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CHEMESIS INTERNATIONAL INC.

Suite 2710, 200 Granville Street
Vancouver, BC
V6C 1S4

CONFIDENTIAL

April 4, 2019

Gemini Ventures LLC
C/O CATHEDRAL CITY CA 92234

Attention: Messrs. Yushin Wen, Tim Roegge

Dear Sirs:

Re: Acquisition of SAP Securities

This binding letter agreement ("**Letter Agreement**") sets out our mutual understanding of the terms and conditions between Chemesis International Inc. (collectively with its permitted assigns, the "**Acquiror**") and Gemini Ventures LLC ("**Vending Party**"), with respect to an acquisition transaction (the "**Transaction**") pursuant to which the Acquiror will, subject to the terms and conditions set forth in this Letter Agreement, acquire, directly or indirectly, (i) all of the issued and outstanding securities of SAP Global ("**SAP**") held by the Vending Party (the "**SAP Securities**"). In this Letter Agreement, the Acquiror and Vending Party are collectively referred to as the "**Parties**", and each as a "**Party**".

Representations and Warranties

The Vending Party hereby represents and warrants to the Acquiror, on a joint and several basis, that:

1. Gemini is the sole recorded and beneficial holder and owner of _____ common shares of SAP, and that neither Gemini nor any of Gemini's affiliates nor associates holds any interest whatsoever in any other securities of SAP.
2. None of the SAP Securities are subject to any pledge, encumbrance, charge, legal proceeding, dispute, third party claim, restriction on transfer of ownership, or any other encumbrance of any nature whatsoever.
3. The Vending Party is not resident in British Columbia.
4. The Vending Party is purchasing the Acquiror Shares (as defined below) as principal (within the meaning of applicable Canadian securities laws).
5. The Vending Party will comply with the securities laws requirements of its local jurisdiction with respect to its purchase of the Acquiror Shares.

1. Structure

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6. The terms of the Transaction structure are as follows:
- (a) The Acquiror will acquire the SAP Securities, in exchange for payment by Acquiror to the Vending Party of:
 - (i) One Million (1,000,000) common shares of Acquiror ("**Acquiror Shares**").
 - (ii) Four (4) cash payments, each equal to twenty percent (20%) of the net profit earned by SAP, as determined in accordance with IFRS, during and for each three (3) month rolling period (each a "**quarterly period**") subsequent to the closing date of the Transaction ("**Closing Date**"), with each such payment to be made in arrears within one month of the end of the relevant quarterly period ("**Net Profit Interest Payments**"); and
 - (iii) Seven Hundred Thousand U.S. Dollars (US\$700,000), to be paid from net profit earned by SAP until such amount is fully paid, and where net profit is to be determined in accordance with IFRS and, for the avoidance of doubt, to be calculated on a basis where the Net Profit Interest Payments are recorded as expenses ("**Return of Capital Payments**").
7. The Parties acknowledge that the policies of the Canadian Securities Exchange ("**CSE**"), and applicable Canadian and United States securities laws, may require some (or all) of the Acquiror Shares to be issued in connection with the proposed Transaction to be subject to hold periods. In addition, the Vending Party acknowledges and agrees that the Acquiror Shares shall be subject to a lock out period such that, beginning on the date that is six months after the Closing Date, the Vending Party shall be entitled to sell up to an aggregate of 166,666 Acquiror Shares every six (6) months, subject to compliance with any applicable securities laws and stock exchange rules.
8. Completion of the Transaction is subject to the following conditions precedent for the benefit of the Acquiror:
- (i) receipt of all required approvals and consents for the Transaction and all related matters and for the Transaction Documents, including without limitation:
 - A. all requisite approvals, as required by the CSE or applicable corporate or securities laws to implement the Transaction;
 - B. the approval of the CSE for the listing of the Acquiror Shares; and
 - C. the approval of any third parties from whom the Vending Party must obtain consent including any lenders or financial institutions;
 - (ii) there being no prohibition under applicable laws against consummation of the Transaction;
 - (iii) no legal proceeding shall be pending or threatened in writing wherein an unfavourable judgment, order, decree, stipulation or injunction would (A) prevent consummation of any component of the Transaction or any transaction related to the Transaction, or (B) cause any component of the Transaction or any transaction related to the Transaction to be rescinded following consummation.

The conditions precedent set out in this Section 8 are inserted for the sole benefit of Acquiror and may be waived in whole or in part by the Acquiror in its sole and absolute discretion. No such waiver shall be of any effect unless it is in writing signed by the Acquiror.

9. For greater certainty, the Parties agree that the issuance of any securities under the Transaction will be completed on a private placement basis, and will not require either Party to undertake or to participate in the preparation of a prospectus, registration statement or other such comprehensive disclosure document.

10. The Parties will use commercially reasonable efforts to close the Transaction as soon as practicable following satisfaction or waiver (by the Acquiror) of the conditions precedent set forth in Section 9.

2. Expenses

11. Each Party shall bear its own expenses in respect of the Transaction, including, without limitation, all legal and accounting fees and disbursements relating to the Transaction (including preparing this Letter Agreement or otherwise relating to the transactions contemplated herein). The Parties confirm that no broker or finder fees are payable by any Party in connection with the Transaction.

3. Confidentiality and Notice Obligations

12. No disclosure or announcement, public or otherwise, in respect of this Letter Agreement or the transactions contemplated herein will be made by any Party without the prior agreement of the other Parties as to timing, content and method, provided that the obligations herein will not prevent either Party from making such disclosure or announcement as its counsel advises is required by applicable law or the rules and policies of the CSE.

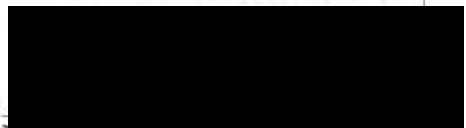
4. Miscellaneous

13. This Letter Agreement shall be governed in all respects, including validity, interpretation and effect, exclusively in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein (without giving effect to conflict of law principles) and the undersigned hereby irrevocably attorn to the exclusive jurisdiction of the Courts of the Province of British Columbia in respect of any matter arising hereunder or in connection herewith.
14. No amendment, modification, restatement or supplement of this Letter Agreement or any provision of this Letter Agreement is binding unless it is in writing and executed each Party hereto.
15. This Letter Agreement will be binding upon, and will enure to the benefit of and be enforceable by, the Parties hereto and their respective successors, permitted assigns, executors and administrators. No assignment of this Letter Agreement will be permitted without the written consent of the other Parties.
16. This Letter Agreement contains the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings with respect thereto.

17. This Letter Agreement may be executed in counterparts and evidenced by a facsimile or PDF email copy thereof and all such counterparts or facsimile or PDF counterparts shall constitute one document.
5. If the terms of this Letter Agreement are acceptable, please communicate your acceptance by executing the duplicate copy hereof in the appropriate space below and returning such executed copy to us by facsimile or PDF copy to the attention of the undersigned.
6. **[Remainder of page intentionally left blank]**

Yours very truly,

CHEMESIS INTERNATIONAL INC.



Note: signature of signatories

Per:

Name: Edgar Montero
Title: Director, President & Chief Executive Officer

THE TERMS OF THIS LETTER AGREEMENT are hereby accepted as of the ___ day of April, 2019.

GEMINI VENTURES LLC



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Name: PHILIP WEN
Title: CEO

**TOMATE SOLEIL ROUGE
ACTION BY UNANIMOUS WRITTEN CONSENT
OF THE BOARD OF DIRECTORS**

The undersigned, the sole remaining member of the Board of Directors of Tomate Soleil Rouge, a California nonprofit mutual benefit corporation (hereinafter the "**Corporation**"), does hereby consent by this writing to take the following actions, to adopt the following resolutions and to transact the following business by written consent ("**Consent**") in accordance with Sections 7211(b) of the California Corporations Code in lieu of the organizational meeting of the Board of Directors of the Corporation ("**Board**");

I. RESIGNATIONS OF DIRECTORS

WHEREAS, Philip Wen and Yuhsin Wen tendered their resignations to the Board via the written notices attached hereto as Exhibit A and Exhibit B respectively.

RESOLVED, that effective as of the date of such resignation notice, the Corporation accepts the resignations of Philip Wen and Yuhsin Wen from the Board.

II. BOARD COMPOSITION

WHEREAS, the undersigned desires to establish the authorized number of directors, under Article III of the Bylaws, pursuant to California Corporations Code Section 7151(a).

NOW, THEREFORE BE IT RESOLVED, that the authorized number of directors be set at one (1); and

RESOLVED FURTHER, that the Board shall consist of the following one (1) member:

Aman Parmar

III. STATE AND LOCAL LICENSURE SUBMITTALS

WHEREAS, the undersigned acknowledges that Shaun Dale and Edgar Montero Gortarez, by virtue of the Management Agreement with SAP Global and their role as members of the board of directors of the managing entity SAP Global, have participated and will be participating in the direction, control, or management of the licensed commercial cannabis business of the Corporation; and

WHEREAS, legal counsel has advised the Corporation to disclose Shaun Dale and Edgar Montero Gortarez as individual "owners" per 17 CCR § 40102(a)(4) and Cathedral City Municipal Code § 5.88.025 in an abundance of caution, and update the Corporation's application for an annual cannabis manufacturing license from the Manufactured Cannabis

Safety Branch of the California Department of Public Health, and update the Corporation's Cannabis Business Local Licensure from Cathedral City, accordingly.

RESOLVED, that the Corporation and its legal counsel shall so update the Corporation's state and local licensure submittals.

IV. ELECTION OF OFFICERS

RESOLVED, that effective as of the date hereof, the following persons be, and such persons hereby are, elected to serve as officers of the Corporation to the offices set forth opposite such persons' names, to serve at the pleasure of the Board and until such persons' successors are duly appointed and qualified or until such persons' earlier resignation or removal:

President: Aman Parmar
Secretary: Shaun Dale
Treasurer: Shaun Dale

V. OMNIBUS RESOLUTION

RESOLVED, that the appropriate officers of the Corporation be, and each of them hereby is, authorized and directed, for and on behalf of the Corporation, to make such filings and applications, to execute and deliver such documents and instruments, and to do such acts and things as such officer deems necessary or advisable in order to obtain such licenses, authorizations, and permits as are necessary or desirable for the Corporation's business, and to fulfill such legal requirements as are applicable to the Company and its business and to complete the organization of the Corporation;

RESOLVED FURTHER, that any actions taken by an officer of the Corporation prior to the date of this Consent that are within the authority conferred thereby are hereby ratified, confirmed, and approved as the acts and deeds of the Corporation; and

RESOLVED FURTHER, that this Consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile and electronic signatures shall be acceptable to bind the parties and shall not affect the validity of this Consent.

IN WITNESS WHEREOF, the undersigned has duly executed this Consent as of April 3, 2019.

Aman Parmar, Director

EXHIBIT A

RESIGNATION OF PHILIP WEN

I, Philip Wen, do hereby inform the President in his capacity as Chair of the Board of Directors of Tomate Soleil Rouge that I resign from the Board of Directors of Tomate Soleil Rouge effective immediately.

Note: signature of signatory

Date: April 2, 2019

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Philip Wen

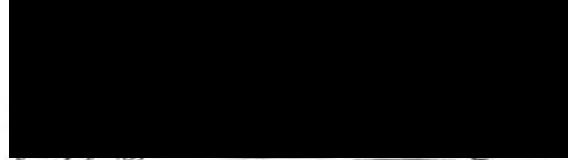
EXHIBIT B

RESIGNATION OF YUHSIN WEN

I, Yuhsin Wen, do hereby inform the President in his capacity as Chair of the Board of Directors of Tomate Soleil Rouge that I resign from the Board of Directors of Tomate Soleil Rouge effective immediately.

Note: signature of signatory

Date: April 2, 2019

A large black rectangular redaction box covering the signature of Yuhsin Wen.

Yuhsin Wen

SHARE PURCHASE AGREEMENT

This Share Purchase Agreement ("**Agreement**") is dated effective April _____, 2019 among Chemesis International Inc., a British Columbia corporation ("**Buyer**"), and Philip Wen, the Wen Family Trust administered by Philip Wen as Trustee (the "**Trust**") and PTR Management I.L.C, a single-member California limited liability company managed by Philip Wen ("**PTR**" and with the Trust and Philip Wen, the "**Sellers**").

BACKGROUND

- A. Kieley Growth Management is a California nonprofit mutual benefit corporation ("the "**Company**").
- B. Buyer desires to enter into this Agreement to purchase the Company.
- C. After the execution of this Agreement, the Company intends to convert to a California corporation.
- D. After the Conversion, Philip Wen will own all of the outstanding shares of common stock of the Company (the "**Shares**").
- E. At the Closing, Buyer has agreed to purchase the Shares from Sellers and Sellers have agreed to sell the Shares to Buyer (or a designated subsidiary of Buyer), subject to the terms and conditions set forth in this Agreement.

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 **Shares.** At the Closing, Sellers will sell the Shares to Buyer and Buyer will buy the Shares from Sellers.
- 2.2 **Purchase Price.** The purchase price for the Shares is US\$5,400,000.
- 2.3 **Payment.** Buyer will pay the purchase price for the Shares as follows:
 - (a) At the Closing, Buyer will:
 - (1) pay to the Trust or the Trust's designee, US\$50,000.00 in immediately available funds;
 - (2) deliver to the Escrow Agent for the benefit of the Trust, share certificates for Buyer Shares equivalent in value to US\$1,000,000 at the deemed issue price of C\$2.04 (adjusted to U.S. Dollars in accordance with the Exchange Rate); and

- (3) deliver to the Escrow Agent for the benefit of PTR, share certificates for Buyer Shares equivalent in value to US\$4,000,000.00 at the deemed issue price of C\$2.04 (adjusted to U.S. Dollars in accordance with the Exchange Rate).
 - (b) At the time after the Company's first completed full fiscal quarter after the Closing Date that the Company first achieves net profit of at least US\$350,000.00 (as determined by the Buyer in accordance with International Financial Reporting Standards), Buyer will deliver to the Trust a share certificate for Buyer Shares equivalent in value to US\$350,000.00 at the deemed issue price of C\$2.04 (adjusted to U.S. Dollars in accordance with the Exchange Rate).
- 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; provided, however, that the Buyer Shares issued under Section 2.3(b) shall not be subject to the Escrow Agreement, and, therefore, will not be held by the Escrow Agent.

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 power, capacity, 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 non-profit mutual benefit corporation duly organized, validly existing, and in good standing under the Laws of the State of California.
 - (b) After the Conversion, the Company will be a for-profit stock corporation duly organized, validly existing, and in good standing under the Laws of the State of California.
 - (c) 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.
 - (d) The Company is duly licensed or qualified to do business and is in good standing in Cathedral City, California.
- 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.** Except as otherwise provided on Schedule 3.4, 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 incorporation, bylaws, 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, other than (i) the California Secretary of State's approval of the Conversion, (ii) the approval of MCSB to the addition of Buyer's designees to the Company's Board and (iii) notice to MCSB of the removal of Philip Wen and any other Seller-affiliated Company board member; or
- (e) result in the creation or imposition of any Encumbrance on any properties or assets of the Company.

3.5 Capitalization.

- (a) Schedule 3.5 sets forth each member, director, and officer of the Company, and any other person or entity having any membership interest or any other ownership interest in the Company.
- (b) After the Conversion, the Company will be authorized to issue [] shares of common stock, of which [] shares will be issued and outstanding and will constitute the Shares.
- (c) After the Conversion, all of the Shares will be duly authorized, validly issued, fully paid, and non-assessable, and will be owned of record and beneficially by Philip Wen, free and clear of all Encumbrances. Upon consummation of the transactions contemplated by this Agreement, Buyer, or a designated subsidiary of Buyer, will own all of the Shares, free and clear of all Encumbrances.
- (d) All of the Shares will be issued in compliance with applicable Laws. None of the Shares will be issued in violation of any 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 on Schedule 3.5:
 - (1) there are no outstanding or authorized options, warrants, convertible securities, or other rights, agreement, arrangements, or commitments of any character relating to the ownership of the Company or obligating any Seller or the Company to issue or sell any shares of, or any other interest in, the Company;

- (2) the Company does not have outstanding or authorized any stock appreciation, phantom stock, profit participation, or similar rights; and
- (3) there are no voting trusts, shareholder agreements, proxies, or other agreements or understandings in effect with respect to the voting or transfer of any of the Shares.

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) Sellers have 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 statement 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 on Schedule 3.7, 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. Sellers have delivered to Buyer complete and correct copies of all of the minute books, stock record books, and other corporate and nonprofit records 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 shareholders, 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 shareholders, 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) Sellers have delivered to Buyer a true, complete and correct copy of the Lease. Other than the Lease, the 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. The use and operation of the Premises 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 a part of the Premises encroach 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 the Premises in the nature of 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. Schedule 3.12 contains 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) Schedule 3.13 contains 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 Premises 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. Schedule 3.15 contains a complete list of – and Sellers have 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, shareholder, 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.** Except as otherwise provided on Schedule 3.18, 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 US\$5,000, whether or not the loss or damage was or is covered by insurance;
 - (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) Schedule 3.19 contains a complete list of – and, if written, Sellers have 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 listed on Schedule 3.19 with any person.

3.20 Insurance.

- (a) Schedule 3.20 contains a complete list of – and Sellers have 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 listed on Schedule 3.20, 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 listed on Schedule 3.20.

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 Cannabis Licenses.

- (a) The Company has been issued and holds the Cannabis Licenses;
- (b) no Cannabis License has lapsed or been suspended, cancelled, or revoked;
- (c) all fees and charges with respect to the Cannabis Licenses have been paid in full;
- (d) the Company has complied with all Laws applicable to the Cannabis Licenses;
- (e) neither MCSB nor Cathedral City has imposed any civil penalty on the Company;
- (f) neither the Company nor Philip Wen has received any notice from MCSB, Cathedral City, or any other person regarding:
 - (1) any actual, alleged, or potential suspension, cancellation, or revocation of any Cannabis License;
 - (2) any actual, alleged, or potential failure by the Company to comply with any Laws applicable to the Cannabis Licenses; or
 - (3) any actual or potential imposition of any civil penalty by MCSB or Cathedral City on the Company;
- (g) to Sellers' Knowledge, no event has occurred, or circumstances exist that will likely result in:
 - (1) a suspension, cancellation, or revocation of any Cannabis License;
 - (2) a failure by the Company to comply with any Laws applicable to the Cannabis Licenses; or
 - (3) the imposition of any civil penalty by MCSB or Cathedral City on the Company;
- (h) each person who has a "financial interest" (as defined in Title 17 CCR §40102(b)) in the Company's business has been properly and timely disclosed to the MCSB and Cathedral City;
- (i) each person who is an "owner" (as defined in Cal. Bus. & Prof. Code §26001 and Title 17 CCR §40102(a)) of the Company has been properly and timely disclosed as such to MCSB and Cathedral City;
- (j) the Company does not engage in the extraction, cultivation, distribution, or retail sale of cannabis at any location other than the Premises or in any manner not authorized by the Cannabis Licenses; and
- (k) the Company does not engage in the procurement, sale, and transport of cannabis and cannabis products (except between licensees) in any manner not authorized by the Cannabis Licenses.

3.23 Other Licenses. Schedule 3.23 contains a complete list of each License issued to the Company, other than the Cannabis Licenses, together with the name of the License, the name

of the issuing Governmental Authority, the date of issuance, and the expiration date. Except for the Cannabis Licenses:

- (a) the Licenses listed on Schedule 3.23 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.

3.24 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.

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

3.26 Employees.

- (a) Schedule 3.26 contains 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.

3.27 Employee Plans.

- (a) Schedule 3.27 contains a complete list of each Employee Plan. Sellers have delivered to Buyer complete and accurate copies of each Employee Plan that has been reduced to writing, including all amendments. With respect to each Employee Plan that has not been reduced to writing, Schedule 3.27 sets forth a summary of all of the material terms of such Employee Plan.
- (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; and
- (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.

3.28 Environmental. Sellers have 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.

3.29 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 3.29. 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 Seller 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.

- 3.30 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.
- 3.31 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 constituting 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, and other than in connection with the approval by the CSE of the Transaction and the issuance and listing of the Buyer Shares, 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 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) permit Buyer and its Representatives to inspect the Premises and the Company's tangible personal property assets; and
 - (d) otherwise cooperate and assist with Buyer's investigation of the Company and the Shares.
- 5.2 **Company's Business.** Until the Closing, Sellers will:
- (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 under the policies set forth on Schedule 3.20 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 Shares;
- (k) ensure that the Company does not make any capital expenditure or series of related capital expenditures in excess of US\$5,000 without the prior written consent of Buyer, which Buyer may not withhold unreasonably;
- (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 securities in the capital of the Company, including any additional Shares, 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 Shares;
- (b) Sellers will ensure that neither the Company nor any Seller will, 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 shares 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 or shares of the Company, whether by sale, merger, consolidation, or otherwise.

5.4 Consents. Sellers will use their 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 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 Shares 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 (1) the then fair market value of the Buyer Shares or (2) C\$2.04.
- 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 12 may overlap with an obligation or responsibility pursuant to this Section 6, the provisions of this Section 6 will govern.

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(a), 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, Section 3.22, and Section 3.31 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 **Authorization of Ownership Change.** Both the MCSB and the City Manager of Cathedral City must have approved the Ownership Change.
- 7.7 **Accredited Investor Questionnaire.** 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.
- 7.8 **Resignations of Seller-affiliated Company Board Members.** Philip Wen and any other Seller-affiliated individuals must have submitted post-dated letters resigning as directors and/or officers of the Company (with resignations in form and substance reasonably satisfactory to Buyer) and obtained all required approvals and filed all required notices (including pursuant to Title 17 CCR §40178 and §2.7 of the Cathedral City Medical Cannabis Administrative Rules (June 2016) (“**Cathedral City Administrative Rules**”)) for such resignations.
- 7.9 **Appointment of Directors.** Philip Wen and Aman Parmar must have been appointed as directors of the Company prior to Conversion.
- 7.10 **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.
- 7.11 **Conversion.** The Company must have completed the Conversion.
- 7.12 **Cannabis Licenses.** Each natural person named as an owner of any Cannabis License must have been changed to a designee of Buyer, as necessary, pursuant to Title 17 CCR §40178, §5.88.050 of the Cathedral City Municipal Code and §2.7 of the Cathedral City Administrative Rules. Sellers shall initiate the process of obtaining all necessary approvals for such changes from the City Manager for Cathedral City no later than [three (3) business days] from the Effective Date. Notwithstanding any other provision of this Agreement, Sellers shall have a continuing obligation after the Closing to obtain the foregoing approvals on behalf of Buyer.
- 7.13 **Reserved.**
- 7.14 **Escrow Agreement.** The Company, Buyer, and Escrow Agent must have entered into the Escrow Agreement.
- 7.15 **Replacement Lease.** The Company and Landlord must have entered into the Replacement Lease.
- 7.16 **Exchange Approval.** The CSE must have approved the Transaction and approved the listing on the CSE of the Buyer Shares to be issued under Section 2.3(a).
- 7.17 **Secondary Acquisition.** Buyer must have acquired 60% of the membership interests of AWP Management LLC from AJF Ventures LLC, a California limited liability company and TC Ventures LLC, a California limited liability company.

- 7.18 **PTR Assignment.** PTR must have assigned its 40% membership interest in AWP Management LLC, to the Company.

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.

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) all share certificates representing the Shares, together with one or more stock powers or assignments endorsed in blank by the appropriate Sellers, 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;
- (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 Seller certifying that the articles of incorporation and bylaws of the Company attached to the certificate are complete and accurate as of the Closing Date;
- (g) such other documents that Buyer may reasonably request for the Transaction, in form and substance reasonably satisfactory to Buyer; and
- (h) possession of the assets of the Company.

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

- (a) to the Trust, immediately available funds in the amount of US\$50,000.00;
- (b) to the Escrow Agent, share certificates representing the Buyer Shares to be issued under Section 2.3(a); and
- (c) 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 RESTRICTIVE COVENANTS

- 10.1 Nonsolicitation.** During the Restrictive Period, no Seller, nor any of its respective Representatives, will solicit any of the following employees of the Company or Buyer to become an employee or independent contractor of any Competitive Business or any other person; or (2) to otherwise change its relationship with the Company:

- 10.2 **Reasonableness.** Each Seller acknowledges and agrees that the Restrictive Covenant is reasonable in scope and that the Restrictive Covenant affords a fair protection to the interests of Buyer.
- 10.3 **Enforceability.** The parties intend that the Restrictive Covenant be enforceable to the fullest extent permitted by law. If the Restrictive Covenant is determined to be unenforceable to any extent, the Restrictive Covenant will automatically be amended to the extent necessary to make it enforceable.
- 10.4 **Breach.** If a Seller or any of its respective Representatives breaches the Restrictive Covenant, the Restrictive Period will be extended by the duration of the breach.

SECTION 11 NONDISCLOSURE

- 11.1 **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.
- 11.2 **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.

11.3 Exceptions. A party will not breach Section 11.1 or Section 11.2 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 12 INDEMNIFICATION

12.1 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.

12.2 Sellers' Indemnification. If the Closing occurs, and subject to the provisions of this Section 12, 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 this Agreement or in any other Transaction Document; and (b) the operation of the Company's business before the Closing Date.

12.3 Limitation on Sellers' Liability.

- (a) If the Closing occurs, and subject to Section 12.3(b) 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 two years after the Closing Date.
- (b) The limitations on Sellers' liability in this Section 12.3 will not apply with respect to a claim that arises out of or results from:
 - (1) a breach of any representation and warranty in Section 3.1, Section 3.2, Section 3.3, Section 3.5, Section 3.6, Section 3.14, Section 3.15, Section 3.22, Section 3.27, Section 3.28, or Section 3.31;

- (2) a breach of any representation or warranty in Section 3 if Buyer demonstrates that, as of the date of this Agreement, Sellers had Knowledge of the facts giving rise to the breach and that the facts constituted a breach; or
- (3) a breach of any covenant in Section 5, if Buyer demonstrates that any Seller intentionally breached the covenant.

12.4 Buyer's Indemnification. If the Closing occurs, and subject to the provisions of this Section 12, 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.

12.5 Limitation on Buyer's Liability.

- (a) If the Closing occurs, and subject to Section 12.5(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 two years after the Closing Date;
- (b) The limitations on Buyer's liability in this Section 12.5 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.

12.6 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 12 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.

12.7 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 12, 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 12.

- (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 12 – 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 12.7(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 12, 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.
- 12.8 Right of Set Off.** In the event that the Sellers become obligated to indemnify the Buyer under this Section 12, the Buyer may, at its sole option, opt to seek payment of such amounts from the Sellers by cancelling a portion of the unissued Buyer Shares equal to the amount of such indemnification obligation, which Buyer Shares shall be valued at the lesser of (1) the then fair market value of the Buyer Shares or (2) C\$2.04.
- 12.9 Tax Treatment of Indemnification Payments.** Any indemnification payments pursuant to this Section 12 will be treated as an adjustment to the purchase price for the Shares by the parties for Tax purposes, unless otherwise required by Law.
- 12.10 Effect of Investigation.** The representations, warranties, and covenants of an Indemnifying Party, and an Indemnified Person's right to indemnification under this Section 12, 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.
- 12.11 Strict Liability and Negligence.** The indemnification provisions in this Section 12 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 13 TERMINATION

- 13.1 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.

13.2 Effect of Termination.

- (a) If this Agreement is terminated under Section 13.1, 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 13.1(a), Section 13.1(b), or Section 13.1(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; and

SECTION 14 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 15 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 16 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 17 GENERAL

- 17.1 **Time of Essence.** Time is of the essence with respect to all dates and time periods in this Agreement.
- 17.2 **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.
- 17.3 **Binding Effect.** This Agreement will be binding on the parties and their Representatives, successors, and permitted assigns, and will inure to their benefit.
- 17.4 **Amendment.** Except as otherwise provided in Section 10.3 and Section 17.5, this Agreement may be amended only by a written agreement signed by each party.
- 17.5 **Savings.** The parties acknowledge and agree that MCSB or another Governmental Authority may disapprove of, take issue with, or otherwise not recognize some or all of the provisions of this Agreement, or may on account of this Agreement, not issue, suspend, or revoke any applicable state or local license. Accordingly, the parties agree that they will renegotiate this Agreement in good faith and as necessary. The parties agree that any amendment to this Agreement agreed to by the parties as a result of such renegotiation in accordance with this Section 17.5 will have the closest effect permitted by applicable Law or such Governmental Authority, to the original intent of the parties, such that the amended Agreement and the parties' rights and obligations under the amended Agreement are acceptable to any such Governmental Authority.
- 17.6 **Lawful Object of Contract.** The parties acknowledge and agree that pursuant to Cal. Civ. Code §1550.5, commercial activity relating to medicinal cannabis or adult-use cannabis conducted in compliance with California law and any applicable local standards, requirements, and regulations will be deemed to be a lawful object of a contract under California law.
- 17.7 **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.

Note: notices provision

- 17.8 **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.
- 17.9 **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.
- 17.10 **Further Assurances.** The parties will sign other documents and take other actions reasonably necessary to further effect and evidence this Agreement.

- 17.11 **No Third-Party Beneficiaries.** The parties do not intend to confer any right or remedy on any third party.
- 17.12 **Attachments.** Any exhibits, schedules, and other attachments referenced in this Agreement are part of this Agreement.
- 17.13 **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.
- 17.14 **Arbitration.**
- (a) Except as otherwise provided in Section 17.14(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 17.14(e), each party consents and submits to the jurisdiction of any local or state court located in Los Angeles, California.
- 17.15 **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.
- 17.16 **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.

17.17 **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.

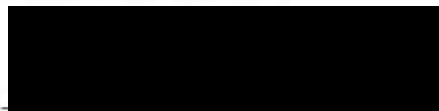
[signature page to follow]

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

Buyer:

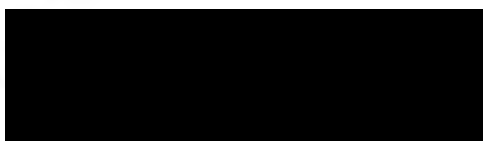
Note: signatures of signatories

Chemesis International Inc.



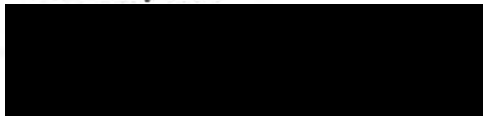
By: Edgar Montero
Its: Director and Chief Executive Officer

Sellers:



Philip Wen

Wen Family Trust



By: PHILIP WEN
Its: Trustee

PTR Management LLC



By: PHILIP WEN
Its: CEC

APPENDIX A

Definitions

“**Accredited Investor Questionnaire**” means the questionnaire attached to this Agreement as Exhibit A.

“**Action**” means any 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, regulatory or otherwise, whether at law or in equity.

“**Balance Sheet**” means the balance sheet of the Company dated as at [February 28, 2019].

“**Buyer’s Nondisclosure Period**” means the period beginning on the date of this Agreement and ending: (a) on the Closing Date, if the Closing occurs; or (b) two years after the date this Agreement is terminated, if the Closing does not occur.

“**Buyer Shares**” means shares of Buyer’s common stock issued to Sellers in consideration of the purchase price as set forth in Section 2.3.

“**Canadian Accredited Investor Letter**” means the representation letter attached to this Agreement as Exhibit B.

“**Cannabis Licenses**” means: (a) Cannabis Business Local License, Number MCL-17-007-M-18 issued on January 3, 2019 by Cathedral City pursuant to Cathedral City Municipal Code Chapter 5.88; (b) Cannabis Business Local License Number MCL-17-007-C-18 issued on January 3, 2019 by Cathedral City pursuant to Cathedral City Municipal Code Chapter 5.88; and (c) Temporary Type 7 Manufacturing License – Adult and Medical Cannabis Products Number CDPH-T00000362 issued by the MCSB.

“**Closing**” means the closing of the Transaction.

“**Closing Date**” means the date on which the Closing takes place.

“**Code**” means the Internal Revenue Code of 1986.

“**Company**” means Kieley Growth Management, a California non-profit mutual benefit corporation.

“**Company Contract**” means a Contract to which the Company is a party.

“**Competitive Business**” means: (a) any business that cultivates, distributes, processes, or sells cannabis or cannabis products; and (b) any business that consults or otherwise assists any business described in clause (a).

“**Confidential Information**” means all information that is known to be, or reasonably should have been known to be treated as confidential related to: (a) the Company and its business, including but not limited to business models, customer and supplier lists, marketing plans, financial and technical information, trade secrets, know-how, ideas, designs, drawings, specifications, techniques, programs, systems, processes, and computer software; or (b) the Transaction, including but not limited to the terms and conditions of the Transaction Documents.

"Contract" means any contract, lease, deed, mortgage, license, instrument, note, commitment, undertaking, indenture, joint venture, warranty, guaranty, power of attorney, and any other agreement, commitment, and legally binding arrangement, whether written or oral.

"Conversion" means conversion of the Company from a California nonprofit mutual benefit corporation organized under California's Nonprofit Mutual Benefit Corporation Law to a California corporation organized under California's General Corporation Law.

"CSE" means the Canadian Securities Exchange.

"Drop-Dead Date" means [December 31, 2019].

"Employee Plan" means any pension, benefit, retirement, compensation, employment, consulting, profit-sharing, deferred compensation, incentive, bonus, performance award, phantom equity, stock or stock-based, change in control, retention, severance, vacation, paid time off, medical, vision, dental, disability, welfare, Code Section 125 cafeteria, fringe-benefit and other similar agreement, plan, policy, program or arrangement (and any amendments thereto), in each case whether or not reduced to writing and whether funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not tax-qualified and whether or not subject to ERISA, which is or has been maintained, sponsored, contributed to, or required to be contributed to by the Company for the benefit of any current or former employee, officer, manager, retiree, independent contractor or consultant of the Company or any spouse or dependent of such individual, or under which the Company or any of its ERISA Affiliates has or may have any Liability, or with respect to which Buyer or any of its affiliates would reasonably be expected to have any liability, contingent or otherwise.

"Encumbrance" means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"Environmental Law" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup of pollution) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water, or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal, or remediation of any Hazardous Material.

"Environmental Permit" means any license, permit, franchise, approval, authorization, registration, certificate, variance, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by, or made by any Governmental Authority pursuant to any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any employer (whether or not incorporated) that would be treated together with the Company or any of the Company's affiliates as a "single employer" within the meaning of Section 414 of the Code or Section 4001 of ERISA.

"Escrow Agent" means Cassels Brock & Blackwell LLP, in its capacity as escrow agent under the Escrow Agreement.

"Escrow Agreement" means an Escrow Agreement among Buyer, Sellers, and Escrow Agent in substantially the form attached to this Agreement as Exhibit C.

"Exchange Rate" means the closing United States Dollar (USD) to Canadian Dollar (CAD) exchange rate posted by the Bank of Canada on the day prior to the Closing Date.

"Facility" means the facility located on the Premises where the Company carries out its operations.

"Financial Statements" means the financial statements specified in Section 3.7(a).

"GAAP" means United States generally accepted accounting principles in effect from time to time.

"Governmental Authority" means any federal, state, 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, determination or award entered by or with any Governmental Authority.

"Hazardous Material" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral, or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation, and polychlorinated biphenyls.

"Inception" means March 9, 2017, the date the Company was organized.

"Indemnified Person" means a person entitled to indemnity from an Indemnifying Party under Section 6 or Section 12.

"Indemnifying Party" means a party obligated to indemnify an Indemnified Person under Section 6 or Section 12.

"Independent Accountant" means an impartial nationally or regionally recognized firm of independent certified public accountants mutually selected by Buyer and Sellers, provided that such firm does not, and has not since January 1, 2015, provided services to Buyer or any Seller.

"Intellectual Property Registration" means an intellectual property asset of the Company that is subject to any issuance, registration, or application by or with any Governmental Authority or authorized private registrar in any jurisdiction, including issued patents, registered trademarks, domain names and copyrights, and pending applications for any of the foregoing.

"Knowledge" means, with respect to Sellers: (a) the actual knowledge of any Seller; and (b) any knowledge that any Seller would have obtained if each Seller had conducted a reasonably comprehensive investigation of the relevant matter.

"Law" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority; *provided however*, that for purposes of whether a party has complied with applicable Laws, the term "Law" does not include any provision of the federal Controlled Substances Act (or any other federal statute

the violation of which would not have occurred but for the fact that marijuana is a controlled substance under the federal Controlled Substances Act) to the extent that the applicable act or omission by the party does not violate California law.

"Landlord" means East Rock Land Mgmt LLC, a California limited liability company.

"Lease" means the commercial lease agreement in respect of the Facility dated November 1, 2017 between the Company and Landlord.

"License" means any license, permit, franchise, approval, authorization, registration, certificate, variance, or similar right obtained, or required to be obtained, from any Governmental Authority, including but not limited to the Cannabis Licenses, any Environmental Permits, and Seller's Permit issued on August 1, 2018 by the California Department of Tax and Fee Administration.

"MCSB" means the Manufactured Cannabis Safety Branch of the California Department of Public Health.

"Material Adverse Effect" means any event, occurrence, fact, condition, or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to: (a) the business, results of operations, condition (financial or otherwise), or assets of the Company, or (b) the ability of Sellers to consummate the transactions contemplated by this Agreement on a timely basis.

"Most Recent Balance Sheet" means the most recent balance sheet of the Company that Sellers deliver to Buyer under this Agreement.

"Ownership Change" means the addition of Buyer as an "owner" (as defined in §5.88.025 of Cathedral City Municipal Code, Cal. Bus. & Prof. Code §26001 and Title 17 CCR §40102(a)) of the Company on the Cannabis Licenses and the obtaining of all required approvals and filing of all required notices pursuant to Title 17 CCR §40178, §5.88.050 of the Cathedral City Municipal Code and §2.7 of the Cathedral City Administrative Rules.

"Post-Closing Tax Period" means any taxable period beginning after the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period beginning after the Closing Date.

"Post-Closing Taxes" means Taxes of the Company for any Post-Closing Tax Period.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

"Pre-Closing Taxes" means Taxes of the Company for any Pre-Closing Tax Period.

"Premises" means the real property located at 68342 Kieley Road, Cathedral City, CA 92234.

"Release" means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

"Replacement Lease" means a lease between the Company and Landlord in substantially the form attached to this Agreement as Exhibit D.

"Representatives" means, with respect to any person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such person.

"Restrictive Covenant" means the restrictions set forth in Section 10.1.

"Restrictive Period" means the period beginning on the date of this Agreement and ending: (a) four years after the Closing Date, if the Closing occurs; and (b) on the date this Agreement is terminated, if the Closing does not occur.

"Shares" means all of the outstanding shares of common stock of the Company after the Conversion.

"Sellers' Nondisclosure Period" means the period beginning on the date of this Agreement and ending: (a) two years after the Closing Date, if the Closing occurs; or (b) on the date this Agreement is terminated, if the Closing does not occur.

"Straddle Period" means a taxable period that begins before and ends after the Closing Date.

"Surviving Provisions" means Section 1, Section 11, Section 12, Section 13, Section 14, Section 16, and Section 17.

"Taxes" means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"Tax Return" means any return, declaration, report, claim for refund, information return or statement or other document relating to Taxes, including any schedule or attachment to any such document, and including any amendment of any such document.

"Transaction" means the purchase and sale of the Shares provided for in this Agreement.

"Transaction Documents" means this Agreement and the other agreements, instruments and documents required by this Agreement to be delivered at or before the Closing.

"U.S. Securities Act" means the United States Securities Act of 1933, as amended.

EXHIBIT A

Accredited Investor Questionnaire

EXHIBIT B

Canadian Accredited Investor Letter

EXHIBIT C

Escrow Agreement

EXHIBIT D

Replacement Lease