notice issued by Seller.
 - (b) The quantity of units of any Product sold by Buyer.

(c) Sales Transaction Data.

Seller consents to the disclosure and use of this sales data and only this sales data in accordance with this Agreement. Seller agrees that this information does not constitute confidential information contemplated under Article 11.01. Buyer agrees to disclose and use only the Buyer's sales data above in accordance with this Agreement.

ARTICLE 12 INSPECTION AND AUDIT RIGHTS

- Buyers Right of Access. Seller hereby grants to Buyer, and each of its authorized Representatives access to Seller's premises (including Seller's manufacturing operations used in the production of the Products), upon the giving of 7 calendar days' written notice from Buyer to Seller, at any time and from time to time during normal business hours, and all pertinent documents and other information, whether stored in tangible or intangible form, including any books, records and accounts, in any way related to Seller's performance under this Agreement (including Sellers' processes and procedures), the Products, or any payment or other transaction occurring in connection with this Agreement, for the purpose of auditing Seller's compliance with the terms of this Agreement and any other agreements between Buyer and Seller, including Seller's charges for Products, or inspecting or conducting an inventory of finished Products, work-in-process or raw-material inventory. Seller agrees to cooperate fully with Buyer in connection with any such audit or inspection. During such access, Buyer and its Representatives shall observe all relevant workplace safety and health regulations and comply with all of Seller's workplace rules and policies.
- 12.02 **Seller's Records.** Seller shall maintain, during the Term and for a period of 7 years (or such longer period as required by applicable Law) after the Term.
 - (a) complete and accurate books and records and any other financial information in accordance with IFRS and as contemplated by this Agreement; and
 - (b) records in compliance with the Specifications with sufficient detail to facilitate at a minimum lot traceability in the event of a product recall or voluntary withdrawal of Products.
- 12.03 **Right to Reimbursement.** Each Party shall reimburse the other for all amounts associated with errors discovered during an audit.
- 12.04 **Subcontractor Information.** If requested by Buyer, Seller shall use its best efforts to permit Buyer and its Representatives to obtain from subcontractors or other suppliers to Seller the information and permission to conduct the reviews specified with respect to Seller in this ARTICLE 12.

ARTICLE 13 INSURANCE

13.01 Insurance. Without limiting Seller's indemnification obligations under this Agreement, during the Term and for a period of two years thereafter, Seller shall, at its own expense, maintain and carry in full force and effect at least the following types and amounts of insurance coverage, as applicable:

- (a) Commercial general liability with limits no less than \$5,000,000 for each occurrence and \$5,000,000 in the aggregate, including bodily injury and property damage and products (including any Products contemplated under this Agreement or otherwise sold to Buyer) and completed operations and advertising liability; Such policies shall include each of the Indemnified Parties as additional insureds and shall also include a cross liability and/or severability of interests clause, and a contractual liability clause insuring the Products and activities of Seller under this Agreement;
- (b) Workplace health and safety insurance with limits no less than the minimum amount required by applicable law; and
- (c) Commercial automobile liability with limits no less than \$2,000,000, combined single limit for each occurrence involving personal injuries and/or property damage; and
- (d) Umbrella (or excess provided within commercial general liability) liability for the coverage in Section 13.01(a) and Section 13.01(c), with limits no less than \$5,000,000.
- 13.02 Insurance Certificates. On Buyer's written request, Seller shall provide Buyer with copies of the certificates of insurance and policy endorsements for all insurance coverage required by this ARTICLE 13, and shall not do anything to invalidate such insurance. This Section 13.02 shall not be construed in any manner as waiving, restricting or limiting the liability of either Party for any obligations imposed under this Agreement (including but not limited to, any provisions requiring a party hereto to indemnify, defend and hold the other harmless under this Agreement).

ARTICLE 14 INDEMNIFICATION

- 14.01 Seller Indemnification. Subject to the terms and conditions of this Agreement, Seller (as "Indemnifying Party") shall indemnify, defend and hold harmless the Buyer Parties and their officers, directors, employees and agents (collectively, "Indemnified Parties") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable legal fees, disbursements and charges, fees and the costs of enforcing any right to indemnification under this Agreement and the cost of pursuing any insurance providers, incurred by any Indemnified Party (collectively, "Losses"), relating to any third-party Claim which may be brought against any of the Indemnified Parties in connection with, related to, arising from, or alleged to have arisen from:
 - (a) a breach or non-fulfilment of any of Indemnifying Party's representations, warranties, conditions or covenants set forth in this Agreement;
 - (b) any negligent or more culpable act or omission of Indemnifying Party or any of its Representatives (including any recklessness or wilful misconduct) in connection with Indemnifying Party's performance of its obligations under this Agreement;
 - (c) any defect, whether latent or apparent, in the Products, including a defect in design;
 - (d) the possession, use or consumption of a Product by any person;

- any seizure by a public authority of any Products or any alleged or actual violation of, or non-compliance with, any law or regulation by such Products in connection with their manufacture or sale by Seller to Buyer;
- (f) any bodily injury, death of any Person or damage to real or tangible personal property caused by the acts or omissions of Indemnifying Party or any of its Representatives; or
- (g) any failure by Indemnifying Party or its Personnel to comply with any applicable Laws.
- 14.02 Exceptions and Limitations on Indemnification. Notwithstanding anything to the contrary in this Agreement, Indemnifying Party is not obligated to indemnify or defend any Indemnified Party against any Claim (whether direct or indirect) if such Claim or the corresponding Losses result directly from, in whole or in part, Indemnified Party's or its Personnel's:
 - (a) gross negligence or more culpable act or omission (including recklessness or wilful misconduct); or
 - (b) bad faith failure to comply with any of its obligations set forth in this Agreement.
- 14.03 **Seller Intellectual Property Indemnification.** Seller shall defend, hold harmless and indemnify, the Indemnified Parties from and against all Losses arising out of any third-party Claim or any direct Claim against Seller alleging that any of the Products or Buyer's receipt or use thereof infringes any Intellectual Property Right.

In addition, if such a Claim is or is likely to be made, Seller shall, at its own expense, exercise the first of the following that is practicable:

- (a) obtain for Buyer the right to continue to use and sell the Products consistent with this Agreement;
- (b) modify the Products so they are non-infringing and in compliance with this Agreement:
- (c) replace the Products with non-infringing Products that comply with this Agreement; or
- (d) at Buyer's request, accept the cancellation and return (at Seller's expense) of infringing Products without Buyer having any cancellation liability and refund to Buyer any amount paid for such infringing Products.

If the Products, or any part of the Products, become, or in Seller's opinion are likely to become, subject to a Claim that qualifies for intellectual property indemnification coverage under this Section 14.03, Seller shall, at its sole option and expense, notify Buyer to cease using such Products.

Buyer shall notify Seller of third-party Claims against Buyer, and reasonably cooperate in the investigation, settlement and defence of such Claims at Seller's expense.

ARTICLE 15 NO LIABILITY FOR CONSEQUENTIAL OR INDIRECT DAMAGES

EXCEPT FOR OBLIGATIONS TO PAY UNDER THIS AGREEMENT, LIABILITY FOR BREACH OF CONFIDENTIALITY, OR FOR INFRINGEMENT OR MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS,





IN NO EVENT SHALL EITHER PARTY OR ITS REPRESENTATIVES BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY, PUNITIVE OR AGGRAVATED DAMAGES, LOST PROFITS OR REVENUES OR DIMINUTION IN VALUE, ARISING OUT OF OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF (A) WHETHER SUCH DAMAGES WERE FORESEEABLE, (B) WHETHER OR NOT A PARTY WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR (C) THE LEGAL OR EQUITABLE THEORY (CONTRACT, TORT OR OTHERWISE) UPON WHICH THE CLAIM IS BASED, AND NOTWITHSTANDING THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE.

ARTICLE 16 TERM; TERMINATION

- 16.01 Initial Term. The term of this Agreement commences on the Effective Date and continues for a period of 1 year, unless and until earlier terminated under the terms of this Agreement or applicable Law (the "Initial Term").
- 16.02 Renewal Term. Upon expiration of the Initial Term, the term of this Agreement will automatically renew for additional successive 1 year terms unless and until either Party provides Notice of non-renewal at least 120 Business Days before the end of the then-current term (each, a "Renewal Term" and together with the Initial Term, the "Term"), unless the Initial Term or any Renewal Term is earlier terminated under the terms of this Agreement or applicable Law. If the Term is renewed for any Renewal Term(s) under this Section 16.02, the terms and conditions of this Agreement during each such Renewal Term will be the same as the terms in effect immediately before such renewal except for Prices pursuant to Section 5.01, as set out in Schedule 2, which may be renegotiated at the time of renewal. In the event either Party provides timely Notice of its intent not to renew this Agreement, then, unless earlier terminated in accordance with its terms, this Agreement terminates on the expiration of the Initial Term or then-current Renewal Term, as applicable.
- 16.03 **Buyer's Right to Terminate the Agreement.** Buyer may terminate this Agreement (including all Individual Transactions), by providing Notice to Seller:
 - (a) if Seller repudiates, or threatens to repudiate, any of its obligations under this Agreement;
 - (b) except as otherwise specifically provided under this Section 16.03, if Seller is in breach of, or threatens to breach, any representation, warranty, condition or covenant of Seller under this Agreement and either the breach cannot be cured or, if the breach can be cured, it is not cured by Seller within a commercially reasonable period of time under the circumstances, in no case exceeding 30 days following Seller's receipt of Notice of such breach;
 - (c) notwithstanding the generality of Section 16.03(b), if Seller fails to, or threatens not to, timely deliver Products conforming to the requirements of, and otherwise in accordance with, the terms and conditions of this Agreement;
 - (d) if:
 - (i) Seller admits its inability to pay its debts generally as they become due or otherwise acknowledges its insolvency;
 - (ii) Seller ceases to carry on business in the ordinary course;

- (iii) Seller institutes any proceeding, takes any corporate action or executes any agreement to authorize its participation in or commencement of any of the following proceedings unless Seller cures or retracts such action, agreement or proceeding within 15 days following the commencement thereof seeking: (A) to adjudicate it a bankrupt or insolvent; (B) liquidation, dissolution, winding-up, reorganization, arrangement, protection, relief or composition of it or any of its property or debts or making a proposal with respect to it under any Law relating to bankruptcy, insolvency, reorganization or compromise of debts or similar Laws; or (C) appointment of a receiver, trustee, agent, custodian or other similar official for it or any substantial party of its properties and assets; or
- (iv) a creditor or any other Person privately commences any proceeding against or affecting Seller (except if and so long as such proceeding is being contested in good faith by appropriate proceedings by Seller) against or affecting Seller seeking: (X) to adjudicate it a bankrupt or insolvent; (Y) liquidation, dissolution, winding-up, reorganization, arrangement, protection, relief or composition of it or any of its property or debts or making a proposal with respect to it under any Law relating to bankruptcy, insolvency, reorganization or compromise of debts or similar Laws; or (Z) appointment of a receiver, trustee, agent, custodian or other similar official for it or any substantial party of its properties and assets;
- (e) if Seller fails to provide Buyer, within a commercially reasonable time after Buyer's request (but in no case exceeding 15 days after such request) with adequate and reasonable assurance of Seller's financial and operational capability to timely perform any of Seller's obligations under this Agreement in accordance with Section 6.06;
- (f) if Seller violates any Law in any material respect or, in the opinion of Buyer, Seller or its Affiliates engage in activities which damage or could damage the reputation or brand image of Buyer;
- (g) termination of any Permit necessary to fulfill Buyer's obligations under this Agreement;
- (h) in the event of a Force Majeure Event affecting the Seller's performance of this Agreement for more than 90 days; or

Any termination under this Section 16.03 will be effective on Seller's receipt of Buyer's Notice of termination or such later date (if any) set forth in such termination Notice. Upon the occurrence of any of the events described under this Section 16.03, Buyer may, in addition to any of its other rights to suspend performance under this Agreement or applicable Law, immediately suspend its performance under all or any part of this Agreement, without any liability of Buyer to Seller except the Buyer's obligation to pay any amounts due to Seller for Products delivered by Seller to Buyer before the Seller's receipt of the termination notice, and, notwithstanding anything to the contrary contained in this Agreement, Buyer may, at its election, recover any and all direct damages, costs (including legal fees, disbursements and charges), expenses and losses incurred by Buyer as a result of any event described under this Section 16.03 or any breach of this Agreement by Seller.

16.04 Effect of Expiration or Termination.

- (a) Unless Buyer directs otherwise, any termination of this Agreement automatically terminates all related Individual Transactions, however all indebtedness of Buyer to Seller shall immediately become due and payable to Seller, without further notice to Buyer;
- (b) Immediately upon a Notice of termination being delivered by Buyer to Seller hereunder (as stated in such Notice), Seller shall, unless otherwise directed by Buyer;
 - promptly terminate all performance under this Agreement and under any outstanding Purchase Orders;
 - (ii) transfer title and deliver to Buyer all finished Products completed before the effectiveness of the Notice of termination, provided that Buyer shall pay any outstanding amounts due for such Products in accordance with this Agreement; and
 - (iii) return to Buyer any other property furnished by or belonging to Buyer or any of Buyer's customers, or dispose of such property in accordance with Buyer's instructions;
- (c) Expiration or termination of the Term will not affect any rights or obligations of the Parties that:
 - (i) come into effect upon or after termination or expiration of this Agreement; or
 - (ii) otherwise survive the expiration or earlier termination of this Agreement under Section 17.04.
- (d) Subject to Section 16.03(d)16.03(d), the Party terminating this Agreement, or in the case of the expiration of this Agreement, each Party, will not be liable to the other Party for any damage of any kind (whether direct or indirect) incurred by the other Party solely by reason of the expiration or earlier termination of this Agreement. Termination of this Agreement will not constitute a waiver of any of either Party's rights, remedies or defences under this Agreement, at law, in equity or otherwise.

ARTICLE 17 MISCELLANEOUS

- 17.01 Further Assurances. Upon the reasonable request of either Party, the other Party shall, execute and deliver all such further documents and instruments, and take all such further acts, necessary to give full effect to this Agreement, and each Party shall bear their own cost in doing so.
- 17.02 **Relationship of the Parties.** The relationship between Seller and Buyer is solely that of vendor and vendee, and the Parties are independent contracting parties. Nothing in this Agreement creates any agency, joint venture, partnership or other form of joint enterprise, employment or fiduciary relationship between the Parties. Neither Party has any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any third party.

- 17.03 Entire Agreement. Subject to Section 1.02, this Agreement, including and together with any Purchase Orders issued hereunder, and all schedules, exhibits, attachments or appendices specifically referenced herein or therein, constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations, conditions and warranties, both written and oral, regarding such subject matter.
- 17.04 **Survival.** Subject to the limitations and other provisions of this Agreement the representations, conditions, warranties and indemnities of the Parties contained herein will survive the expiration or earlier termination of this Agreement.
- Notices. All notices, requests, consents, claims, demands, waivers and other communications under this Agreement (each, a "Notice") must be in writing and addressed to the other Party at its address set forth below (or to such other address that the receiving Party may designate from time to time in accordance with this Section 17.05). Unless otherwise agreed, all Notices must be delivered by personal delivery, nationally recognized overnight courier or certified or registered mail (in each case, return receipt requested, postage prepaid). Notice given by facsimile or e-mail (with confirmation of transmission) will satisfy the requirements of this Section 17.05. Except as otherwise provided in this Agreement, a Notice is effective only (a) on receipt by the receiving Party, and (b) if the Party giving the Notice has complied with the requirements of this Section 17.05.



Interpretation. For purposes of this Agreement: (a) the words "include," "includes" and "including" is deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole; (d) words denoting the singular have a comparable meaning when used in the plural, and vice-versa; and (e) words denoting any gender include all genders. Unless the context otherwise requires, references in this Agreement: (x) to sections, schedules, exhibits, attachments and appendices mean the sections of, and schedules, exhibits, attachments and appendices attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. The Parties drafted this Agreement without regard to

any presumption or rule requiring construction or interpretation against the Party drafting an instrument or causing any instrument to be drafted. The schedules, exhibits, attachments and appendices referred to herein are an integral part of this Agreement to the same extent as if they were set forth verbatim herein. Except as otherwise expressly provided in this Agreement, all dollar amounts referred to in this Agreement are stated in Canadian currency.

- 17.07 **Headings.** The headings in this Agreement are for reference only and do not affect the interpretation of this Agreement.
- 17.08 **Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability does not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.
- 17.09 Amendment and Modification. No amendment to or modification, rescission, termination or discharge of this Agreement is effective unless it is in writing and signed by an authorized Representative of each Party.

17.10 Waiver.

- (a) No waiver under this Agreement is effective unless it is in writing and signed by an authorized representative of the Party waiving its right.
- (b) Any waiver authorized on one occasion is effective only in that instance and only for the purpose stated, and does not operate as a waiver on any future occasion.
- (c) None of the following constitutes a waiver or estoppel of any right, remedy, power, privilege or condition arising from this Agreement:
 - (i) any failure or delay in exercising any right, remedy, power or privilege or in enforcing any condition under this Agreement; or
 - (ii) any act, omission or course of dealing between the Parties.
- 17.11 Cumulative Remedies. All rights and remedies provided in this Agreement are cumulative and not exclusive, and the exercise by either Party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any other agreement between the Parties or otherwise.
- 17.12 Equitable Remedies. Each Party acknowledges and agrees that (a) a breach or threatened breach by such Party of any of its obligations under ARTICLE 11 would give rise to irreparable harm to the other Party for which monetary damages would not be an adequate remedy and (b) in the event of a breach or a threatened breach by such Party of any such obligations, the other Party shall, in addition to any and all other rights and remedies that may be available to such Party at law, at equity or otherwise in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction, without any requirement to post a bond or other security, and without any requirement to prove actual damages or that monetary damages will not afford an adequate remedy. Each Party agrees that such Party will not oppose or otherwise

challenge the appropriateness of equitable relief or the entry by a court of competent jurisdiction of an order granting equitable relief, in either case, consistent with the terms of this Section 17.12.

17.13 Assignment. Seller may not assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of Buyer. Buyer may assign its rights and obligations under this Agreement to an Affiliate of the Buyer or a corporation which is controlled by Her Majesty the Queen in right of the Province of New Brunswick or a department or agency thereof.

Any purported assignment or delegation in violation of this Section 17.13 is null and void. No assignment or delegation relieves the assigning or delegating Party of any of its obligations under this Agreement.

- 17.14 **Successors and Assigns.** This Agreement is binding on and inures to the benefit of the Parties and their respective permitted successors and permitted assigns.
- 17.15 **Dispute Resolution**. Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity hereof (each, a "**Dispute**"), shall be submitted for negotiation and resolution to the Vice President Sales and Marketing of Seller (or to such other individual of equivalent or superior position designated by Seller in a written Notice to Buyer) and the General Manager of Buyer (or to such other individual of equivalent or superior position designated by Buyer in a written Notice to Seller), by delivery of written Notice (each, a "**Dispute Notice**") from either of the Parties to the other Party. Such individuals shall negotiate in good faith to resolve the Dispute. If the Parties are unable to resolve any Dispute within 30 days after delivery of the applicable Dispute Notice, either Party may file suit in a court of competent jurisdiction.
- 17.16 **Governing Law.** This Agreement, including all Purchase Orders, and any schedules, exhibits, attachments and appendices attached hereto or thereto, and all matters arising out of or relating to this Agreement, are governed by, and construed in accordance with, the Laws of New Brunswick, and the federal Laws of Canada applicable therein. The Parties agree that the United Nations Convention on Contracts for the International Sale of Products does not apply to this Agreement.
- 17.17 Choice of Forum. Any action or proceeding arising out of or relating to this Agreement, including all Purchase Orders, Releases and schedules, exhibits, attachments and appendices attached to this Agreement or thereto, and all transactions contemplated hereby or thereby will be instituted in the courts of New Brunswick, and each party irrevocably submits to the jurisdiction of such courts in any such action or proceeding.
- 17.18 Waiver of Jury Trial. Each Party acknowledges and agrees that any controversy that may arise under this Agreement, including any Purchase Orders, Releases and any schedules, exhibits, attachments and appendices attached hereto or thereto, is likely to involve complicated and difficult issues and, therefore, each such Party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement, or the transactions contemplated hereby.
- 17.19 **Counterparts.** This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together is deemed to be one and the same agreement. Notwithstanding anything to the contrary herein, a signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

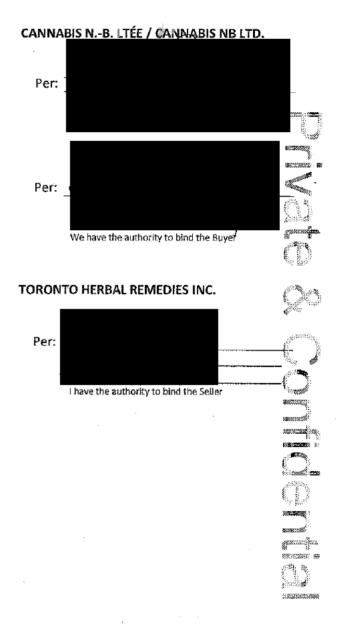
17.20 Force Majeure. Any delay or failure of either Party to perform its obligations under this Agreement will be excused to the extent that the delay or failure was caused directly by an event beyond such Party's control, without such Party's fault or negligence and that by its nature could not have been foreseen by such Party or, if it could have been foreseen, was unavoidable (which events may include but are not limited to natural disasters, embargoes, road closures, explosions, riots, wars or acts of terrorism) (each, a "Force Majeure Event"). Seller's financial inability to perform, changes in cost or availability of materials, components or services, market conditions or supplier actions or contract disputes will not excuse performance by Seller under this Section 17.20. Seller shall give Buyer prompt written notice of any event or circumstance that is reasonably likely to result in a Force Majeure Event, and the anticipated duration of such Force Majeure Event. Seller shall use all diligent efforts to end the Force Majeure Event, ensure that the effects of any Force Majeure Event are minimized and resume full performance under this Agreement.

If requested by Buyer, Seller shall, within 5 days of such request, provide adequate assurances that a Force Majeure Event will not exceed 90 days. If the delay lasts more than such 90 day period, or if Seller does not provide such adequate assurances, Buyer may immediately terminate this Agreement without any liability to Seller except for any amounts owing to the Seller pursuant to Section 5.04.

- 17.21 **No Public Announcements or Trademark Use.** Neither Party nor any of its Representatives shall use the trademarks of the other Party or (orally or in writing) publicly disclose, issue any press release or make any other public statement, or otherwise communicate with the media, concerning the existence of this Agreement or the subject matter hereof, without the prior written approval of the other, except if and to the extent that such Party is required to make any public disclosure or filing regarding the subject matter of this Agreement:
 - (a) by applicable Law;
 - (b) under any rules or regulations of any stock exchange on which the securities of such Party or any of its Affiliates are listed or traded; or
 - (c) in connection with enforcing its rights under this Agreement.
- 17.22 Language. The parties have required that this Agreement and all documents and notices resulting from it be drawn up in English. Parties aux présents ont exigés que la présente convention ainsi que tous les documents et avis qui s'y rattachent ou qui en découleront soient rédigés en anglais.



IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first set forth above.



Schedule 1 - SPECIFICATIONS

Exhibit A - PRODUCT REQUIREMENTS

Packaging Standards

All Products carried by Cannabis NB must comply with:

- The Cannabis Act and its regulations for packaging and labelling.
- The Consumer Packaging and Labelling Act and its regulations.
- The New Brunswick Beverage Container Act.

TORONTO HERBAL REMEDIES INC. is expected to comply with any deadlines to update and/or revise packaging, as required by Law as new standards are announced and/or put into effect.

Beverage Container Program

Any cannabis beverage sold by Cannabis NB must be registered by TORONTO HERBAL REMEDIES INC. with the Atlantic Province Beverage Container Program. Under this program TORONTO HERBAL REMEDIES INC. must collect a beverage container deposit from Cannabis NB for each beverage unit sold to Cannabis NB and those beverage container deposits must be remitted directly to the province of New Brunswick by TORONTO HERBAL REMEDIES INC..

New Brunswick Label Requirements:

All Products carried by Cannabis NB must include the following label elements:

Bilingual (English & French) text of:

- Product Class
- Allergens (if applicable)
- Beverage container refund statement (if applicable)

The following are acceptable versions of the wording that Cannabis NB has the latitude to approve. Any other versions must be approved by the New Brunswick Dept. of Environment (via Cannabis NB)

- o Refund/Consignee
- o Return for refund where applicable/Consignee la ou la loi le prescrit
- o Return for refund where applicable/Bouteille consignee selon la loi

The minimum lettering size is 1/8th of an inch (3.2 mm) based on upper case letters.

Barcodes:

- RF scan-capable <u>UPC-A Barcode (1D)</u> on both the selling unit and the master shipping carton.
- RF scan-capable barcode which indicates Lot number on the master shipping carton.

Shipping Carton Label

Free form text (human readable) of the following information on the master shipping carton:

- 1. Product name
- 2. Selling unit size (ex. 3.5g)
- 3. Quantity of selling units in the shipping carton
- 4. Production Date (Day/Month/Year)
- 5. Expiry Date (Day/Month/Year)
- 6. Province code (NB)









Quality

Products received by Cannabis NB must be in good condition, with no cracked, crushed, or wet packaging. Package seals must be intact. Excise stamps must be fully affixed (if applicable).

Shelf Life

TORONTO HERBAL REMEDIES INC. will take reasonable steps to ship Products no more than 60 days postproduction in order to maximize the shelf-life of Cannabis NB stock.

Exhibit B - MERCHANDISING

On-Packing

Unless approved in advance by Cannabis NB, advertising matter or novelties of any sort <u>may not</u> be enclosed in cases or attached to Products.

Aroma Pods

Cannabis NB shall open the smallest package size available of a Product for use in an Aroma Pod provided that the smallest package size is a fair representation of the general quality level of the strain of the Product in question. Otherwise the next smallest package size that is a fair representation of the quality of the strain of the Product in question will be substituted.

Exhibit C - DELIVERIES

Product Deliveries

Vendor Lead Time

All purchase orders received by TORONTO HERBAL REMEDIES INC. will be filled and shipped to Cannabis NB within a maximum of 10 Business Days.

Delivery Process

All Products ordered by Cannabis NB must be delivered directly by TORONTO HERBAL REMEDIES INC. or their designated carrier to the Delivery Location noted on the purchase order.

The designated delivery person must be 19 years of age or older.

The designated delivery person must present photo company ID and a bill of lading at the store delivery door area or to the appropriate contact at Cannabis NB's third-party logistics center (RSL).

Approved Delivery dates/times

Monday to Thursday between 9:00 am and 4:00 pm

Any deliveries scheduled outside these times should be conveyed to Cannabis NB two business days in advance and approved by Cannabis NB.

Delivery Location

Cannabis NB reserves the right to request an alternate delivery location. In this instance, Cannabis NB will provide TORONTO HERBAL REMEDIES INC. with reasonable notice of this request and the alternate delivery location will be noted on the purchase order.

TORONTO HERBAL REMEDIES INC. Anticipated Delivery Schedule

Bi-weekly on Thursday

Exhibit D - RETURN POLICY

All public consumer sales via Cannabis NB are considered final. Exceptions will be made for:

Malfunctioning Cannabis Accessories returned within 30 days of purchase

Any consumer who submits a complaint of product quality will be directed to the 1-800 telephone number provided by TORONTO HERBAL REMEDIES INC. for consultation and resolution. After consultation with the consumer, if TORONTO HERBAL REMEDIES INC. deems a consumer refund is appropriate, Cannabis NB will accept a product return and provide a consumer refund as long as the consumer can provide a proof of purchase (receipt) of the product in question that is dated no more than 30 days prior to the date that the complaint was submitted.

Schedule 2 - PRODUCTS & PRICES

Exhibit A - LISTINGS

Cannabis NB may review a proposal from TORONTO HERBAL REMEDIES INC. for a new product listing from time to time or as requested via an Expression of Interest.

Cannabis NB must approve a new product listing in writing.

New product listings may be captured in this Schedule 2, Exhibit B via a formal Amendment as agreed to by both parties.

Cannabis NB reserves the right to refuse a proposal for new product listing

Cannabis NB reserves the right to delist a product listed below if:

- There are repeated short-shipments of amounts requested on Cannabis NB purchase orders
- There is repeated non-compliance with the Specifications
- The product is provided with inconsistent product attributes
- Wholesale pricing for the product cannot be maintained
- The product is not meeting sales performance expectations

No substitutions for any product listed below without approval from Cannabis NB.

Cannabis NB may accept a request for a substitution of a product under the following conditions:

- During a formal listing call/review period and/or,
- When the product to be replaced is no longer available from TORONTO HERBAL REMEDIES INC.

Cannabis NB reserves the right to deny a request for a product substitution if:

- The wholesale price of the new product is greater than that of the existing product.
- The target retail price of the new product is greater than that of the existing product.
- The product type, format, cannabinoid content, and/or product attributes to do not meet the portfolio needs of Cannabis NB.

Product Classes

- Dried Flower/Fleur séchées
- Pre Rolled Dried Flower/ Fleur séchées préroulés
- Ingestible Oil/Huile comestible (includes free flow, spray, capsule)
- Seeds/Graines







Exhibit B - TORONTO HERBAL REMEDIES INC. Approved Listings & Prices

All references to monetary amounts shall be in Canadian Dollars.

Forecasts included in this Schedule 2 are for informational purposes only. Any product quantities cited in or under this Agreement, except for quantities cited in a Purchase Order as firm, are preliminary and non-binding only. Cannabis NB makes no representation or warranty as to the quantity of products that it will purchase.

Dried Flower

Product Name	in programme	B Category	i elimenti e	FOR	nidaildedi Onies	
Caliber Berry White		Whole Flower	1g			
Caliber Berry White		Whole Flower	3.5g			
Caliber Lemon Z		Whole Flower	1g			
Caliber Lemon Z		Whole Flower	3.5g			•