

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This Membership Interest Purchase Agreement (“**Agreement**”) is dated effective April [redacted], 2019 among Chemesis International Inc., a British Columbia corporation (“**Buyer**”), and [redacted]

[redacted] the “**Sellers**”). [Redaction: personal information of selling shareholders]

BACKGROUND

- A. AWP Management LLC is a California limited liability company (“the “**Company**”).
- B. [redacted] owns [redacted] of the membership interests of the Company [redacted] [Redaction: personal information of selling shareholders]
- C. [redacted] owns [redacted] of the membership interests of the Company [redacted] [Redaction: personal information of selling shareholders] the “**Company Interests**”).
- D. Subject to the terms of this Agreement, Buyer desires to purchase the Company Interests [redacted] [redacted] [Redaction: payment term; personal information of selling shareholders]

SECTION 1 DEFINITIONS

Unless defined elsewhere in this Agreement, capitalized terms used in this Agreement will have the meanings ascribed to them in the attached Appendix A.

SECTION 2 PURCHASE AND SALE

2.1 Company Interests. At the Closing, Sellers will sell the Company Interests to Buyer and Buyer will buy the Company Interests from Sellers.

2.2 Purchase Price. The purchase price for the Company Interests is [redacted] [Redaction: payment term]

2.3 Payment. Buyer will pay the purchase price for the Company Interests as follows:

- (a) [redacted]

[redacted]

[Redaction: payment term]

[Redacted]

[Redacted]

[Redaction: payment term]

Payments made pursuant to Section 2.3(b) and Section 2.3(c) shall be made by wire transfer of immediately available funds to an account or accounts designated by the Sellers.

2.4 Escrow. The Escrow Agent will hold the Buyer Shares for the benefit of the Sellers in accordance with the terms of the Escrow Agreement.

SECTION 3 REPRESENTATIONS AND WARRANTIES

Sellers jointly and severally represent and warrant to Buyer as follows:

3.1 Authority of Sellers. Each Seller has full limited liability company power, and authority to execute and deliver the Transaction Documents to which the Seller is a party, to carry out such Seller's obligations under such Transaction Documents, and to consummate the transactions contemplated by such Transaction Documents.

3.2 Organization, Authority, and Qualification of the Company.

- (a) The Company is a limited liability company duly organized, validly existing, and in good standing under the Laws of the State of California.
- (b) The Company has full power and authority to own, operate, or lease the properties and assets now owned, operated, or leased by it and to carry on its business as it has been and is currently conducted.
- (c) The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business as currently conducted makes such licensing or qualification necessary.

3.3 Binding Obligation. This Agreement has been duly executed and delivered by each Seller, and this Agreement constitutes a legal, valid, and binding obligation of each Seller enforceable against each Seller in accordance with its terms. When the other Transaction Documents to which each Seller is or will be a party have been duly executed and delivered by such Seller, such Transaction Documents will constitute a legal and binding obligation of such Seller enforceable against such Seller in accordance with their terms

3.4 No Conflicts. The execution, delivery, and performance by each Seller of this Agreement and the other Transaction Documents to which such Seller is or will be a party, and the consummation of the transactions contemplated by the Transaction Documents do not and will not:

- (a) conflict with any provision of the Company's articles of organization, operating agreement, or other organizational documents;

- (b) conflict with or result in a violation or breach of any Law or Governmental Order applicable to the Company or any Seller;
- (c) require the consent, approval, or other action by any person under, conflict with, result in a violation or breach of, constitute a default under, result in the termination, modification, or cancellation of, or create in any person the right to accelerate, terminate, modify, or cancel, any Contract to which the Company or any Seller is a party;
- (d) require the consent, approval, declaration or filing with, notice to, or other action by any Governmental Authority; or
- (e) result in the creation or imposition of any Encumbrance on any properties or assets of the Company.

3.5 Capitalization.

- (a) The Company Interests constitute █████ of the total issued and outstanding membership interests of the Company. *[Redaction: information related to payment term]*
- (b) The Company Interests were duly authorized, validly issued, fully paid, and non-assessable, and are owned of record and beneficially by the Sellers, free and clear of all Encumbrances.
- (c) Upon consummation of the Transaction, Buyer, or a designated subsidiary of Buyer, will own the Company Interests, free and clear of all Encumbrances.
- (d) All of the Company Interests were issued in compliance with applicable Laws. None of the Company Interests were issued in violation of any the Company's articles of organization, the Company's operating agreement, or any other agreement, arrangement, or commitment to which any Seller or the Company is a party or is subject to, or in violation of, any preemptive or similar rights of any person.
- (e) Except as otherwise provided:
 - (1) there are no outstanding or authorized options, warrants, convertible securities, or other rights, agreement, arrangements, or commitments of any character relating to any membership interests in the Company or obligating any Seller or the Company to issue or sell any membership interests (including the Company Interests), or any other interest in the Company.
 - (2) the Company does not have outstanding or authorized any profits interests, capital interests, unit rights, or similar rights; and
 - (3) there are no voting trusts, proxies, or other agreements or understandings in effect with respect to the voting or transfer of any of the Company Interests.

3.6 No Subsidiaries. The Company does not own, or have any interest in, any shares, membership interests, or other ownership interests in any corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

3.7 Financial Statements.

- (a) The Company has delivered to Buyer complete copies of:
 - (1) the balance sheets of the Company as at December 31, 2017 and December 31, 2018 and the related statements of income and retained earnings, members' equity, and cash flow for the years then ended; and
 - (2) the balance sheet of the Company as at February 28, 2019 and the related statements of income and cash flow for the two-month period then ended.

- (b) Except as otherwise provided, the Financial Statements:
 - (1) fairly present the financial condition and the results of operations and cash flow of the Company as at the dates and as of the periods specified; and
 - (2) were prepared in accordance with GAAP;
 - (3) reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to the Financial Statements; and
 - (4) were prepared in accordance with the Company's books of account and records.

3.8 Books and Records. The Company has delivered to Buyer complete and correct copies of all of the minute books of the Company. The minute books of the Company contain accurate and complete records of all meetings, and actions taken by written consent of, the managers, the members, the board of directors, and any committees of the board of directors of the Company, and no meeting, or action taken by written consent, of any such managers, members, 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 such books and records will be in the possession of the Company.

3.9 Real Property.

- (a) The Company does not own, and has never owned, any real property.
- (b) The Company is not a party to any lease other than the Replacement Lease. Other than the Replacement Leases, Company is not a lessor, lessee, sublessor, sublessee, grantor, or grantee under any lease, sublease or other instrument granting to the Company or any other person any right to the possession, lease, occupancy, or enjoyment of any leased real property.
- (c) The use and operation of the Real Property in the conduct of the Company's business does not violate any Law, covenant, condition, restriction, easement, license, permit, or agreement. No material improvements constituting any part of the Real Property encroaches on real property owned or leased by a person other than the Company. To Sellers' Knowledge, there are no Actions pending or threatened against or affecting any of the Real Property or any portion thereof or any interest therein in the nature or in lieu of condemnation or eminent domain proceedings.

3.10 Condition and Sufficiency of Assets.

- (a) The buildings, plants, structures, furniture, fixtures, machinery, equipment, and other items of tangible personal property of the Company are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, furniture, fixtures, machinery, equipment, and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost; and
- (b) the buildings, plants, structures, furniture, fixtures, machinery, equipment, and other items of tangible personal property currently owned or leased by the Company, together with all other properties and assets of the Company, are sufficient for the continued conduct of the Company's business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the business of the Company as currently conducted.

3.11 Inventories.

- (a) All inventories of the Company, whether or not reflected in the Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established;
- (b) all inventories of the Company are owned by the Company free and clear of all Encumbrances, and no inventory is held on a consignment basis; and
- (c) the quantities of each item of inventory (whether finished goods, work-in-process, or raw materials) are reasonable in the present circumstances of the Company's business.

3.12 Accounts Receivable. The Company has provided to Buyer a complete list of the Company's accounts receivable as of the date of the Most Recent Balance Sheet, including the aging of each account receivable.

- (a) Each account receivable that is reflected on the Most Recent Balance Sheet represents a valid, undisputed obligation arising from sales actually made or services actually performed by the Company in the ordinary course of its business;
- (b) except to the extent paid, the accounts receivable reflected on the Most Recent Balance Sheet are collectible in full – without any setoff – within 90 days after the date they first became or become due and payable, net of any reserve for uncollectible accounts receivable shown on the Most Recent Balance Sheet; and
- (c) any reserve for uncollectible accounts receivable shown on the Most Recent Balance Sheet is adequate and calculated consistent with past practice.

3.13 Intellectual Property.

- (a) The Company has provided Buyer a complete list of:
 - (1) each Intellectual Property Registration;
 - (2) each unregistered trademark and tradename that the Company has used since Inception;
 - (3) each Internet domain name that the Company has used or registered since Inception; and
 - (4) any other intellectual property asset that is material to the Company's business.
- (b)
 - (1) the Company has not infringed the patent, trademark, copyright, or tradename rights of any person;
 - (2) the Company has not misappropriated, misused, or improperly disclosed the trade secrets or confidential or proprietary information of any person;
 - (3) neither the Company nor any Seller has received any notice from any person regarding any actual or alleged infringement by the Company of any patent, trademark, copyright, or tradename rights of any person;
 - (4) neither the Company nor any Seller has received any notice from any person regarding any actual or alleged misappropriation, misuse, or improper disclosure of the trade secrets or confidential or proprietary information of any person;
 - (5) to Sellers' Knowledge, no patent, trademark, copyright, tradename, or Internet domain name that is owned or used by any person infringes the patent, trademark, copyright, or tradename rights of the Company; and

- (6) to Sellers' Knowledge, no trade secret or confidential or proprietary information of the Company has been appropriated, used, or disclosed for the benefit of any other person or to the detriment of the Company;
- (7) the Company has entered into a written Contract with each current and former employee and independent contractor of the Company who is or was involved in, or who contributed to, the invention, creation, or development of any intellectual property assets of the Company during the course of the employee's employment with the Company or the independent contractor's engagement with the Company (as applicable), pursuant to which the employee or independent contractor assigned any and all rights that the employee or independent contractor had in such intellectual property assets to the Company;
- (8) the Company has taken all reasonable and necessary steps to maintain and enforce the Company's intellectual property assets and to preserve the confidentiality of its trade secrets, including by requiring all persons having access to such trade secrets to execute written nondisclosure agreements; and
- (9) each employee of the Company has signed a nondisclosure agreement in favor of the Company or has acknowledged receipt of an employee handbook of the Company that contains customary use restrictions and nondisclosure obligations concerning the Company's confidential and proprietary information.

3.14 Title to Assets. The Company has good and valid title to, or a valid leasehold interest in the Real Property and all personal property and other assets reflected in the Financial Statements or acquired after the date of the Balance Sheet, other than properties and assets sold or otherwise disposed of in the ordinary course of business consistent with past practice since the date of the Balance Sheet. All such properties and assets (including leasehold interests) are free and clear of Encumbrances.

3.15 Taxes. The Company has delivered to Buyer a complete and accurate copy of – each Tax Return and report filed by the Company for any tax period ending on or after Inception.

- (a) All Tax Returns required to be filed on or before the Closing Date by the Company have been, or will be, timely filed;
- (b) such Tax Returns are, or will be, true, complete and correct in all respects;
- (c) all Taxes due and owing by the Company (whether or not shown on any Tax Return) have been, or will be, timely paid;
- (d) the Company has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, member, or other party, and complied with all information reporting and backup withholding provisions of applicable Law;
- (e) no claim has been made by any taxing authority in any jurisdiction where the Company does not file Tax Returns that it is, or may be, subject to Tax by that jurisdiction;
- (f) no extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of the Company;

- (g) the amount of the Company's liability for unpaid Taxes for all periods ending on or before the date of the Most Recent Balance Sheet does not, in the aggregate, exceed the amount of accruals for Taxes (excluding reserves for deferred Taxes) reflected on the Financial Statements;
- (h) all deficiencies asserted, or assessments made, against the Company as a result of any examinations by any taxing authority have been fully paid;
- (i) there are no pending or threatened Actions by any taxing authority;
- (j) there are no Encumbrances for Taxes (other than for current Taxes not yet due and payable) upon the assets of the Company;
- (k) the Company is not a party to, or bound by, any Tax indemnity, Tax sharing or Tax allocation agreement;
- (l) the Company has not been and is not a member of an "affiliated group" under Section 1504(a) of the Code; and
- (m) the Company has no liability for any Taxes of any other person.

3.16 No Undisclosed Liabilities. The Company has no liabilities, obligations, or commitments of any kind, whether known or unknown, fixed or contingent, disputed or undisputed, matured or unmatured, liquidated or unliquidated, secured or unsecured, or otherwise, except for:

- (a) liabilities reflected or reserved against on the Balance Sheet; and
- (b) liabilities incurred in the ordinary course of business since the date of the Balance Sheet.

3.17 No Material Adverse Effect. Since the date of the Balance Sheet, there has not been, with respect to the Company, any event, occurrence, or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

3.18 No Other Changes. Since the date of the Balance Sheet:

- (a) the Company has conducted its business only in the ordinary course;
- (b) the Company has not materially changed its accounting methods or practices;
- (c) the Company has not materially changed its cash management practices and policies, its practices and procedures with respect to the collection of accounts receivable, or its payment of trade account payables;
- (d) no change in the ownership of the Company has occurred;
- (e) the Company has not sold, leased, transferred, waived any right with respect to, or otherwise disposed of any of its assets other than in the ordinary course of business;
- (f) no material loss or damage has occurred with respect to any of the Company's assets with a value over [REDACTED] whether or not the loss or damage was or is covered by insurance; *[Redaction: commercial term negotiated between the parties; value of material loss]*

- (g) the Company has not increased the salary, bonus payments, benefits, or other compensation of any employee, other than in the ordinary course of business; and
- (h) the Company has not adopted, materially amended, or terminated any Employee Plan.

3.19 Contracts.

- (a) The Company has delivered to Buyer a complete and accurate copy of each Company Contract.
- (b)
 - (1) Each Company Contract is valid and binding on the Company in accordance with its terms and is in full force and effect;
 - (2) neither the Company nor, to Sellers' Knowledge, any other party to any Company Contract is in breach of or default under any Company Contract;
 - (3) neither the Company nor any Seller has received any notice from any person regarding any actual, alleged, or potential failure by the Company to comply with the terms and conditions of any Company Contract;
 - (4) no event has occurred, or circumstances exist that will likely result in the Company's failure to comply with the terms and conditions of any Company Contract; and
 - (5) the Company is not renegotiating the terms and conditions of any Contract with any person.

3.20 Insurance.

- (a) The Company has delivered to Buyer a complete and accurate copy of – each insurance policy that has provided coverage to the Company since Inception.
- (b)
 - (1) No claims have been made by the Company under any insurance policy that has provided coverage to the Company since Inception;
 - (2) the insurance policies that provide coverage to the Company are sufficient to comply with all Contracts to which the Company is a party, all applicable Laws, and all of the Company's Licenses;
 - (3) the Company has complied with the terms and conditions of each insurance policy, including the payment of all premiums; and
 - (4) neither the Company nor any Seller has received any notice from any person regarding any cancellation of, lapse in coverage of, alteration of under, or premium increase with respect to, any insurance policy.

3.21 Compliance with Laws. Since Inception:

- (a) the Company has complied with all applicable Laws; and
- (b) neither the Company nor any Seller has received any notice from any Governmental Authority or other person regarding any actual, alleged, or potential failure by the Company to comply with any applicable Law.

3.22 Licenses. The Company has provided Buyer a complete list of each License issued to the Company, together with the name of the License, the name of the issuing Governmental Authority, the date of issuance, and the expiration date. Except as conveyed to Buyer:

- (a) the Licenses constitute all of the Licenses that the Company is required to hold to conduct its business as it is now being conducted;
- (b) such Licenses are valid and in full force and effect;
- (c) all fees and charges with respect to such Licenses have been paid in full;
- (d) the Company has complied with the terms and conditions of each such License;
- (e) neither the Company nor any Seller has received any notice from any Governmental Authority or any other person regarding any actual, alleged, or potential suspension, cancellation, or revocation of any such License; and
- (f) no License is subject to a “change-of-control” or similar law or provision that will require the Company to obtain the consent of any person before the Closing or that will cause the License to terminate or otherwise become invalid or unenforceable before, at, or after the Closing.

3.23 Legal Proceedings.

- (a) There are no Actions pending or, to Sellers’ Knowledge, threatened against the Company or any Seller; and
- (b) to Sellers’ Knowledge, no event has occurred, or circumstances exist that will likely result in any Action against the Company or any Seller.

3.24 Governmental Orders. There are no outstanding Governmental Orders against the Company or any Seller.

3.25 Employees.

- (a) The Company has provided Buyer a complete list of:
 - (1) each employee of the Company, including the following information for each employee:
 - (A) name;
 - (B) job title;
 - (C) date of hiring;

- (D) current compensation, including base salary and bonuses;
 - (E) any change in compensation since January 1, 2018;
 - (F) unused paid time off; and
 - (G) service credited for purposes of vesting and eligibility to participate in each applicable Employee Plan;
- (2) each employee of the Company whose hours of work have been reduced by more than 50% since January 1, 2018; and
 - (3) each former employee of the Company whose employment relationship with the Company terminated since January 1, 2018.
- (b) Since Inception, all compensation, including wages, commissions, bonuses, fees, and other compensation, payable to all employees and independent contractors of the Company has been paid in full when due.
 - (c) The Company is not, and has never been, a party to any collective bargaining agreement or other Contract with a union, works council, labor organization, or any group of employees. No application or petition for an election or certification of a collective bargaining agent of any group of employees of the Company is pending.
 - (d) Since Inception:
 - (1) all employees of the Company classified as exempt under the Fair Labor Standards Act and state and local wage and hour Laws have been properly classified;
 - (2) all individuals characterized and treated by the Company as independent contractors have been properly treated as independent contractors under all applicable Laws; and
 - (3) the Company has complied with all immigration laws, including Form I-9 requirements.

3.26 Employee Plans.

- (a) The Company has provided Buyer a complete list of each Employee Plan. The Company has delivered to Buyer complete and accurate copies of each Employee Plan that has been reduced to writing, including all amendments.
- (b)
 - (1) No Employee Plan is intended to be “qualified” within the meaning of Section 401(a) of the Code;
 - (2) no Employee Plan is a “defined benefit plan” under Section 414(j) of the Code;
 - (3) no Employee Plan is a “multiemployer plan” under Section 3(37) of ERISA; and

- (4) no Employee Plan is subject to Title IV of ERISA; and
- (5) the Company does not have any ERISA Affiliates.

(c)

- (1) The Company has complied with all applicable Laws relating to each Employee Plan;
- (2) all contributions that have become due under the terms and conditions of each Employee Plan have been paid;
- (3) all taxes and insurance premiums that have become due as a result of or in connection with any Employee Plan have been paid;
- (4) neither the Company nor any Seller has received any notice from any Governmental Authority or other person regarding any actual, alleged, or potential failure by the Company to comply with any Law relating to any Employee Plan;
- (5) there are no Actions pending or, to Sellers' Knowledge, threatened against the Company relating to any Employee Plan;
- (6) to Sellers' Knowledge, no event has occurred, or circumstances exist that will likely result in any Action against the Company relating to any Employee Plan;
- (7) except for health plan continuation coverage under Section 4980B of the Code and Sections 601 through 608 of ERISA, the Company has no and will have no obligations or liabilities under any Employee Plan to any current or former employee of the Company – or to any family member of any current or former employee of the Company – after the termination of the employee's employment relationship with the Company; and
- (8) the Company has maintained workers' compensation coverage as required by applicable law through the purchase of insurance, and not by self-insurance or otherwise.

3.27 Environmental. The Company has delivered to Buyer complete copies of all environmental reports, studies, analyses, tests, and site assessments which are in the possession or control of the Company or any Seller and which relate to any real property that the Company uses or operates.

- (a) The Company has complied with all applicable Environmental Laws;
- (b) neither the Company nor any Seller has received any notice from any Governmental Authority or other person regarding any actual, alleged, or potential failure by the Company to comply with any Environmental Law;
- (c) the Company holds all of the Environmental Permits that the Company is required to hold to conduct the Company's business as its now being conducted;

- (d) the Company has not caused or permitted a Release of any Hazardous Materials in connection with the Company's business;
- (e) to Sellers' Knowledge, there has been no Release of any Hazardous Materials on any real property currently leased or operated by the Company;
- (f) neither the Company nor any Seller has received any notice from any Governmental Authority or other person that any real property currently used or operated by the Company has been contaminated with any Hazardous Materials;
- (g) the Company does own or operate any active or abandoned aboveground or underground storage tanks; and
- (h) the Company has not retained or assumed, by contract or operation of Law, any liabilities or obligations of any third party under any Environmental Law.

3.28 Securities Law Matters. Each of the Sellers understands that the Buyer Shares have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and will be issued in reliance on exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. Each of the Sellers also understands that the Buyer Shares are being issued pursuant to exemptions from registration contained in the U.S. Securities Act including those based in part upon the representations of Seller contained in this Section 3.28. Each of the Sellers represents that:

- (a) Seller is an "accredited investor" within the meaning of the U.S. Securities Act and within the meaning of National Instrument 45-106 – *Prospectus Exemptions*;
- (b) Seller has executed and delivered to Buyer the Accredited Investor Questionnaire and the Canadian Accredited Investor Letter and the information set forth therein is true and correct in all respects;
- (c) Seller has substantial experience in evaluating and investing in private placement transactions so that Seller is capable of evaluating the merits and risks of its investment in Buyer and has the capacity to protect its own interests. The Seller must bear the economic risk of this investment indefinitely unless the Buyer Shares are registered pursuant to the U.S. Securities Act, or an exemption from registration is available;
- (d) Seller understands that Buyer has no present intention of registering the Buyer Shares under the U.S. Securities Act;
- (e) Seller understands that there is no assurance that any exemption from registration under the U.S. Securities Act will be available for any resale of the Buyer Shares and that, even if available, such exemption may not allow the Seller to transfer the Buyer Shares, under the circumstances, in the amounts or at the times the Seller might propose;
- (f) Seller is acquiring the Buyer Shares for Seller's own account for investment only, and not with a view towards their distribution;
- (g) Seller represents that by reason of the Seller's business or financial experience, the Seller has the capacity to protect its own interest in connection with the transactions

contemplated in this Agreement. Further, the Seller is not aware of any publication of any advertisement in connection with the transactions contemplated in this Agreement;

- (h) Seller has had access to such information concerning Buyer as the Seller has considered necessary or appropriate in connection with the Seller's investment decision to acquire the Buyer Shares, including access to public filings available on the Internet at www.sedar.com;
- (i) the Buyer Shares may be deemed to be "restricted securities" as defined in Rule 144 promulgated under the U.S. Securities Act as in effect from time to time, and may be required to be held indefinitely thereunder unless they are subsequently registered under the U.S. Securities Act or an exemption from such registration is available;
- (j) Seller acknowledges and agrees that, if such Seller decides to offer, sell or otherwise transfer the Buyer Shares, then such Selling must not offer, sell or otherwise transfer such securities directly or indirectly, unless such offer, sale or other transfer occurs in a transaction that does not require registration under the U.S. Securities Act or any applicable state securities laws or regulations governing the offer and sale of securities and, (unless the sale is made outside the United States in a transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S, and in compliance with applicable local laws and regulations) if reasonably requested by Buyer, an opinion of counsel to Buyer or to such Seller that such registration is not required; and
- (i) any certificates representing the Buyer Shares may have endorsed thereon a legend in substantially the following form (in addition to any other legend which may be required by other agreements between the parties hereto or by any applicable blue sky laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY ACQUIRING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE COMPANY THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF CLAUSE (C) OR (D), THE HOLDER FURNISHES TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY TO SUCH EFFECT. THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT "GOOD DELIVERY" OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE.

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LAWS, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY REPRESENTED HEREBY BEFORE *[INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE ISSUE DATE]*”;

provided, that if the Buyer Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S, the legend set forth above may be removed by providing an executed declaration to the registrar and transfer agent of Buyer, in substantially the form as Buyer may prescribe from time to time and, if requested by Buyer or the transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to Buyer and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S.

- 3.29 No Brokers or Finders.** No broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any Seller.
- 3.30 Disclosure.** No representation or warranty by any Seller in this Agreement and no statement contained in any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

SECTION 4 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents to Sellers as follows:

- 4.1 Organization.** Buyer is a corporation duly organized and validly existing under the laws of the Province of British Columbia and has the corporate power to enter into and perform its obligations pursuant to this Agreement and the Transaction Documents to which it is a party.
- 4.2 Binding Obligation.** This Agreement has been duly executed and delivered by Buyer, and this Agreement constitutes a legal, valid, and binding obligation of Buyer enforceable against Buyer in accordance with its terms. When the other Transaction Documents to which Buyer is or will be a party have been duly executed and delivered by Buyer, such Transaction Documents will constitute a legal and binding obligation of Buyer enforceable against Buyer in accordance with their terms. Notwithstanding the foregoing, enforceability against the Buyer of this Agreement and the other Transaction Documents to which Buyer is a party may be limited by bankruptcy, insolvency and other laws affecting the enforcement of rights of creditors generally and except that equitable remedies may be granted in the discretion of a court of competent jurisdiction.
- 4.3 No Conflicts.** The execution, delivery, and performance by Buyer of this Agreement and the other Transaction Documents to which Buyer is or will be a party, and the consummation of the transactions contemplated by the Transaction Documents do not and will not:
- (a) Conflict with (1) any provision of Buyer’s constating documents, resolution of the board of directors (or any committee thereof) or shareholders; or (2) any Contract, Action, or applicable Law to which Buyer is a party or by which Buyer or its assets are bound; or

- (b) require the consent, approval, or other action by any person under, conflict with, result in a violation or breach of, constitute a default under, result in the termination, modification, or cancellation of, or create in any person the right to accelerate, terminate, modify, or cancel, any Contract to which Buyer is a party.

4.4 Publicly Available Documents. None of the publicly-available documents that Buyer has filed with the CSE or on the Internet at www.sedar.com includes any untrue statement or omits to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

4.5 Consents and Approvals. Assuming that the Sellers' representations and warranties in Section 3 are true and correct, there is no requirement for Buyer to make any filing with, give any notice to, or obtain any license, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority, as a condition to the lawful consummation of the transactions contemplated by this Agreement and the other Transaction Documents to which Buyer is a party.

4.6 Buyer's Shares. The Buyer's Shares, when issued, will be validly issued, fully paid and non-assessable.

4.7 No Brokers or Finders. No broker, finder, or investment banker is entitled to any brokerage, finder's, or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

SECTION 5 COVENANTS OF SELLERS BEFORE CLOSING

Sellers jointly and severally covenant to Buyer as follows:

5.1 Buyer's Investigation. Until the Closing and upon reasonable advance notice from Buyer, the Sellers will use their commercial best efforts to ensure that the Company will, during the Company's regular business hours and in a manner that does not unreasonably interfere with the operation of the Company's business:

- (a) afford Buyer and its Representatives full and free access to the Company's personnel, properties, Contracts, Licenses, books of account and records, and other data related to the Company and the Company's business;
- (b) provide Buyer and its Representatives with copies of all Contracts, Licenses, books of account and records, and other data related to the Company that Buyer may reasonably request;
- (c) otherwise cooperate and assist with Buyer's investigation of the Company and the Company Interests.

5.2 Company's Business. Until the Closing, Sellers will use their commercial best efforts to:

- (a) conduct the Company's business in a reasonable and prudent manner and only in the ordinary course consistent with past practices;

- (b) preserve the Company's business organization and the Company's relations and goodwill with the Company's customers, suppliers, lessors, creditors, employees, agents, and other business relations;
- (c) ensure that the Company does not change its accounting methods;
- (d) ensure that the Company keeps books of account and records that are complete and accurate, that represent actual, bona fide transactions, and that are maintained in accordance with sound business practices;
- (e) ensure that the Company keeps its tangible personal property assets in good repair and operating condition, reasonable wear and tear excepted;
- (f) ensure that the Company performs all of its liabilities and obligations under all Company Contracts;
- (g) ensure that the Company maintains the insurance coverage that provide coverage to the Company as of the date of this Agreement;
- (h) ensure that the Company does not adopt, amend, terminate, or withdraw from any Employee Plan;
- (i) ensure that the Company complies with all applicable Laws;
- (j) ensure that the Company does not declare or make any distribution to or for the benefit of Sellers in respect of the Company Interests;
- (k) ensure that the Company does not make any capital expenditure or series of related capital expenditures in excess of [REDACTED] without the prior written consent of Buyer, which Buyer may not withhold unreasonably; *[Redaction: commercial term negotiated between the parties; value of allowable capital expenditures]*
- (l) ensure that the Company does not increase the compensation of or pay any bonus to any director or officer, other than increases and payments in the ordinary course of business;
- (m) ensure that the Company does not incur or assume any obligation to pay money other than accounts payable, salaries, and similar current liabilities incurred in the ordinary course of business;
- (n) ensure that the Company does not dissolve or wind up or liquidate its business and affairs;
- (o) ensure that the Company does not enter into any transaction involving the sale of substantially all of its assets, or the reorganization, recapitalization, consolidation, conversion, or merger of the Company;
- (p) ensure that the Company does not issue any additional membership, economic, voting, or other interests of the Company or any other securities in the capital of the Company, including any additional Company Interests, without the prior written consent of the Buyer, in its sole discretion;

- (q) ensure that the Company does not enter into any new Contract other than Contracts in the ordinary course of business without the prior written consent of Buyer, which Buyer may not withhold unreasonably; and
- (r) ensure that the Company does not enter into any other transaction out of the ordinary course of the business without the prior written consent of Buyer, which Buyer may not withhold unreasonably.

5.3 Exclusivity. Unless this Agreement is terminated:

- (a) Sellers will negotiate exclusively with Buyer concerning the sale of the Company Interests;
- (b) No Seller will, and the Sellers will use their commercial best efforts to ensure that the Company will not, through any Representative or otherwise:
 - (1) provide any information or make any proposal or request to any other person concerning an acquisition of substantially all of the assets or membership interests of the Company, whether by sale, merger, consolidation, or otherwise; or
 - (2) solicit, discuss, consider, or accept any proposal or request from any other person concerning such an acquisition; and
- (c) Sellers will promptly notify Buyer if the Company or any Seller receives any proposal or request from any other person concerning an acquisition of substantially all of the assets of the Company, whether by sale, merger, consolidation, or otherwise.

5.4 Consents. Sellers will use their commercial best efforts to obtain all consents, authorizations, and approvals that the Company and Sellers are required to obtain to close the Transaction. Sellers will cooperate with Buyer with respect to all consents, authorizations, and approvals that Buyer is required to obtain to close the Transaction and to conduct business immediately after the Transaction.

5.5 Conditions. Sellers will use their commercial best efforts to cause the conditions in Section 7 to be satisfied.

SECTION 6 TAX MATTERS

6.1 Tax Covenants.

- (a) Without the prior written consent of Buyer, Sellers will not, to the extent it may affect, or relate to, the Company, make, change, or rescind any Tax election, amend any Tax Return or take any position on any Tax Return, take any action, omit to take any action or enter into any other transaction that would have the effect of increasing the Tax liability or reducing any Tax asset of Buyer or the Company in respect of any Post-Closing Tax Period. Sellers agree that Buyer is to have no liability for any Tax resulting from any action of Sellers and agree to jointly and severally indemnify and hold harmless Buyer (and, after the Closing Date, the Company) for, from, and against any such Tax or reduction of any Tax asset.
- (b) All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with the Transaction Documents will be borne and paid by Sellers when due. Sellers will, at their own expense, timely file any Tax Return or other document with respect to such Taxes or fees.
- (c) Buyer will prepare, or cause to be prepared, all Tax Returns required to be filed by the Company after the Closing Date with respect to a Pre-Closing Tax Period. Any such Tax Return will be prepared in a manner consistent with past practice (unless otherwise required by Law) and without a change of any election or any accounting method and will be submitted by Buyer to Sellers (together with schedules, statements and, to the extent requested by Sellers, supporting documentation) at least 30 days prior to the due date (including extensions) of such Tax Return. If Sellers object to any item on any such Tax Return, Sellers will, within 10 days after delivery of such Tax Return, notify Buyer in writing that Sellers so object, specifying with particularity any such item and stating the specific factual or legal basis for any such objection. If a notice of objection is duly delivered, Buyer and Sellers will negotiate in good faith and use their reasonable best efforts to resolve such items. If Buyer and Sellers are unable to reach such agreement within 10 days after receipt by Buyer of such notice, the disputed items will be resolved by the Independent Accountant and any determination by the Independent Accountant will be final. The Independent Accountant will resolve any disputed items within 20 days of having the item referred to it pursuant to such procedures as it may require. If the Independent Accountant is unable to resolve any disputed items before the due date for such Tax Return, the Tax Return may be filed as prepared by Buyer and then amended to reflect the Independent Accountant's resolution. The costs, fees and expenses of the Independent Accountant will be borne equally by Buyer and Sellers. The preparation and filing of any Tax Return of the Company that does not relate to a Pre-Closing Tax Period will be exclusively within the control of Buyer.

- 6.2 Tax Indemnification.** If the Closing occurs, Sellers will jointly and severally defend and indemnify the Company, Buyer and each post-Closing shareholder and Representative of Buyer for, from, and against any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including but not limited to reasonable attorney's fees, resulting from or arising out of:

- (a) any Seller's breach of any representation, warranty, covenant, or other obligation of any Seller in Section 3.15 or this Section 6;
- (b) all Taxes of the Company or relating to the business of the Company for all Pre-Closing Tax Periods;
- (c) any and all Taxes of any person imposed on the Company arising under the principles of transferee or successor liability or by contract, relating to an event or transaction occurring before the Closing Date.

6.3 Straddle Period. In the case of Taxes that are payable with respect to a Straddle Period, the portion of any such Taxes that are treated as Pre-Closing Taxes for purposes of this Agreement will be deemed to be:

- (a) in the case of Taxes based upon, or related to, income, receipts, profits, wages, capital or net worth, the amount which would be payable if the taxable year ended with the Closing Date;
- (b) in the case of Taxes imposed in connection with the sale, transfer or assignment of property, the amount which would be payable if the taxable year ended with the Closing Date;
- (c) in case of Taxes required to be withheld, the amount which would be payable if the taxable year ended with the Closing Date; and
- (d) in the case of other Taxes, the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of days in the period ending on the Closing Date and the denominator of which is the number of days in the entire period.

6.4 Contests. If, after the Closing, Buyer or the Company receives a written claim by a Governmental Authority or any other third party that is subject to the indemnification provisions in this Section 6, Buyer will promptly notify Sellers of the claim. The notice will include a copy of all correspondence relating to the claim that Buyer or the Company received from the third party. Notwithstanding anything in this Agreement to the contrary, Buyer will control the contest or resolution of any such Tax claim; provided however, that Buyer will obtain the prior written consent of Sellers (which consent may not be unreasonably withheld or delayed) before entering into any settlement of a claim or ceasing to defend such claim; provided further however, that Sellers will be entitled to participate in the defense of such Tax claim and to employ counsel of their choice for such purpose, the fees and expenses of which separate counsel will be borne solely by Sellers.

6.5 Cooperation and Exchange of Information. Sellers and Buyer will provide each other with such cooperation and information as either of them reasonably may request of the other in filing any Tax Return pursuant to this Section 6 or in connection with any audit or other proceeding in respect of Taxes of the Company. Such cooperation and information will include providing copies of relevant Tax Returns or portions thereof, together with accompanying schedules, related work papers and documents relating to rulings or other determinations by tax authorities. Sellers and Buyer will retain all Tax Returns, schedules and work papers, records and other documents in their possession relating to Tax matters of the Company for any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the taxable periods to which such Tax Returns and other

documents relate, without regard to extensions except to the extent notified by the other party in writing of such extensions for the respective Tax periods. Prior to transferring, destroying or discarding any Tax Returns, schedules and work papers, records and other documents in a party's possession relating to Tax matters of the Company for any taxable period beginning before the Closing Date, Sellers or Buyer (as the case may be) will provide the other party with reasonable written notice and offer the other party the opportunity to take custody of such materials.

6.6 Tax Treatment of Indemnification Payments. Any indemnification payments pursuant to this Section 6 will be treated as an adjustment to the purchase price for the Company Interests by the parties for Tax purposes, unless otherwise required by Law.

6.7 Payments to Buyer. If any amounts become payable to Buyer under this Section 6, Buyer may, at Buyer's sole option, opt to seek payment of such amounts from the Sellers by cancelling a portion of the unissued Buyer Shares equal to such amount payable by Sellers, which Buyer Shares shall be valued at the lesser of [REDACTED]

6.8 Survival. Notwithstanding anything in this Agreement to the contrary, the provisions of Section 3.15 and this Section 6 will survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus 60 days.

6.9 Overlap. To the extent that any obligation or responsibility pursuant to Section 11 may overlap with an obligation or responsibility pursuant to this Section 6, the provisions of this Section 6 will govern; provided, however that the limitation set forth in Section 11.3(a) shall apply to this Section 6 as well.

SECTION 7 CONDITIONS TO BUYER'S CLOSING OBLIGATIONS

Buyer's obligation to close the Transaction is subject to the satisfaction of the following conditions:

7.1 Accuracy of Representations and Warranties.

- (a) Subject to Section 7.1(b), Sellers' representations and warranties in Section 3 must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date;
- (b) Sellers representations and warranties in Section 3.1, Section 3.2, Section 3.3, Section 3.5, Section 3.7, Section 3.14, Section 3.17, and Section 3.30 must have been accurate in all respects as of the date of this Agreement and must be accurate in all respects as of the Closing Date.

7.2 Performance of Covenants. Sellers must have performed and complied with each of Sellers' covenants in Section 5 and Section 6 in all material respects.

7.3 Closing Documents. Sellers must have caused the following items to be delivered to Buyer:

- (a) the items set forth in Section 9.2 ;

- (b) a certificate of existence or good standing from the Secretary of State of California dated not earlier than 5 days before the Closing Date, certifying as to the existence of the Company; and
- (c) any other documents that Buyer may reasonably request to evidence:
 - (1) the accuracy of Sellers' representations and warranties in Section 3;
 - (2) Sellers' performance of and compliance with Sellers' covenants in Section 5 and Section 6; or
 - (3) the satisfaction of any condition in this Section 7.

7.4 Consents. The consents and approvals set forth on Schedule 7.4 must have been obtained.

7.5 No Governmental Orders or Legal Proceedings. There must be no outstanding Governmental Order against Buyer, Sellers, or the Company that has the effect of preventing, prohibiting, delaying, or imposing material limitations or conditions on the Closing. No Action must be pending or have been threatened against Buyer, any Seller, or the Company that:

- (a) involves any challenge to or seeks any damages or other relief in connection with the Transaction; or
- (b) may have the effect of prohibiting, delaying, or imposing material limitations or conditions on the Closing.

7.6 Accredited Investor Questionnaires. Each Seller must have completed and delivered to Buyer an Accredited Investor Questionnaire and a Canadian Accredited Investor Letter, in each case satisfactory to Buyer in its sole discretion.

7.7 Buyer's Investigation. Buyer must be satisfied in its sole discretion, with the result of its investigation of the Company's business as described in Section 5.1.

7.8 Escrow Agreement. The Company, Buyer, and Escrow Agent must have entered into the Escrow Agreement.

7.9 Replacement Lease. Buyer must have received evidence, satisfactory to Buyer, that Kieley and Landlord have entered into the Replacement Lease.

SECTION 8 CONDITIONS TO SELLERS' CLOSING OBLIGATIONS

Sellers' obligations to close the Transaction are subject to the satisfaction of the following conditions:

8.1 Accuracy of Representations and Warranties.

- (a) Subject to Section 8.1(b), each of Buyer's representations and warranties in Section 4 must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date.

- (b) Each of Buyer's representations and warranties in Section 4.1, Section 4.2, and Section 4.6 must have been accurate in all respects as of the date of this Agreement and must be accurate in all respects as of the Closing Date.

8.2 Closing Documents. Buyer must have caused the following items to be delivered to Sellers:

- (a) the items set forth in Section 9.3;
- (b) any other documents that Sellers may reasonably request to evidence:
 - (1) the accuracy of Buyer's representations and warranties in Section 4;
 - (2) the satisfaction of any condition in this Section 8.

8.3 No Governmental Orders or Legal Proceedings. There must be no outstanding Governmental Order against Buyer, Sellers, or the Company that has the effect of preventing, prohibiting, delaying, or imposing material limitations or conditions on the Closing. No Action must be pending or have been threatened against Buyer, any Seller, or the Company that:

- (a) involves any challenge to or seeks any damages or other relief in connection with the Transaction; or
- (b) may have the effect of prohibiting, delaying, or imposing material limitations or conditions on the Closing.

8.4 Replacement Lease. Sellers must have received evidence, satisfactory to Sellers, that Kieley and Landlord have entered into the Replacement Lease.

SECTION 9 CLOSING

9.1 Closing. The Closing will take place no later than 5 days after the last of the conditions in Section 7 and Section 8 has been satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), at a place and time that the parties may agree.

9.2 Obligations of Sellers. Sellers will deliver the following items to Buyer at the Closing:

- (a) an assignment of the Company Interests to Buyer duly endorsed by each Seller, in form and substance reasonably satisfactory to Buyer;
- (b) a release signed by Sellers in which each Seller releases the Company from any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including but not limited to any rights to indemnification or reimbursement from the Company, in form and substance reasonably satisfactory to Buyer; provided that Sellers will maintain the right to the return of Company Shares under the terms of Section 2.3(b) and Section 2.3(c);
- (c) a post-dated letter of resignation signed by each Seller in which the Seller resigns as a director and officer of the Company, as applicable, in form and substance reasonably satisfactory to Buyer;

- (d) a nonforeign affidavit signed by each Seller for purposes of Section 1445 of the Code, in form and substance reasonably satisfactory to Buyer;
- (e) a certificate signed by Sellers certifying to Buyer that:
 - (1) each of the representations and warranties set forth in Section 3 was accurate in all respects as of the date of this Agreement and is accurate in all respects as of the Closing Date; and
 - (2) Sellers have performed and complied with each of the covenants set forth in Section 5 in all respects;
- (f) a certificate signed by the secretary of the Company certifying that the articles of organization and operating agreement of the Company attached to the certificate are complete and accurate as of the Closing Date;
- (g) a unanimous consent of the members of the Company approving the Transaction;
- (h) such other documents that Buyer may reasonably request for the Transaction, in form and substance reasonably satisfactory to Buyer; and
- (i) possession of the assets of the Company.

9.3 Obligations of Buyer. At the Closing, Buyer will deliver:

- (a) to the Escrow Agent, share certificates representing the Buyer Shares; and
- (b) to the Sellers, a certificate signed by Buyer certifying to Sellers that each of the representations and warranties set forth in Section 4 was accurate in all respects as of the date of this Agreement and is accurate in all respects as of the Closing Date.

SECTION 10 NONDISCLOSURE

10.1 Buyer's Restrictions and Obligations. During Buyer's Nondisclosure Period:

- (a) Buyer will not use Confidential Information for any purpose without Sellers' specific prior written authorization, except Buyer may use Confidential Information:
 - (1) to consider and complete the Transaction; and
 - (2) to exercise Buyer's rights under the Transaction Documents; and
- (b) Buyer will not disclose Confidential Information to any person without Sellers' specific prior written authorization, except Buyer may disclose Confidential Information:
 - (1) on a need-to-know basis, to Representatives of Buyer who are informed by Buyer of the confidential nature of the Confidential Information and the obligations of Buyer under this Agreement; or
 - (2) in accordance with a judicial or other governmental order, but only if Buyer promptly notifies Sellers of the order and complies with any applicable protective or similar order.

10.2 Sellers' Restrictions and Obligations. During Seller's Nondisclosure Period:

- (a) Sellers will not use Confidential Information for any purpose without Buyer's specific prior written authorization, except each Seller may use Confidential Information:
 - (1) to operate the Company in the ordinary course of business before the Closing Date;
 - (2) to consider and complete the Transaction; and
 - (3) to exercise the Seller's rights under the Transaction Documents; and
- (b) Sellers will not disclose Confidential Information to any person without Buyer's specific prior written authorization, except each Seller may disclose Confidential Information:
 - (1) on a need-to-know basis, to Representatives of the Seller who are informed by the Seller of the confidential nature of the Confidential Information and the obligations of the Seller under this Agreement; or
 - (2) in accordance with a judicial or other governmental order, but only if the Seller promptly notifies Buyer of the order and complies with any applicable protective or similar order.

10.3 Exceptions. A party will not breach Section 10.1 or Section 10.2 by using or disclosing Confidential Information if the party demonstrates that the information used or disclosed:

- (a) is generally available to the public other than as a result of a disclosure by the party;
- (b) was received by the party from another person without any limitations on use or disclosure, but only if the party had no reason to believe that the other person was prohibited from using or disclosing the information by a contractual or fiduciary obligation; or
- (c) was independently developed by the party without using Confidential Information.

SECTION 11 INDEMNIFICATION

- 11.1 Survival.** All representations, warranties, covenants, and other obligations in this Agreement and all other agreements and documents relating to the Transaction will survive the Closing for a period terminating one year after the Closing Date; except with respect to (a) the representations and warranties in Section 3.15, which will survive until sixty (60) days after the expiration of the applicable statute of limitations; and (b) the Fundamental Representations, which shall survive indefinitely; provided however with respect to claims asserted in a written notice pursuant to this Section 11 before the expiration of the applicable representation or warranty, such representation or warranty will instead survive until the date such claim is finally liquidated or otherwise resolved. The covenants and agreements of the Sellers and the Buyer in this Agreement (other than in Section 3) and in any other instrument or document delivered pursuant to this Agreement will survive in accordance with their respective terms.

11.2 Sellers' Indemnification. If the Closing occurs, and subject to the provisions of this Section 11, Sellers will jointly and severally defend and indemnify the Company, Buyer and each post-Closing shareholder and Representative of Buyer for, from, and against any and all Losses, resulting from or arising out of (a) any Seller's breach of any representation, warranty, covenant, or other obligation of any Seller in this Agreement or in any other Transaction Document; and (b) the operation of the Company's business before the Closing Date.

11.3 Limitation on Sellers' Liability.

- (a) Prior to seeking indemnity from Sellers for any Loss under Section 11.2 or Section 6.2, Buyer will first exhaust any contractual right of set off (including any shares of Buyer's common stock issued to other parties selling membership interests of the Company) it may have against a third party in relation to the same Loss. For the avoidance of doubt, Buyer shall not seek indemnity from Sellers for any Loss already covered by any third party. Furthermore, in the event that Buyer subsequently recovers any Losses from a third party after receiving indemnity from Sellers, Buyer shall reimburse Sellers for any such payments.
- (b) If the Closing occurs, and subject to Section 11.3(d) and Section 6, Sellers will have no liability to Buyer or any other person for indemnification or otherwise with respect to any claim that arises out of or results from a breach of any representation or warranty in Section 3 or any covenant in Section 5 unless Buyer notifies Sellers of the claim and specifies in reasonable detail the facts giving rise to the claim within the applicable survival period set forth in Section 11.1.
- (c) Except as set forth in Section 11.3(d), Sellers will have no liability to Buyer or any other person for indemnification or otherwise until the aggregate amount of all Losses in respect of indemnification under this Section 11 exceeds the Basket, in which event the Buyer will be entitled to recover all such Losses without regard to the Basket. The aggregate amount of all Losses for which Buyer shall be entitled to recover pursuant to this Section 11 shall not exceed the Cap.
- (d) The limitations on Sellers' liability in Section 11.3(b) and Section 11.3(c) will not apply with respect to a claim that arises out of or results from:
 - (1) a breach of any Fundamental Representation or any representation or warranty in Section 3.15, Section 3.27, or Section 3.30;
 - (2) a breach of any representation or warranty in Section 3 if Buyer demonstrates that, as of the date of this Agreement, Sellers had actual knowledge of the facts giving rise to the breach and that the facts constituted a breach;
 - (3) a breach of any covenant in Section 5, if Buyer demonstrates that any Seller intentionally breached the covenant; or
 - (4) fraud, willful breach, intentional misrepresentation, or criminal activity by any Seller.

11.4 Buyer's Indemnification. If the Closing occurs, and subject to the provisions of this Section 11, Buyer will defend and indemnify Sellers for, from, and against any and all claims,

actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including but not limited to reasonable attorney's fees, resulting from or arising out of Buyer's breach of any representation, warranty, covenant, or other obligation of Buyer or in this Agreement or in any other Transaction Document.

11.5 Limitation on Buyer's Liability.

- (a) If the Closing occurs, and subject to Section 11.5(b), Buyer will have no liability to Sellers or any other person for indemnification or otherwise with respect to any claim that arises out of or results from a breach of any representation or warranty in Section 4 unless Sellers notify Buyer of the claim and specify in reasonable detail the facts giving rise to the claim within one year after the Closing Date;
- (b) The limitations on Buyer's liability in this Section 11.5 will not apply with respect to a claim that arises out of or results from a breach of any representation or warranty in Section 4, if Sellers demonstrate that, as of the date of this Agreement, Buyer had knowledge of the facts giving rise to Buyer's breach and that the facts constituted a breach.

11.6 Direct Claims. If an Indemnified Person notifies an Indemnifying Party of a direct claim by the Indemnified Person for which the Indemnifying Party has liability under this Section 11 or Section 6, the Indemnifying Party will pay the claim – or cause the claim to be paid – within 10 days after the delivery of the Indemnified Person's notice containing reasonably sufficient information about the claim, the evidence supporting the claim, and the amount of the claim.

11.7 Third-Party Claims.

- (a) If an Indemnified Person receives a written claim by a third party that is subject to the indemnification provisions in this Section 11, the Indemnified Person will promptly notify the Indemnifying Party of the claim. The notice will include a copy of all correspondence relating to the claim that the Indemnified Person received from the third party.
- (b) The Indemnifying Party may elect to control the defense of the third-party claim by notifying the Indemnified Person within 10 days after the delivery of the Indemnified Person's notice. The election will conclusively establish that the claim is subject to the indemnification provisions in this Section 11.
- (c) The Indemnified Person may object to the Indemnifying Party's election to control the defense of the third-party claim by notifying the Indemnifying Party within 10 days after the delivery of the Indemnifying Party's notice, if:
 - (1) the Indemnified Person reasonably determines that the Indemnifying Party does not have the financial ability to diligently defend the claim;
 - (2) the claim is also made against the Indemnifying Party and the Indemnified Person reasonably determines that joint representation of the Indemnifying Party and the Indemnified Person would be inappropriate; or

- (3) the Indemnified Person reasonably determines that the claim may result in non-monetary damages that may materially and adversely affect the Indemnified Person.
- (d) If the Indemnifying Party elects to control the defense of the third-party claim and the Indemnified Person does not object to the election:
 - (1) the Indemnifying Party will control the defense of the claim and diligently defend the claim, with counsel reasonably satisfactory to the Indemnified Person;
 - (2) the Indemnified Person may participate in the defense of the claim, at the Indemnified Person's own cost and expense; and
 - (3) the Indemnifying Party may settle the claim:
 - (A) with the consent of the Indemnified Person, which the Indemnified Person may not withhold unreasonably; or
 - (B) without the consent of the Indemnified Person, but only if: (i) the settlement does not contain any finding of any violation by the Indemnified Person of any applicable law or any right of any person; (ii) the settlement expressly states that the Indemnified Person is not admitting to any such violation; and (iii) the only relief provided in the settlement is for monetary damages that are – subject to the provisions of this Section 11 – paid in full by the Indemnifying Party.
- (e) If the Indemnifying Party does not elect to control the defense of the third-party claim, or if the Indemnifying Party elects to control the defense of the claim and the Indemnified Person objects to the election under Section 11.7(c):
 - (1) the Indemnified Person will control the defense of the claim and diligently defend the claim, with counsel reasonably satisfactory to the Indemnifying Party;
 - (2) the Indemnifying Party may participate in the defense of the claim, at the Indemnifying Party's own cost and expense; and
 - (3) the Indemnified Person may settle the claim:
 - (A) with the consent of the Indemnifying Party, which the Indemnifying Party may not withhold unreasonably; or
 - (B) without the consent of the Indemnifying Party, but only if: (i) the settlement does not contain any finding of any violation by the Indemnifying Party of any applicable law or any right of any person; (ii) the settlement expressly states that the Indemnifying Party is not admitting to any such violation; and (iii) the only relief provided in the settlement is for monetary damages.
- (f) In any third-party claim that is subject to the indemnification provisions in this Section 11, the Indemnifying Party and the Indemnified Person will:

- (1) keep each other fully informed of the status of the claim;
- (2) cooperate with each other with respect to the defense of the claim; and
- (3) attempt to preserve in full any attorney-client and work-product privileges and the confidentiality of any confidential information.

11.8 Right of Set Off. In the event that the Sellers become obligated to indemnify the Buyer under this Section 11, the Buyer may, at its sole option, opt to seek payment of such amounts from the Sellers (a) by cancelling a portion of the unissued Buyer Shares equal to the amount of such indemnification obligation, [REDACTED]

[Redaction: payment term]

11.9 Tax Treatment of Indemnification Payments. Any indemnification payments pursuant to this Section 11 will be treated as an adjustment to the purchase price for the Company Interests by the parties for Tax purposes, unless otherwise required by Law.

11.10 Effect of Investigation. The representations, warranties, and covenants of an Indemnifying Party, and an Indemnified Person's right to indemnification under this Section 11, will not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Person (including by any of its Representatives) or by reason of the fact that the Indemnified Person or any of its Representatives knew or should have known that any such representation or warranty is, was, or might be inaccurate, or by reason of the Indemnified Person's waiver of any condition set forth in Section 7 or Section 8, as the case may be.

11.11 Strict Liability and Negligence. The indemnification provisions in this Section 11 will be enforceable with respect to a matter even if the Indemnified Person was negligent with respect to the matter, and even if the Indemnified Person is strictly liable with respect to the matter under applicable Law.

SECTION 12 TERMINATION

12.1 Termination. This Agreement will terminate upon the earliest to occur of the following:

- (a) upon the written agreement of Buyer and Sellers before the Closing;
- (b) upon notice by Buyer to Sellers before the Closing, if:
 - (1) any condition set forth in Section 7 has not been satisfied or waived on or before the Drop-Dead Date, unless the satisfaction of the condition did not occur because Buyer materially breached this Agreement;
 - (2) the satisfaction of any condition set forth in Section 7 on or before the Drop-Dead Date becomes impossible or commercially impracticable, unless satisfaction has become impossible or commercially impracticable because Buyer materially breached this Agreement; or
 - (3) the Closing has not occurred on or before the Drop-Dead Date, unless the Closing has not occurred because Buyer materially breached this Agreement;

- (c) upon notice by Sellers to Buyer before the Closing, if:
 - (1) any condition set forth in Section 8 has not been satisfied or waived on or before the Drop-Dead Date, unless the satisfaction of the condition did not occur because any Seller materially breached this Agreement;
 - (2) the satisfaction of any condition set forth in Section 8 on or before the Drop-Dead Date becomes impossible or commercially impracticable, unless satisfaction has become impossible or commercially impracticable because any Seller materially breached this Agreement; or
 - (3) the Closing has not occurred on or before the Drop-Dead Date, unless the Closing has not occurred because any Seller materially breached this Agreement;
- (d) upon notice by Buyer to Sellers before the Closing, if any Seller materially breaches this Agreement and fails to cure the breach within 15 days after Buyer notifies Sellers of the breach; and
- (e) upon notice by Sellers to Buyer before the Closing, if Buyer materially breaches this Agreement and fails to cure the breach within 15 days after Sellers notify Buyer of the breach.

12.2 Effect of Termination.

- (a) If this Agreement is terminated under Section 12.1, the Surviving Provisions will survive the termination of this Agreement; and except for the obligations of the parties under the Surviving Provisions, all obligations of the parties under this Agreement will terminate.
- (b) If this Agreement is terminated under Section 12.1(a), Section 12.1(b), or Section 12.1(c) no party will be liable to any other party for a breach of this Agreement or otherwise, except that the parties will be liable for breaches of the Surviving Provisions, regardless of whether such breaches occur before or after the termination of this Agreement.

SECTION 13 EQUITABLE RELIEF

The parties acknowledge that the remedies available at law for any breach of this Agreement may, by their nature, be inadequate. Accordingly, each party may obtain injunctive relief or other equitable relief to restrain a breach or threatened breach of this Agreement or to specifically enforce this Agreement, without proving that any monetary damages have been sustained.

SECTION 14 ANNOUNCEMENTS

Sellers and Buyer will consult and cooperate with each other concerning the timing and manner of the announcements of the Transaction to the Company's employees, customers, suppliers, and other business relations. Upon Buyer's request, Sellers will permit Buyer to be present at any such announcement. Any public announcements with respect to the Transaction or this Agreement will be made, if at all, at such time and in such manner as Buyer determines.

SECTION 15 EXPENSES

Except as otherwise provided in this Agreement, each party will bear the party's own fees, costs, and expenses incurred in connection with the Transaction, including but not limited to the preparation, negotiation, signing, and performance of this Agreement and the other agreements and documents relating to the Transaction.

SECTION 16 GENERAL

16.1 Time of Essence. Time is of the essence with respect to all dates and time periods in this Agreement.

16.2 No Assignment. No party may assign or delegate any of the party's rights or obligations under this Agreement to any person without the prior written consent of the other parties, which the other parties may withhold in their sole discretion; provided however, that Buyer may assign any or all of Buyer's rights under this Agreement to any affiliate or subsidiary of Buyer.

16.3 Binding Effect. This Agreement will be binding on the parties and their Representatives, successors, and permitted assigns, and will inure to their benefit.

16.4 Amendment. This Agreement may be amended only by a written agreement signed by each party.

16.5 Notices. All notices or other communications required or permitted by this Agreement:

- (a) must be in writing;
- (b) must be delivered to the parties at the addresses set forth below, or any other address that a party may designate by notice to the other parties; and
- (c) are considered delivered:
 - (1) upon actual receipt if delivered personally or by a nationally recognized overnight delivery service; or
 - (2) at the end of the third business day after the date of deposit, if deposited in the United States mail, postage pre-paid, certified, return receipt requested.

To Buyer:



To Sellers:



With a copy to:



With a copy to:



and a copy to:



[Redaction: notice provision; personal information]

- 16.6 Waiver.** No waiver will be binding on a party unless it is in writing and signed by the party making the waiver. A party's waiver of a breach of a provision of this Agreement will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision.
- 16.7 Severability.** If a provision of this Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Agreement will not be impaired.
- 16.8 Further Assurances.** The parties will sign other documents and take other actions reasonably necessary to further effect and evidence this Agreement.
- 16.9 No Third-Party Beneficiaries.** The parties do not intend to confer any right or remedy on any third party.
- 16.10 Attachments.** Any exhibits, schedules, and other attachments referenced in this Agreement are part of this Agreement.
- 16.11 Governing Law.** This Agreement is governed by the laws of the state of California, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Agreement.
- 16.12 Arbitration.**

 - (a) Except as otherwise provided in Section 16.12(e), any dispute, controversy, or claim arising out of the subject matter of this Agreement will be settled by arbitration in Los Angeles, California.
 - (b) The dispute, controversy, or claim will be settled before three arbitrators. If the parties agree on the arbitrators, the arbitration will be held before the arbitrators selected by the parties. If the parties do not agree on the arbitrators, then each party will designate an arbitrator, the designated arbitrators will select a third arbitrator, and the arbitration will be held before the three arbitrators. Each arbitrator will be an attorney knowledgeable in the area of business law.

- (c) The arbitration will be conducted in accordance with the procedures set forth in Sections 1280 through 1294.2 of the California Code of Civil Procedure.
- (d) The resolution of any dispute, controversy, or claim as determined by a majority of the arbitrators will be binding on the parties. Judgment on the award of the arbitrator may be entered by any party in any court having jurisdiction.
- (e) A party may seek from a court an order to compel arbitration, or any other interim relief or provisional remedies pending the arbitrators' resolution of any dispute, controversy, or claim. Any such action, suit, or proceeding – or any action, suit, or proceeding to confirm, vacate, modify, or correct the award of the arbitrators – will be litigated in courts located in Los Angeles, California.
- (f) For the purposes set forth in Section 16.12(e), each party consents and submits to the jurisdiction of any local or state court located in Los Angeles, California.

16.13 Attorney's Fees. If any arbitration or litigation is instituted to interpret, enforce, or rescind this Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind incurred in connection with the arbitration, the litigation, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

16.14 Entire Agreement. This Agreement contains the entire understanding of the parties regarding the subject matter of this Agreement and supersedes all prior and contemporaneous negotiations and agreements, whether written or oral, between the parties with respect to the subject matter of this Agreement.

16.15 Signatures. This Agreement may be signed in counterparts. An electronic transmission of a signature page will be considered an original signature page. At the request of a party, each other party will confirm an electronically-transmitted signature page by delivering an original signature page to the requesting party.

[signature page to follow]

Dated effective as of the date set forth in the preamble.

Buyer:

Chemesis International Inc.



Sellers:



*[Redaction: personal information of selling shareholders;
signatures]*

[Appendix A and Exhibits A, B and C Redacted]