

## **FIRST AMENDMENT TO SECURITIES PURCHASE AGREEMENT**

**THIS FIRST AMENDMENT TO SECURITIES PURCHASE AGREEMENT** (the “**Amendment**”), is made on January 29, 2020, by and among **GOTHAM GREEN FUND 1, L.P.**, a Delaware limited partnership, **GOTHAM GREEN FUND 1 (Q), L.P.**, a Delaware limited partnership, **GOTHAM GREEN CREDIT PARTNERS SPV 2, L.P.**, a Delaware limited, **GOTHAM GREEN FUND II, L.P.**, a Delaware limited partnership, **GOTHAM GREEN FUND II (Q), L.P.**, a Delaware limited partnership, **4FRONT VENTURES CORP.**, a corporation amalgamated under the laws of the Province of British Columbia (the “**Company**”), **CANNEX HOLDINGS (NEVADA) INC.**, a Delaware corporation (“**Cannex Borrower**”), **4FRONT U.S. HOLDINGS INC.**, a Delaware corporation (“**4Front Borrower**” and, with the Cannex Borrower, collectively, the “**US Borrowers**”, and each a “**US Borrower**”; and, together with the Company and the Lenders, each a “**Party**” and collectively, the “**Parties**”), and the Guarantors listed on the signature pages hereto.

### **RECITALS:**

A. The Parties entered into an Amended and Restated Purchase Agreement on July 31, 2019, among the Company, the Borrowers and the Initial Lenders (defined herein) (the “**Existing Purchase Agreement**”).

B. Pursuant to the Existing Purchase Agreement, (i) the Borrowers issued to the Initial Lenders (defined herein) certain Senior Secured Convertible Notes, in an aggregate initial principal amount of US\$33,501,779.64, and (ii) the Company issued to the Initial Lenders certain Warrants expiring November 21, 2021.

C. The Company, the Issuer and the Lenders desire to provide for the purchase of additional senior secured convertible notes and warrants from the Borrowers and the Company, respectively, in each case as set forth herein.

### **AGREEMENTS:**

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**1. Defined Terms.** Capitalized terms used but not otherwise defined in this Amendment shall have the meanings ascribed thereto in the Existing Purchase Agreement, as amended by this Amendment (as amended, restated, supplemented or otherwise modified from time to time, the “**Purchase Agreement**”).

**2. Amendments to Existing Purchase Agreement.** The Existing Purchase Agreement is hereby amended as follows:

(a) The following definitions are hereby added to Section 1.1 (Definitions) in alphabetical order:

“**Bridge Loan Lenders**” means, collectively, Gotham Green Fund II, L.P., a Delaware limited partnership, and Gotham Green Fund II (Q), L.P., a Delaware limited partnership.

“**Bridge Loan Notes**” means the senior secured convertible notes issued by the Borrowers to the Bridge Loan Lenders on the First Amendment Effective Date, in an aggregate initial principal amount of US\$3,000,000, in substantially the form attached as Exhibit A to the First Amendment.

“**Bridge Loan Warrant Certificates**” means the certificates representing the Bridge Loan Warrants in substantially the form attached as Exhibit B to the First Amendment.

“**Bridge Loan Warrants**” means the warrants of the Company issued to the Bridge Loan Lenders on the First Amendment Effective Date, such warrants being exercisable to acquire an aggregate amount of up to 27,876 Warrant Shares, and such warrants being exercisable for a period of 36 months following the First Amendment Effective Date at an exercise price per share equal to US\$53.81 per Warrant Share, subject to standard anti-dilution adjustments as set forth in the Bridge Loan Warrant Certificate evidencing such warrants.

“**First Amendment**” means the First Amendment to this Agreement, dated as of the First Amendment Effective date.

“**First Amendment Effective Date**” means January 29, 2020.

“**Initial Lenders**” means Gotham Green Fund 1, L.P., a Delaware limited partnership, Gotham Green Fund 1 (Q), L.P., a Delaware limited partnership, and Gotham Green Credit Partners SPV 2, L.P., a Delaware limited partnership.

(b) The definitions in the Existing Purchase Agreement set forth below are hereby amended and restated in their entirety as follows:

“**Lenders**” means, collectively, the Initial Lenders and the Bridge Loan Lenders, and their respective successors and assigns.

“**Laws**” means all laws, statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, policies, voluntary restraints, guidelines of any Governmental Body, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used, whether applicable in Canada or the United States or any other jurisdiction; and “**Law**” means any one of them. Notwithstanding the foregoing, the definition of Laws excludes any U.S. federal laws, Canadian federal, provincial or territorial laws, statutes, codes, ordinances, decrees, rules, regulations which apply to the production, trafficking, distribution, processing, extraction, sale, or any transactions promoting the business or involving the proceeds of marijuana (cannabis) and related substances (collectively, the “**Excluded Laws**”); provided, however, that Excluded Laws

shall not include any provision of the Code, including, without limitation, Section 280E of the Code.

“**Notes**” means, collectively, (a) the Senior Secured Convertible Notes issued by the Borrowers to the Initial Lenders on the Restated Closing Date, in an aggregate initial principal amount of US\$33,501,779.64, and (b) the Bridge Loan Notes (in each case, as amended, restated, supplemented or otherwise modified from time to time).

“**Warrant Certificates**” means, collectively, the certificates representing (a) the Warrants described in clause (a) of the definition of “Warrants”, in the form attached as Exhibit “B” to the Agreement, and (b) the Bridge Loan Warrant Certificates, the form of each of which is attached to the First Amendment as Exhibit B (in each case, as amended, restated, supplemented or otherwise modified from time to time).

“**Warrants**” means, collectively, (a) the warrants of the Company issued to the Initial Lenders on the Restated Closing Date, and (b) the Bridge Loan Warrants.

(c) Article 2 (Notes and Consideration) of the Existing Purchase Agreement is hereby amended to add the following as new sections to the end of such article:

## **2.4 BRIDGE LOAN NOTES AND WARRANTS**

(a) In reliance upon the representations, warranties and covenants set out in this Agreement, the Bridge Loan Lenders hereby agree to subscribe for and purchase from the Borrowers, and the Borrowers agree to issue and sell to the Bridge Loan Lenders, on the First Amendment Effective Date, the Bridge Loan Notes, and the Company agrees to issue and sell to the Bridge Loan Lenders the Bridge Loan Warrants, for an aggregate purchase price of US\$3,000,000 (the “**Bridge Loan Consideration**”).

(b) On the First Amendment Effective Date, the Bridge Loan Lenders shall pay the Bridge Loan Consideration, pursuant to a written letter of instruction from the Borrowers to the Bridge Loan Lenders. The Company and the Bridge Loan Lenders agree as between the Company and the Bridge Loan Lenders, that the fair market value of the Bridge Loan Warrants in the aggregate is equal to US\$0.01 and that, pursuant to Treas. Reg. § 1.1273-2(h), US\$0.01 of the issue price of the investment unit will be allocable to the Bridge Loan Warrants and the balance of the Bridge Loan Consideration shall be allocable to the Bridge Loan Notes. The Company, the Borrowers, and the Bridge Loan Lenders shall prepare and file all U.S. tax and information reports in a manner consistent with the foregoing allocation and treatment and shall not take any position on any U.S. tax return, before any U.S. taxing authority or in any proceeding relating to U.S. taxes that is inconsistent with such allocation and treatment unless required by a determination within the meaning of Section 1313(a) of the U.S. Tax Code. The Company and the Bridge Loan Lenders shall use commercially reasonable efforts to defend such allocation and treatment in any such tax proceeding.

(c) On the First Amendment Effective Date, the Borrowers and the Company, respectively, shall issue to the Bridge Loan Lenders the Bridge Loan Notes and Bridge Loan Warrants, respectively, subscribed for pursuant to Section 2.4(a), and shall execute and deliver to each Bridge Loan Lender a Bridge Loan Note and a Bridge Loan Warrant, respectively, registered in the name of such Bridge Loan Lender or as they may otherwise direct in writing, against delivery of the subscription price therefor pursuant to Section 2.4(b).

(d) A new Section 5.5 is hereby added to the end of Article 5 of the Existing Purchase Agreement, as follows:

#### **“5.5 APPLICATION OF PAYMENTS**

The Lenders hereby agree that all voluntary prepayments of the Obligations and payments upon maturity of any Notes (provided that such maturity was not accelerated due to an Event of Default or otherwise) received from the Company or any Credit Party under the Notes shall be applied in the following order of priority (the “**Application of Payments Provision**”):

*FIRST*, to the payment of costs and expenses of the Collateral Agent in connection with its exercise of remedies and enforcing or collecting the Obligations;

*SECOND*, to the payment of costs and expenses of the Lenders in connection with their exercise of remedies and enforcing or collecting the Obligations, ratably in respect of the principal amount of Notes then held by each such Lender;

*THIRD*, to the payment of accrued but unpaid interest that is due in cash with respect to the Notes which are not Bridge Loan Notes (for clarity, excluding interest which has been added to the principal amount thereof, in accordance with their terms), ratably in respect of the principal amount of such Notes then held by the Lenders; and

*FOURTH*, to the payment of the principal amount with respect to all of the Notes, ratably in respect of the principal amount of such Notes then held by the Lenders; provided that, if a default or Event of Default is not then continuing, the Borrowers may elect to apply such portion of such payment toward the principal amount of either the Initial Notes and/or the Bridge Loan Notes in accordance with their respective terms.

Notwithstanding the foregoing, amounts applied toward the Obligations from Proceeds of Collateral shall be applied as set forth in the applicable Security Agreement.

The Borrowers agree to make payments under the Notes in accordance with the foregoing Application of Payments Provision. To the extent any Lender receives any payment under the Notes which does not comply with the foregoing Application of Payments Provision, such Lender shall segregate and hold such payment in trust for the benefit of, and immediately paid over to, the other Lenders, to be applied in

accordance with the Application of Proceeds Provision, in the same form as received, with any necessary endorsements. Each Lender hereby authorizes the foregoing payment provisions, and such authorization is irrevocable and coupled with an interest.”

(e) A new Article 27 is hereby added to the end of the Existing Purchase Agreement, as follows:

**“Article 27. ACKNOWLEDGMENT REGARDING EXCLUDED LAWS.** The parties hereto agree and acknowledge that no party makes, will make or shall be deemed to make or have made any representation or warranty of any kind regarding the compliance of this Agreement or any Transaction Agreement with any Excluded Laws. No party hereto shall have any right of rescission or amendment arising out of or relating to any non-compliance with Excluded Laws unless such non-compliance also constitutes a violation of applicable state laws, rules or regulations, and no party shall seek to enforce the provisions hereof in federal court unless and until the parties have reasonably determined that the applicable state laws, rules and regulations are fully compliant with Excluded Laws.”

**3. Conditions to Effectiveness of Amendment.** This Amendment shall be effective as of the First Amendment Effective Date subject only to the satisfaction of each of the following conditions:

(a) The Lenders shall have received this Amendment, duly executed by the Credit Parties.

(b) The Bridge Loan Lenders, as applicable, shall have received Bridge Loan Notes and Bridge Loan Warrant Certificates, duly executed by the Borrowers and/or the Company, as applicable;

(c) The Borrowers shall have paid a fee with respect to the amounts advanced under the Bridge Loan equal to US\$90,000, in cash, ratably to the Bridge Loan Lenders (the **“Bridge Loan Fee”**), which fee is fully earned as of the First Amendment Effective Date and non-refundable.

(d) The Bridge Loan Lenders shall have paid the Bridge Loan Consideration to the Borrowers as set forth in Section 2.4 of the Purchase Agreement, less the Bridge Loan Fee (without duplication of Section 3(c) of this Amendment) and the Lenders’ costs and expenses accrued to the First Amendment Effective Date and reimbursable under the Purchase Agreement or other Transaction Agreements.

(e) As of the First Amendment Effective Date, and after giving effect to the First Amendment,

(i) no Event of Default shall have occurred and be continuing;

(ii) the representations and warranties of the Credit Parties contained in ARTICLE 4 of the Purchase Agreement and in the other Transaction

Agreements shall be true and correct in all material respects (without duplication of qualifiers therein as to materiality or Material Adverse Effect) as of the First Amendment Effective Date as if made on the First Amendment Effective Date (except to the extent expressly made as of a prior date (other than the Restated Closing Date, which shall be read to be the First Amendment Effective Date), in which case such representations and warranties shall be true and correct as of such earlier date), with exceptions to the foregoing being disclosed to the Lenders in the form of updated Schedules to the Purchase Agreement; and

(iii) the Credit Parties shall have performed and complied with all of the terms, covenants, agreements and conditions to be performed or complied with by it on or prior to the First Amendment Effective Date (other than any failure to perform or comply with such terms, covenants, agreements and conditions which the Lender has waived in writing), and, to the extent that any Schedules hereto are incomplete or inaccurate as of the First Amendment Effective Date, the Credit Parties shall deliver updated Schedules.

(f) On the First Amendment Effective Date, the Company and each other Credit Party shall have executed and delivered, or caused to be executed and delivered, to the Lenders, a certificate signed by the appropriate officers of such Person certifying, *inter alia*, as to the (i) Articles and notice of articles of the Company, and all constating, organizational or governing documents of each other Credit Party, (ii) resolutions of the board of directors, managers, shareholders or members, as applicable, of the Company and each other Credit Party authorizing and approving such Person's execution, delivery and performance of their obligations under the Transaction Agreements, (iii) incumbency and signatures of the signing officers of the Company and each other Credit Party, and (iv) certificates of good standing of recent date for the Company and each other Credit Party from the relevant authority in each jurisdiction in which such Person is qualified to do business.

**4. Survival and Reaffirmation.** By execution hereof, the Company, each other Credit Party and each Lender respectively agrees as follows:

(a) That, except as herein modified or amended, all terms, conditions, covenants, contained in the Transaction Agreements, as amended, to the extent they have not been fully performed or are intended to survive closing, shall remain in full force and effect and all representations and warranties contained in the Transaction Agreements are true and correct in all material respects (without duplication of qualifiers therein as to materiality or Material Adverse Effect) as of the date hereof (except to the extent expressly made as of a prior date (other than the Restated Closing Date, which shall be read to be the First Amendment Effective Date), in which case such representations and warranties shall be true and correct as of such earlier date), and that each of the undersigned hereby acknowledges this Amendment.

(b) That the liability of the Company, the other Credit Parties and the Lenders, howsoever arising or provided for in the Existing Purchase Agreement, the Notes, the Warrant Certificates, and the other Transaction Agreements, as hereby modified or amended, is hereby reaffirmed.

(c) That this Amendment does not constitute nor should it be construed as a waiver of any current or future defaults of the Company, any Credit Party or any Lender

under any Transaction Agreement, including without limitation, defaults of any financial covenants to be maintained by the Credit Parties or any of them, or any Lender's right to enforce all of its rights and remedies whether now or in the future.

**5. Reaffirmation of Guaranty.** By signing this Amendment, the Company and each Credit Party hereby extends, reaffirms, ratifies and confirms its guaranty of the Obligations (each is a "**Guaranty**") in its entirety and hereby ratifies and confirms that: (a) such Guaranty and all other Transaction Agreements remain in full force and effect in accordance with its terms; (b) there are no defenses, setoffs or counterclaims with respect thereto; and (c) such Guaranty continues to guaranty the Obligations of the Company and the Borrowers under the Transaction Agreements in accordance with its terms.

**6. Representations and Warranties of the Company and the Borrowers.** The Company and each Borrower hereby represents and warrants to the Lenders as follows:

(a) No default, Event of Default or event of acceleration under any Transaction Agreement, as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default, an Event of Default or event of acceleration under any Transaction Agreement, as modified herein, has occurred and is continuing.

(b) There has been no material adverse change in the financial condition of the Company or the Borrowers, taken as a whole, or any other person whose financial statement has been delivered to the Initial Lenders in connection with the Obligations from the most recent financial statements received by the Initial Lenders.

(c) Each and all representations and warranties of the Company, the Borrowers and each other Credit Party in the Purchase Agreement and all other Transaction Agreements are accurate on the date hereof (except to the extent expressly made as of a prior date (other than the Restated Closing Date, which shall be read to be the First Amendment Effective Date), in which case such representations and warranties shall be true and correct as of such earlier date), with the same force and effect as if entirely restated in this Amendment.

(d) None of the Credit Parties has any claims, counterclaims, defenses or set-offs with respect to the Obligations or any other Transaction Agreement, as modified herein.

(e) The Transaction Agreements, as modified herein, are the legal, valid and binding obligations of the Company and each other Credit Party, as applicable, enforceable against such party in accordance with their terms.

**7. Representation and Warranty of the Lenders**

As of the date hereof, each Lender hereby represents and warrants to the Company and each of the Borrowers that (a) each Lender is incorporated, formed or otherwise organized in a jurisdiction outside of Canada; and (b) the Bridge Loan Warrants and the Bridge Loan Notes are being purchased for investment purposes only and not with a view to resale to a purchaser in Canada.

**8. Transaction Agreement.** This Amendment is for all purposes a “Transaction Agreement” as defined in the Existing Purchase Agreement, and all references to the “Agreement” in the Existing Purchase Agreement shall include and incorporate this Amendment, as applicable.

**9. Governing Law.** THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[SIGNATURE PAGE FOLLOWS.]



**IN WITNESS WHEREOF**, the parties hereto have executed this Amendment as of the date first above written.

**COMPANY:**

**4FRONT VENTURES CORP.**

a corporation incorporated under the laws of the Province of British Columbia

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Its: CEO

**4FRONT U.S. HOLDINGS INC.**

a Delaware corporation

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Its: President, Secretary and Treasurer

**ISSUER:**

**CANNEX HOLDINGS (NEVADA) INC.**

a Nevada corporation

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Its: President

*[signatures continue on following page]*

[Signature page to First Amendment to Amended and Restated Securities Purchase Agreement (continued)]

**ORIGINAL LENDERS:**

**GOTHAM GREEN FUND 1, L.P.**

By: Gotham Green GP 1, LLC, its general partner

By: "Jason Adler"  
Name: Jason Adler  
Its: Managing Member

**GOTHAM GREEN CREDIT PARTNERS SPV 2, L.P.**

By: Gotham Green Credit Partners GP 2, LLC, its general partner

By: "Jason Adler"  
Name: Jason Adler  
Its: Managing Member

**GOTHAM GREEN FUND 1 (Q), L.P.**

By: Gotham Green GP 1, LLC, its general partner

By: "Jason Adler"  
Name: Jason Adler  
Its: Managing Member

**BRIDGE LOAN LENDERS:**

**GOTHAM GREEN FUND II, L.P.**

By: Gotham Green GP II, LLC, its general partner

By: "Jason Adler"  
Name: Jason Adler  
Its: Managing Member

**GOTHAM GREEN FUND II (Q), L.P.**

By: Gotham Green GP II, LLC, its general partner

By: "Jason Adler"  
Name: Jason Adler  
Its: Managing Member

[Signature page to First Amendment to Amended and Restated Securities Purchase Agreement]

*[Signature page to First Amendment to Amended and Restated Securities Purchase Agreement (continued)]*

**COLLATERAL AGENT:**

**GOTHAM GREEN ADMIN 1, LLC**  
a Delaware limited liability company

By: "Jason Adler"

Name: Jason Adler

Its: Managing Member

*[Signature page to First Amendment to Amended and Restated Securities Purchase Agreement]*

[Signature page to First Amendment to Amended and Restated Securities Purchase Agreement (continued)]

**OTHER CREDIT PARTIES:**

**4FRONT HOLDINGS LLC,**  
a Delaware limited liability company

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager and Chief Executive Officer

**ADROIT CONSULTING GROUP, LLC,**  
a Delaware limited liability company

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager

**4FRONT ADVISORS, LLC,**  
an Arizona limited liability company

By: 4Front Holdings LLC  
Its: Sole Member

**LINCHPIN INVESTORS LLC,**  
a Delaware limited liability company

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**MISSION PARTNERS USA, LLC,**  
a Delaware limited liability company

By: 4Front Holdings LLC  
Its: Sole Member

**MISSION PARTNERS IP, LLC,**  
a Delaware limited liability company

By: Mission Partners USA, LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**PHX INTERACTIVE LLC,**  
an Arizona limited liability company

By: Mission Partners USA, LLC  
Its: Sole Member

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**3907 FALLS ROAD, LLC,**  
a Delaware limited liability company

By: Linchpin Investors, LLC  
Its: Sole Member

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**883 HYDE PARK AVE, LLC**  
a Delaware limited liability company

By: Linchpin Investors, LLC  
Its: Sole Member

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**401 EAST MAIN STREET LLC,**  
a Delaware limited liability company

By: Linchpin Investors LLC  
Its: Sole Member

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**8554 S. COMMERCIAL AVE, LLC,**  
a Delaware limited liability company

By: Linchpin Investors, LLC  
Its: Sole Member

By: 4Front Holdings LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager, Chief Executive Officer

**AG-GROW IMPORTS LLC,**  
a Washington limited liability company

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager

**REAL ESTATE PROPERTIES LLC,**  
a Washington limited liability company

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager

**FULLER HILL DEVELOPMENT CO.  
LLC,**  
a Washington limited liability company

By: Brightleaf Development LLC  
Its: Sole Member

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager

**CANNEX HOLDINGS (CALIFORNIA)  
INC.,**  
a California corporation

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: President

**BRIGHTLEAF DEVELOPMENT LLC,**  
a Washington limited liability company

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: Manager

**PURE RATIOS HOLDINGS INC.,**  
a Delaware corporation

By: "Joshua N. Rosen"  
Name: Joshua N. Rosen  
Title: President

**Exhibit A**

Form of Bridge Loan Note

(See attached.)

## *Form of Bridge Note*

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR UNDER ANY STATE SECURITIES LAWS, AND THE SECURITIES REPRESENTED HEREBY MAY BE OFFERED, SOLD, PLEDGED 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 IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (1) RULE 144 THEREUNDER, IF AVAILABLE, OR (2) 144A THEREUNDER, IF AVAILABLE, AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, OR (D) WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY, PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PROVIDED THAT, IN THE CASE OF (C)(1) AND (D) ABOVE, AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY IS PROVIDED TO THE EFFECT THAT SUCH TRANSFER DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS.

4FRONT VENTURES CORP.  
CANNEX HOLDINGS (NEVADA) INC.  
4FRONT U.S. HOLDINGS INC.

### SENIOR SECURED CONVERTIBLE NOTE

Date: January 29, 2020

#### ARTICLE 1 PRINCIPAL AND INTEREST

##### 1.1 Promise to Pay

FOR VALUE RECEIVED, the undersigned, **4FRONT VENTURES CORP.**, a corporation amalgamated under the laws of the Province of British Columbia (the “**Company**”), **CANNEX HOLDINGS (NEVADA) INC.**, a Nevada corporation (the “**Cannex Borrower**”) and **4FRONT U.S. HOLDINGS INC.**, a Delaware corporation (the “**4Front Borrower**”, and collectively with the Company and the Cannex Borrower, the “**Borrowers**”, and each a “**Borrower**”), jointly and severally, each hereby acknowledges itself indebted to and promises to pay to the order of [●], a Delaware limited partnership, and its successors and assigns (the “**Holder**” or “**Lender**”) on the earlier of (i) July 29, 2020 and (ii) such earlier date as the Principal Amount (as hereinafter defined) may become payable (the “**Maturity Date**”) in accordance with the provisions of this senior secured convertible note (this “**Note**”), the principal amount of \$[●] in lawful money of the United States (the “**Initial Principal Amount**”), the Exit Fee, and interest (“**Interest**”), which shall accrue on the Principal Amount outstanding from time to time at a fixed rate of fifteen percent (15%) per annum (the “**Applicable Interest Rate**”), compounding monthly and payable as set forth in Section 3.2 below, until the Principal Amount of this Note is repaid in full in accordance herewith.

Any Obligations (as defined in the Amended & Restated Securities Purchase Agreement, defined below) arising out of this Note, including without limitation the Principal Amount and the Interest, shall be referred to herein as the “**Obligations**”. The Holder acknowledges that this Note is one of a series of notes of substantially identical terms and conditions (collectively, the “**Notes**”) issued by the Borrowers



to other holders (with the Holder, collectively, the “**Holders**”) on or about the date hereof, under the terms of the Amended & Restated Securities Purchase Agreement.

## **ARTICLE 2 INTERPRETATION AND GENERAL PROVISIONS**

### **2.1 Interpretation**

Capitalized terms used herein without definition shall have the meaning ascribed thereto in the Amended and Restated Securities Purchase Agreement, dated as of July 31, 2019, among the Initial Lenders, the Borrowers and the other parties thereto, as amended by the First Amendment to Amended and Restated Securities Purchase Agreement, dated as of the date hereof, by and among the Lenders, the Borrowers and the other parties thereto (collectively, and as amended, restated, supplemented or otherwise modified from time to time, the “**Amended and Restated Securities Purchase Agreement**”).

### **2.2 Plurality and Gender**

Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and words importing Persons shall include firms and corporations and vice versa.

### **2.3 Headings, etc.**

The division of this Note into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Note.

### **2.4 Day Not a Business Day**

In the event that any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken at or before the requisite time on the next succeeding day that is a Business Day.

### **2.5 Currency**

Any reference in this Note to “**Dollars**”, “**dollars**” or the sign “**\$**” shall be deemed to be a reference to lawful money of the United States.

## **ARTICLE 3 PAYMENT OF PRINCIPAL, INTEREST AND FEES**

### **3.1 Payment of Obligations**

The Obligations shall be due and payable without deduction or withholding for taxes of any kind or nature immediately on the earlier of:

- (a) the Maturity Date; and
- (b) the occurrence and continuance of an Event of Default (defined below).

### 3.2 Interest

Interest shall accrue on the Principal Amount at the Applicable Interest Rate until the Principal Amount is paid in full, and such Interest shall be paid in kind, compounding monthly (i.e., added to the Principal Amount), and shall be due and payable on the date that all remaining Principal Amount is due and payable pursuant hereto. Interest shall be calculated on the basis of the actual days elapsed in the period for which such Interest is to accrue and on the basis of a year of 360 days.

For purposes of this Note, “**Principal Amount**” means, as of date of determination, the Initial Principal Amount, plus any Interest paid in kind under Section 3.2 prior to the date of determination, plus, if applicable, the Exit Fee (as hereinafter defined).

### 3.3 Closing Fee

The Borrowers have paid on the date hereof a fee of three percent (3%) of the Initial Principal Amount to the Lender, in accordance with the Amended and Restated Securities Purchase Agreement.

### 3.4 Exit Fee

The Borrowers shall pay to the Lender an exit fee (expressed as a percentage of the then outstanding Principal Amount) (the applicable “**Exit Fee**”), as follows:

<b>Divestment Milestone</b>	<b>Exit Fee</b>
Divestment Milestone achieved and net cash proceeds are [REDACTED]	No Exit Fee
Divestment Milestone achieved and net cash proceeds are [REDACTED] [REDACTED]	Two Percent (2%)
Divestment Milestone achieved but net cash proceeds are [REDACTED] [REDACTED]	Ten Percent (10%)

For purposes of this Note, “**Divestment Milestone**” means the receipt by the Credit Parties of net proceeds in cash, on or before March 31, 2020, in connection with (a) [REDACTED]  
[REDACTED] subject to any applicable Lender approval rights in the Amended and Restated Securities Purchase Agreement or (b) an equity or subordinated debt financing otherwise permitted under the Transaction Agreements (or consented to by the Lenders in their sole discretion). Without duplication of the terms of Section 3.2, for clarity, if the Exit Fee is incurred and is not paid in cash on April 1, 2020, it shall become part of the Principal Amount and accrue Interest at the Applicable Interest Rate beginning on April 1, 2020. The Exit Fee and Interest accrued thereon shall each become due and be payable in the same manner and subject to the same terms as the rest of the Principal Amount and Interest, respectively.

### 3.5 Voluntary Prepayment

Subject to the second paragraph this Section 3.5, from time to time the Borrowers shall have the right to prepay, in whole or in part, the then outstanding Principal Amount together with accrued and unpaid Interest (that is, Interest which has not yet been paid in kind), provided that the Borrowers pay the Make-Whole Premium contemporaneously with such prepayment. For purposes of this Note, “**Make-Whole Premium**” means the amount of Interest which, but for the applicable prepayment or any other prepayment, would have accrued as provided for in Section 3.2 with respect to the portion of the Initial Principal Amount being prepaid from the date of this Note through July 29, 2020 (without duplication of any amount paid in cash prior to the applicable date of prepayment with respect to such portion of the Initial Principal Amount).

The Borrowers shall notify the Lender in writing of their intent to make any prepayment under this Section 3.5 at least ten (10) days (or such shorter time as is acceptable to the Lender in its sole discretion) prior to the proposed prepayment date, and such notice shall include the Principal Amount, interest, fees and Make-Whole Premium to be paid on such prepayment date. Such prepayment will be paid by wire transfer of immediately available funds to the account designated by the Lender. Each prepayment hereunder shall be applied to the Obligations as follows: (a) first, to all costs and expenses of the Lender until paid in full; (b) second, to the Make-Whole Premium due with respect to the Principal Amount being paid in connection with such prepayment; (c) third, to all accrued Interest which has not yet been paid in kind under Section 3.2, until such Interest is paid in full; (d) fourth, to the Initial Principal Amount plus all Interest paid in kind under Section 3.2 with respect thereto; (e) fifth, all Interest paid in kind under Section 3.2 with respect to the Exit Fee; and (f) finally, to the Exit Fee.

## ARTICLE 4 CONVERSION

### 4.1 Conversion Right

The Holder has the right (the “**Conversion Right**”), from time to time and at any time on or prior to 5:00 p.m. (Toronto time) on the earlier of the Business Day immediately preceding (i) the Maturity Date and (ii) the date fixed for redemption of this Note in accordance with terms hereof, to convert all or any portion of the outstanding Principal Amount plus, at the Holder’s option, all accrued and unpaid Interest (including, without duplication, any Make-Whole Premium owing) with respect to such Principal Amount and any unpaid fees, into Shares, at a price equal to \$51.74 per Share (the “**Conversion Price**”). For purposes of this Note, “**Shares**” means Class B proportionate voting shares in the capital of the Company.

Notwithstanding any other provision of this Agreement, the Conversion Right shall not be exercisable by the Holder or any person who does not deal at arm’s length with the Holder for purposes of the *Income Tax Act* (Canada) (collectively, “**Holder Related Parties**”) to the extent that, after giving effect to such conversion, the Holder Related Parties would beneficially own or have a right to acquire shares of the Company that, in aggregate, represent: (i) 25% or more of the votes that could be cast at the annual meeting of the shareholders of the Company; or (ii) 25% or more of the fair market value of the issued and outstanding shares of the Company at such time.

### 4.2 Exercise of Conversion Right

The Conversion Right may be exercised by the Lender by completing and signing the notice of conversion (the “**Conversion Notice**”) and delivering the Conversion Notice and this Note to the

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

#### 4.3 **Adjustment of Conversion Price**

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

- (a) If and whenever at any time prior to the Maturity Date, the Company shall:
  - (i) subdivide or redivide the outstanding Shares into a greater number of Shares;
  - (ii) reduce, combine or consolidate the outstanding Shares into a smaller number of Shares;
  - (iii) issue Shares (or securities convertible into or exchangeable for Shares) to the holders of all or substantially all of the outstanding Shares by way of stock dividend; or
  - (iv) make a distribution on its outstanding Shares payable in Shares or securities exchangeable for or convertible into Shares,
- 1. the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Shares (or securities convertible into or exchangeable for Shares) by way of a stock dividend or other distribution, as the case may be, shall, in the case of the events referred to in Sections 4.3(a)(i), (iii) and (iv) above, be decreased in proportion to the increase in the number of outstanding Shares resulting from such subdivision, redivision or dividend (including, in the case where securities convertible into or exchangeable for Shares are issued, the number of Shares that would have been outstanding had such securities been converted into or exchanged for Shares on such effective or record date) or shall, in the case of the events referred to in Section 4.3(a)(ii) above, be increased in proportion to the decrease in the number of outstanding Shares resulting from such reduction, combination or consolidation on such effective or record date. Such adjustment shall be made successively whenever any event referred to in this Section 4.3(a) shall occur. Any such issue of Shares (or securities convertible into or exchangeable for Shares) by way of a stock dividend or other distribution shall be deemed to have been made on the record date for the stock dividend or other

distribution for the purpose of calculating the number of outstanding Shares under Sections 4.3(b) and (g); to the extent that any such securities are not converted into or exchanged for Shares prior to the expiration of the conversion or exchange right, the Conversion Price shall be readjusted effective as at the date of such expiration to the Conversion Price which would then be in effect based upon the number of Shares actually issued on the exercise of such conversion or exchange right.

2.

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

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

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

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

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

2. where the event giving rise to the application of this Section 4.3(b) was the issue of rights, options or warrants to the holders of Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Shares, the number of Shares for which those securities so

subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the trading price of the Class A subordinate voting shares in the capital of the Company (the “**Subordinate Voting Shares**”) on the Canadian Securities Exchange (or such other recognized stock exchange or quotation on which the Subordinate Voting Shares are listed for trading), multiplied by eighty (80) (the “**Current Market Price**”) as of the record date for the Rights Offering; and

(ii) the denominator of which is:

(A) in the case described in subparagraph 4.3(b)(i)(B)(1), the number of Shares outstanding, or

(B) in the case described in subparagraph 4.3(b)(i)(B)(2), the number of Shares that would be outstanding if all the Shares described in subparagraph 4.3(b)(i)(B)(2) had been issued,

1. as at the end of the Rights Period.

2.

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

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

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

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

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

- (f) If the Lender has exercised its Conversion Right in accordance herewith during the Rights Period, the Lender will, in addition to the Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Shares equal to the result obtained when the difference, if any, between the Conversion Price in effect immediately prior to, and the Conversion Price in effect immediately following the end of such Rights Offering pursuant to this Section 4.3(b), is multiplied by the number of Shares received upon the exercise of the Conversion Right during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this Section 4.3(b); provided that no fractional Shares will be issued. Such additional Shares will be deemed to have been issued to the Lender immediately following the end of the Rights Period and a certificate for such additional Shares will be delivered to the Lender within 10 Business Days following the end of the Rights Period.
- (g) If and whenever at any time prior to the Maturity Date, the Company shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Shares of (i) shares of any class other than Shares (or other than securities convertible into or exchangeable for Shares), or (ii) rights, options or warrants (other than rights, options or warrants referred to in Section 4.3(b)), or (iii) evidences of its indebtedness, or (iv) assets (in each case, other than dividends paid in the ordinary course) then, in each such case, the Borrowers shall give written notice to the Lender with respect thereto, and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Note into Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Note. If the Lender elects to convert any or all of the Principal Amount of this Note, such conversion shall occur immediately prior to the record date for the making of such distribution. If the Lender elects not to convert any of the Principal Amount of this Note, there shall continue to be an adjustment to the Conversion Price as a result of the making of such distribution (herein referred to as a “**Special Distribution**”), determined in the manner hereafter set out in 4.3(h). In this Section 4.3(g) the term “**dividends paid in the ordinary course**” shall include the value of any securities or other property or assets distributed in lieu of cash dividends paid in the ordinary course at the option of shareholders.
- (h) In circumstances described in Section 4.3(g), the Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:
- (1) the numerator of which is:
    - (A) the product of the number of Shares outstanding on such record date and the Current Market Price of the Shares on such record date; less
    - (B) the aggregate fair market value (as determined by action by the directors of the Company, acting reasonably) to the holders of the Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and

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

1. Any Shares owned by or held for the account of the Company or any subsidiary or affiliate (as defined in the *Securities Act* (British Columbia)) of the Company will be deemed not to be outstanding for the purpose of any such computation.
2.
  - (i) In the case of any reclassification of, or other change in, the outstanding Shares pursuant to a Change of Control Transaction, if the Lender elects not to redeem this Note in accordance with Article 5, the Lender may elect, prior to the effective date of such Change of Control Transaction, to convert any or all of the Principal Amount of this Note into Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Note. To exercise such right the Lender must provide a notice in writing to the Borrowers no later than seven days prior to the effective date of such Change of Control Transaction, failing which the Lender's right to convert this Note as a consequence of such Change of Control Transaction shall cease. If the Lender elects to convert any or all of the Principal Amount of this Note, such conversion shall occur immediately prior to the effective date of such Change of Control Transaction. If the Lender elects not to convert any of the Principal Amount of this Note, the Conversion Price in effect after the effective date of such Change of Control Transaction shall be increased or decreased, as the case may be, in proportion to any decrease or increase in the number of outstanding Shares resulting from such Change of Control Transaction so that the Lender, upon exercising the Conversion Right after the effective date of such Change of Control Transaction, will be entitled to receive the aggregate number of Shares or other securities, if any, which the Lender would have been entitled to receive as a result of such Change of Control Transaction if, on the effective date thereof, the Lender had been the registered holder of the number of Shares to which the Lender was theretofore entitled upon exercise of the Conversion Right.
  - (j) In the case of any reclassification of, or other change in, the outstanding Shares (other than a change referred to in Section 4.3(a), Section 4.3(b), Section 4.3(g) or 4.3(i) hereof), the Conversion Price shall be adjusted in such manner, if any, and at such time, as the Board of Directors of the Company determines to be appropriate on a basis consistent with the intent of this Section 4.3; provided that if at any time a dispute arises with respect to adjustments provided for in this Section 4.3(j), such dispute will be conclusively determined by the auditors of the Borrowers or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the directors of the Company, acting reasonably, and any such determination will be binding on the Borrowers and the Lender. The Borrowers will provide such auditors or accountants with access to all necessary records of the Borrowers. If and whenever at any time after the date hereof there is a reclassification or redesignation of the Shares outstanding at any time or change of the Shares into other shares or into other securities (other than as set out in Section 4.3(a), (b), (g) or (i) and other than in connection with a holder or holders of Shares exchanging such Shares for Subordinate Voting Shares in accordance with the constating documents of the Company), or a consolidation, amalgamation or merger of the Company with or into any other corporation or other entity (other than a



consolidation, amalgamation or merger which does not result in any reclassification or redesignation of the outstanding Shares or a change of the Shares into other shares and other than as set forth in 5.3(a)(i) or a transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Lender, upon the exercising the Conversion Right, after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Shares to which the Lender was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property, if any, which the Lender would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Lender had been the registered holder of the number of Shares to which such Lender was theretofore entitled upon exercise of the Conversion Right. If determined appropriate by action of the directors of the Company, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.3 with respect to the rights and interests thereafter of the Lender to the end that the provisions set forth in this Section 4.3 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the Conversion Right. Any such adjustment must be made by and set forth in an amendment to this Note approved by action by the directors of the Company, acting reasonably, and will for all purposes be conclusively deemed to be an appropriate adjustment.

- (k) In any case in which this Section 4.3 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Company may defer, until the occurrence of such event, issuing to the Lender before the occurrence of such event, the additional Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Borrowers shall deliver to the Lender an appropriate instrument evidencing the Lender’s right to receive such additional Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Shares declared in favour of holders of record of Shares on and after the Issue Date or such later date as the Lender would, but for the provisions of this Section 4.3(k), have become the holder of such additional Shares pursuant to Section 4.3(b).
- (l) The adjustments provided for in this Section 4.3 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other event resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this Section 4.3(l) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

No Conversion Price adjustment will be made to the extent that the Company makes an equivalent distribution to holders of Notes in respect of such Notes. No adjustment to the Conversion Price will be made for distributions or dividends on Shares issuable upon conversion of Notes that have been

surrendered for conversion, provided that holders converting their Notes shall be entitled to receive, in addition to the applicable number of Shares, accrued and unpaid interest payable in cash from, and including, the most recent interest payment date to, but excluding, the date of conversion.

## **ARTICLE 5 REDEMPTION UPON CHANGE OF CONTROL**

### **5.1 No Early Redemption**

Except pursuant to Sections 3.5 and 5.3, the Borrowers shall not be permitted to redeem the Note prior to the Maturity Date without the prior written consent of the Lender.

### **5.2 Notice of Change of Control Transaction**

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

### **5.3 Redemption if Change of Control Transaction**

Notwithstanding anything to the contrary herein, upon receipt of a Change of Control Notice with respect to a Change of Control Transaction, the Holder shall, in its sole discretion on or before the closing of the Change of Control Transaction, have the right to require the Borrowers purchase the Note at a price equal to 105% of the then outstanding Principal Amount thereof together, at Holder’s option, with accrued and unpaid Interest and fees (the “**Offer Price**”); provided that, if 90% or more of the Principal Amount outstanding on the date of the Change of Control Notice have been tendered for redemption, the Company will have the right, in its sole discretion, to redeem all of the outstanding Notes at the Offer Price.

## **ARTICLE 6 SECURITY**

The Borrowers acknowledge and agree that the Obligations under this Note constitute “Obligations” as defined in the Amended and Restated Purchase Agreement, and are secured and guaranteed to the same extent, and rank on a *pari passu* basis with, all other “Obligations” under the other Notes or otherwise arising under the Amended and Restated Purchase Agreement and/or any other Transaction Agreement.

## **ARTICLE 7 EVENTS OF DEFAULT**

7.1 The occurrence of an “Event of Default” under the Amended and Restated Securities Purchase Agreement shall constitute an event of default (“**Event of Default**”) hereunder.

7.2 Upon and during the continuation of an Event of Default, the Interest Rate shall increase by three percent (3%) per annum, and the Holder shall be entitled to all of the rights and remedies set forth in the Amended and Restated Securities Purchase Agreement and available to it under applicable law.

## **ARTICLE 8 COVENANTS**

### **8.1 Positive Covenants of the Company**

So long as any Obligations remain unpaid, the Company shall perform the covenants and actions as set forth in, and in accordance with, the Amended and Restated Securities Purchase Agreement.

### **8.2 Tax Treatment**

For United States federal income tax purposes, the parties agree to treat the Notes as convertible debt instruments that are excepted from the contingent payment debt instrument rules of Treas. Reg. § 1.1275-4. The parties shall file all federal income tax returns and reports in a consistent manner unless otherwise required pursuant to a final “determination” within the meaning of Section 1313 of the Internal Revenue Code of 1986, as amended.

## **ARTICLE 9 GENERAL MATTERS**

### **9.1 Amalgamation**

The Borrowers acknowledge that if, to the extent permitted under the Amended and Restated Securities Purchase Agreement, either Borrower amalgamates or merges with any other Person (a) the term “**Company**”, where used herein shall extend to and include the amalgamated or surviving Person, and (b) the term, “**Obligations**”, where used herein shall extend to and include the Obligations of the Borrowers and the amalgamated Person.

### **9.2 No Modification or Waiver**

No modification, variation or amendment of any provision of this Note shall be made without the prior written consent of all of the Holders. The Holder shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Holder. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by the Holder of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Holder would otherwise have on any future occasion, whether similar in kind or otherwise. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER THE LAWS OF THE STATE OF WASHINGTON.

### **9.3 Entire Agreement**

This Note together with the Amended and Restated Securities Purchase Agreement and Transaction Agreements defined therein constitute the entire agreement between the parties and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. There are no other agreements between the parties in connection with the subject matter hereof except as specifically set forth or referred to herein or therein.

#### 9.4 Performance by Holder

If either Borrower fails to perform any of its obligations hereunder, the Holder may, after notice to the Company, but shall not be obligated to, perform any or all such obligations, and all reasonable costs, charges, expenses, fees, outlays and premiums incurred by the Holder in connection therewith shall be payable by the Borrowers, jointly and severally, forthwith upon demand by the Holder and shall bear interest from the date incurred by the Holder at the Interest Rate then in effect and shall form part of the Obligations. Any such performance by the Holder shall not constitute a waiver by the Holder of any right, power, or privilege under this Note.


#### 9.5 Notice to the Company and the Holder

Any notice to be given to the Borrowers or the Holder shall be in writing and shall be deemed to be validly given if such notice is delivered personally, by facsimile or electronic transmission or sent by prepaid registered mail, addressed as follows:

- (a) if to Borrowers, at:

4Front Ventures Corp.  
5060 North 40<sup>th</sup> Street, Suite 120  
Phoenix, AZ 85018  
USA

Attention : Joshua Rosen

E-mail : 

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

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400  
Toronto, ON M5H 2T6  
Canada

Attention : Rubin Rapuch

E-mail : rrapuch@fasken.com

- (b) if to the Holder, at:

c/o Gotham Green Partners, LLC  
1437 4<sup>th</sup> Street, Suite 200  
Santa Monica, California 90401  
USA

Attention : David Rosenthal

Email: 

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

Honigman LLP  
2290 First National Building  
660 Woodward Avenue  
Detroit, MI 48226-3506  
USA

Attention: Michael D. DuBay  
E-mail: mdubay@honigman.com

Notice of change of address shall also be governed by this Section 9.5. Any notice given by personal delivery shall be deemed to have been given when received by either Borrower or the Holder, and by prepaid registered mail shall be deemed to have been received by either Borrower or the Holder on the third (3<sup>rd</sup>) Business Day after the day of such mailing and any notice so given by facsimile or electronic transmission on a Business Day before 5:00 p.m. (local time of the recipient) shall be deemed to have been received by either Borrower or the Holder on such Business Day and otherwise shall be deemed to be received the next Business Day.

#### 9.6 Replacement of Note

If this Note shall become mutilated or be lost, stolen or destroyed and in the absence of notice that the Note has been acquired by a *bona fide* purchaser, the Borrowers shall issue a new Note upon surrender and cancellation of the mutilated Note, or, in the event that a Note is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted Note shall be in the form hereof and the Holder shall be entitled to benefits hereof. In case of loss, theft or destruction, the Holder shall furnish to the Borrowers such evidence of such loss, theft or destruction as shall be satisfactory to the Borrowers in their discretion acting reasonably together with an indemnity in form and substance mutually acceptable to the Borrowers and the Holder, each acting reasonably. The applicant shall pay reasonable expenses incidental to the issuance of any such new Note.

#### 9.7 Successors and Assigns

This Note shall inure to the benefit of the Holder and its successors and its assigns and shall be binding upon the Borrowers and each of their successors.

#### 9.8 Assignment

No Party may assign its rights or benefits under this Note except that the Holder may assign all or any portion of its rights and benefits under this Note to any Person or Persons who may purchase all or part of this Note, subject to compliance with applicable securities laws.

#### 9.9 Registered Obligations

The Borrowers shall keep a "register" in which the Borrowers shall provide for the recordation of the name and address of, and the amount of outstanding principal and interest owing to, the Holder and its Assignees. The entries in the register shall be conclusive evidence of the amounts due and owing to the Holder or its Assignees in the absence of manifest error. The Borrowers, the Holder, and its successors and assigns shall treat each Person whose name is recorded in the register pursuant to the terms hereof as the Holder for all purposes. Notwithstanding anything to the contrary contained in this Note, the Note is

a registered obligations and the right, title and interest of the Holder and its Assignees in and to this Note shall be transferable only upon notation of such transfer in the register. This Section 9.9 shall be construed so that the Note is at all times maintained in “registered form” within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the United States Internal Revenue Code of 1986, as amended (the “Code”), and any related regulations (and any other relevant or successor provisions of the Code or such regulations). The register shall be available for inspection by the Holder and its successors and assigns at from time to time upon reasonable prior notice.

#### **9.10 Invalidity of Provisions**

Each of the provisions contained in this Note is distinct and severable and a declaration of invalidity or unenforceability of any such provision by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof.

#### **9.11 Governing Law**

THIS NOTE AND EACH OTHER TRANSACTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICTS OF LAW PROVISIONS (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

#### **9.12 Maximum Rate of Interest**

Notwithstanding any other provisions of this Note, if the amount of any interest, premium, fees or other monies or any rate of interest required to be paid under this Note or any other document entered into in connection with this Note would, but for this provision, contravene any applicable Law, then such amount or rate of interest shall be reduced to such maximum amount as would not contravene such provisions; and to the extent that any excess has been charged or received the Holder shall apply such excess against the outstanding Obligations and refund to the Borrowers any further excess amount.

#### **9.13 Time of Essence**

Time shall be of the essence of this Note and a forbearance by the Holder of the strict application of this provision shall not operate as a continuing or subsequent forbearance.

#### **9.14 Waiver**

Each Borrower hereby waives presentment, notice of dishonor, protest and notice of protest. No failure or delay by the Holder in exercising any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right exclude other further exercise thereof or the exercise of any other right.

#### **9.15 Waiver of Trial by Jury**

TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY TO THIS NOTE HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING HEREUNDER OR IN ANY WAY CONNECTED WITH OR

RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY TRANSACTION AGREEMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY TO THIS NOTE HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS NOTE MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 6.15 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

**9.16 Obligations Joint and Several**

All obligations of the Borrowers under this Note are joint and several.

**[Signature Page Follows]**

**IN WITNESS WHEREOF**, each Borrower has caused this Note to be executed by its duly authorized officer as of the date first written above.

**4FRONT VENTURES CORP.**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CANNEX HOLDINGS (NEVADA), INC.**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**4FRONT U.S. HOLDINGS INC.**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ACCEPTED AND AGREED** as of the date first written above by:

\_\_\_\_\_  
**By** \_\_\_\_\_, **its** \_\_\_\_\_

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**Exhibit B**

Form of Bridge Loan Warrant

(See attached.)

*Form of Bridge Loan Warrant*

**WARRANT CERTIFICATE**

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF 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 PURCHASING 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 SELLER FURNISHES TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY TO SUCH EFFECT.

THESE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF A U.S. PERSON OR A PERSON IN THE UNITED STATES UNLESS THE SHARES ISSUABLE UPON EXERCISE OF THESE WARRANTS HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS ARE AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT.

**THE WARRANTS REPRESENTED HEREBY WILL BE VOID AND OF NO VALUE AFTER 5:00 P.M. (TORONTO TIME) ON JANUARY 29, 2023, SUBJECT TO THE TERMS AND CONDITIONS HEREIN, UNLESS THE HOLDER (AS DEFINED HEREIN) HAS EXERCISED ITS RIGHTS PRIOR THERETO.**

**4FRONT VENTURES CORP.**

(Amalgamated under the laws of British Columbia)

Certificate Number: [●]

Warrant to Purchase  
[●] Shares

**CLASS B SUBORDINATE PROPORTIONATE VOTING SHARE PURCHASE WARRANTS**

**THIS IS TO CERTIFY THAT**, for value received, [●], L.P., a Delaware limited partnership, or its lawful assignee (the "**Holder**") is entitled to subscribe for and purchase up to [●] fully paid and non-assessable Class B subordinate proportionate voting shares without par value (collectively, the "**Shares**", and individually, a "**Share**") in the capital of 4Front Ventures Corp. (the "**Company**") at a price of US\$53.81 per one (1) Share at any time on or before 5:00 p.m. (Toronto time) on January 29, 2023 (the "**Expiry Date**"). This Warrant is subject to the provisions of the Terms and Conditions attached hereto as **SCHEDULE "A"** and forming part hereof.

The rights represented by the Warrant Certificate (as defined herein) may be exercised by the Holder, in whole or in part (but not as to a fraction of a Share) by surrender of the Warrant Certificate (properly endorsed as required), together with the Warrant Exercise Form (as defined herein) in the form attached hereto as **APPENDIX "B"**, duly completed and executed, to the Company at 5060 North 40<sup>th</sup> Street, Suite 120, Phoenix, Arizona, USA 85018, Attention: Mr. Joshua Rosen (CEO), or such other address as the Company may from time to time in writing direct, together with a certified cheque or bank draft payable to or to the order of the Company in payment of the purchase price of the number of Shares subscribed for. The Holder is advised to read "Instruction to Holders" attached hereto as **APPENDIX "A"** for details on how to complete the Warrant Exercise Form.

**IN WITNESS WHEREOF** the Company has caused the Warrant Certificate to be executed by its duly authorized officer, this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

**4FRONT VENTURES CORP.**

Per: \_\_\_\_\_  
Authorized Signatory

## SCHEDULE "A"

TERMS AND CONDITIONS  
ATTACHED TO CLASS B SUBORDINATE PROPORTIONATE VOTING SHARE PURCHASE  
WARRANTS  
ISSUED BY 4FRONT VENTURES CORP.  
(the "**Company**")

Each Warrant (as defined herein), whether single or part of a series hereunder, is subject to these Terms and Conditions as they were at the date of issue of the Warrant.

### PART 1 DEFINITIONS AND INTERPRETATION

#### Definitions

**Section 1.1** In these Terms and Conditions, except as otherwise expressly provided herein, the following words and phrases will have the following meanings:

- (a) "**Company**" means 4Front Ventures Corp., a corporation amalgamated under the *Business Corporations Act* (British Columbia) and includes any successor corporations;
- (b) "**Company's auditor**" means the accountant duly appointed as auditor of the Company;
- (c) "**Exercise Price**" means US\$53.81 per one (1) Share or as may be adjusted pursuant to Section 5;
- (d) "**Existing Purchase Agreement**" means the Amended and Restated Securities Purchase Agreement dated July 31, 2019 among, *inter alia*, the Lender and the Company, pursuant to which the Lender has purchased the Senior Secured Notes and the Existing Warrants;
- (e) "**Existing Warrant**" means a "Warrant" as defined in the Existing Purchase Agreement;
- (f) "**Expiry Date**" means January 29, 2023;
- (g) "**Expiry Time**" means 5:00 p.m. (Toronto time) on the Expiry Date;
- (h) "**Holder**" means the registered holder of a Warrant;
- (i) "**Lender**" shall have the meaning ascribed thereto in the Purchase Agreement;
- (j) "**person**" means an individual, corporation, partnership, trustee or any unincorporated organization, and words importing persons have a similar meaning;
- (k) "**Purchase Agreement**" means the Existing Purchase Agreement, as amended by first amendment thereto dated as of the date hereof, pursuant to which the Lender has purchased the Senior Secured Notes, the Existing Warrants and the Warrants (as further amended, restated, supplemented or otherwise modified from time to time);
- (l) "**Senior Secured Notes**" means the "Notes" as defined in the Purchase Agreement;

- (m) “**Shares**” or “**shares**” means the Class B subordinate proportionate voting shares in the capital of the Company as constituted at the date of issue of a Warrant and any shares resulting from any event referred to in Part 5;
- (n) “**Warrant**” means a warrant of the Company as evidenced by the Warrant Certificate, entitling the Holder to purchase 1 Share of the Company (subject to adjustment as provided in the Warrant Certificate) at any time on or prior to January 29, 2023 at the Exercise Price set forth in the Warrant Certificate;
- (o) “**Warrant Certificate**” means this certificate evidencing the Warrant; and
- (p) “**Warrant Exercise Form**” means **APPENDIX “B”** hereof.

### **Interpretation**

**Section 1.2** In these Terms and Conditions, except as otherwise expressly provided herein:

- (a) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Warrant Certificate as a whole and not to any particular Part, clause, subclause or other subdivision;
- (b) a reference to a Part or a Section means a Part or a Section, as applicable, of these Terms and Conditions;
- (c) the headings are for convenience only, do not form a part of these Terms and Conditions and are not intended to interpret, define or limit the scope, extent or intent of these Terms and Conditions or any of its provisions;
- (d) all dollar amounts referred to herein are expressed in United States dollars;
- (e) time will be of the essence hereof; and
- (f) words importing the singular number include the plural and vice versa, and words importing the masculine gender include feminine and neuter genders.

### **Applicable Law**

**Section 1.3** The Warrants will be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and will be treated in all respects as legal contracts under the laws of the Province of British Columbia.

## **PART 2 ISSUE OF WARRANTS**

### **Additional Warrants**

**Section 2.1** The Company may at any time and from time to time issue Warrants or grant options or similar rights to purchase shares of the Company.

### **Issue in Substitution for Lost Warrants**

**Section 2.2** In case a Warrant Certificate will become mutilated, lost, destroyed or stolen, the Company in its discretion may issue and deliver a new Warrant Certificate(s) of like date and tenor as the one mutilated, lost, destroyed or stolen in exchange for, and in place of, and upon cancellation of, such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the Warrants represented by such substituted Warrant Certificate(s) will be entitled to the benefit hereof and rank equally in accordance with its terms with all other Warrants of the same issue. The Company may charge a reasonable fee for the issuance and delivery of a new Warrant Certificate(s).

**Section 2.3** The applicant for the issue of a new Warrant Certificate(s) pursuant hereto will bear the cost of the issue thereof and in the case of loss, destruction or theft furnish to the Company such evidence of ownership, and of loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as will be satisfactory to the Company in its reasonable discretion; and such applicant may also be required to furnish indemnity in amount and form satisfactory to the Company in its discretion and will pay the reasonable charges of the Company in connection therewith.

### **Holder Not a Shareholder**

**Section 2.4** The holding of a Warrant alone will not constitute the Holder a shareholder of the Company with respect to the Shares issuable upon exercise of such Warrant, nor entitle the Holder to any right or interest in respect thereof, except as expressly provided in the Warrant Certificate(s).

### **Securities Law Exemption**

**Section 2.5** The Holder acknowledges and agrees that the Warrants and any Shares issued pursuant to the exercise of any Warrants have been or will be issued pursuant to the exemption regarding distributions by reporting issuers provided for in Section 2.3 of Ontario Securities Commission Rule 72-503 - *Distributions Outside Canada* and that the Company has no obligation to, and does not intend to, file any prospectus or registration statement in any jurisdiction in order to qualify any such Warrants and/or Shares for resale to the public pursuant to United States securities laws.

## **PART 3 OWNERSHIP**

### **Exchange of Warrants**

**Section 3.1** A Warrant Certificate in any authorized denomination, upon compliance with the reasonable requirements of the Company, may be exchanged for a Warrant Certificate(s) in any other authorized denomination of the same issue entitling the Holder to purchase an equal aggregate number of Shares at the same Exercise Price and on the same terms as the Warrant Certificate so exchanged.

**Section 3.2** Warrants may be exchanged only with the Company. Any Warrants tendered to the Company for exchange into Shares will be surrendered to the Company and cancelled.

**Section 3.3** The Warrants are transferable by the Holder completing and submitting to the Company a completed and duly executed Warrant Transfer Form in the form attached hereto as APPENDIX "C".

### **Charges for Exchange**

**Section 3.4** On exchange of Warrants, except as otherwise herein provided, payment of any transfer taxes or governmental or other charges which are obligations of the Holder requesting such exchange will be made by such party.

### **Ownership of Warrants**

**Section 3.5** The Company may deem and treat the Holder of a Warrant as the absolute owner of such Warrant for all purposes and will not be affected by any notice or knowledge to the contrary.

### **Notice to Holder**

**Section 3.6** Unless herein otherwise expressly provided, any notice to be given hereunder to a Holder will be deemed to be validly given, if mailed to the address of the Holder as set out on the Warrant Certificate or the applicable Warrant Transfer Form. Any notice so given will be deemed to have been received five calendar days from the date of mailing to the Holder or any market intermediary then holding the Warrants of the Holder in any trust account.

## **PART 4 EXERCISE OF WARRANTS**

### **Method of Exercise of Warrants**

**Section 4.1** The right to purchase Shares conferred by a Warrant may be exercised by the Holder surrendering the Warrant Certificate, together with a duly completed and executed Warrant Exercise Form and a certified cheque, bank draft, or wire transfer payable to, or to the order of, the Company, at the address as set out on the Warrant Certificate, for the aggregate Exercise Price. A Holder may not exercise such Holder's exercise rights granted herein unless such request is made in respect of a number of Warrants that is equal to a whole number, such that a whole number of Shares is issued as the result of such exercise.

### **Effect of Exercise of Warrants**

**Section 4.2** Upon surrender and payment as aforesaid, the Shares so subscribed for will be deemed to have been issued, and the Holder will be deemed to have become the holder of such Shares on the date of such surrender and payment, and such Shares will be issued in exchange for the aggregate Exercise Price, as such Exercise Price may be adjusted in the events and in the manner described herein.

**Section 4.3** Within five days after surrender and payment as aforesaid, the Company or their transfer agent will forthwith cause to be delivered to the person in whose name the Shares are directed to be registered as specified in such Warrant Exercise Form, or if no such direction is given, the Holder, a certificate for the appropriate number of Shares not exceeding those which the Holder is entitled to purchase pursuant to the Warrant Certificate surrendered.

### **Subscription for Less than Entitlement**

**Section 4.4** A Holder may purchase a number of Shares less than the number which the Holder is entitled to purchase pursuant to the surrendered Warrant Certificate. In the event of any purchase of a number of Shares less than the number which can be purchased pursuant to a Warrant Certificate, the Holder, upon exercise thereof, will, in addition to certificates representing Shares issued on such exercise, be entitled to

receive a new Warrant Certificate in respect of the balance of the Shares which the Holder was entitled to purchase pursuant to the surrendered Warrant Certificate but which were not then purchased.

#### **Warrants for Fractions of Shares**

**Section 4.5** To the extent that a Holder is entitled to receive on the exercise or partial exercise thereof a fraction of a Share, such right may be exercised in respect of such fraction only in combination with another Warrant which in the aggregate will entitle the Holder to receive a whole number of Shares.

#### **Expiration of Warrants**

**Section 4.6** After the Expiry Date, all rights under the Warrants will wholly cease and terminate, and the Warrants will thereupon be void and of no effect.

#### **Exercise Price**

**Section 4.7** The price per Share which must be paid upon exercise of one Warrant is the Exercise Price, as may be adjusted in the events and in the manner described herein.

#### **Class of Securities**

**Section 4.8 [Intentionally deleted]**

### **PART 5 ADJUSTMENTS AND ACCELERATION**

#### **Section 5.1 Adjustments**

- (1) Definitions: For the purposes of this Part 5, unless there is something in the subject matter or context inconsistent therewith, the words and terms defined below shall have the respective meanings specified therefor in this subsection:
  - (a) “**Adjustment Period**” means the period commencing on the date of issue of this Warrant and ending at the Expiry Time;
  - (b) “**Current Market Price**” means the price per share equal to the weighted average price at which the Subordinate Voting Shares have traded on the Canadian Securities Exchange or another stock exchange on which the Subordinate Voting Shares principally trade or, if the Subordinate Voting Shares are not then listed on such an exchange, in the over-the-counter market, and if no over-the-counter market exists then as determined by the directors of the Company acting reasonably and in good faith relying upon the advice of independent financial advisers, during the period of any twenty (20) consecutive trading days ending not more than five (5) business days before such date, in each case multiplied by 80;
  - (c) “**director**” means a director of the Company at the relevant time and, unless otherwise specified herein, a reference to action “by the directors” means action by the directors of the Company as a board or, whenever empowered, action by any committee of the directors of the Company;



- (d) “**Shares**” shall mean Class B subordinate proportionate voting shares in the capital of the Company;
  - (e) “**Subordinate Voting Shares**” shall mean the Class A subordinate voting shares in the capital of the Company; and
  - (f) “**trading day**” with respect to a stock exchange or over-the-counter market means a day on which such stock exchange or market is open for business.
- (2) Adjustments: The Exercise Price and the number of Shares issuable to the Holder pursuant to this Warrant shall be subject to adjustment from time to time in the events and in the manner provided as follows:

- (a) If at any time during the Adjustment Period the Company shall:
  - (i) fix a record date for the issue of, or issue, Shares to the holders of all or substantially all of the outstanding Shares by way of a stock dividend;
  - (ii) fix a record date for the distribution to, or make a distribution to, the holders of all or substantially all of the Shares payable in Shares or securities exchangeable or exercisable for or convertible into Shares;
  - (iii) subdivide the outstanding Shares into a greater number of Shares; or
  - (iv) consolidate the outstanding Shares into a lesser number of Shares;

(any of such events in subclauses 5.1(2)(a)(i), 5.1(2)(a)(ii), 5.1(2)(a)(iii) and 5.1(2)(a)(iv) above being herein called a “**Share Reorganization**”), the Exercise Price shall be adjusted on the earlier of the record date on which holders of Shares are determined for the purposes of the Share Reorganization and the effective date of the Share Reorganization to the amount determined by multiplying the Exercise Price in effect immediately prior to such record date or effective date, as the case may be, by a fraction:

- (A) the numerator of which shall be the number of Shares outstanding on such record date or effective date, as the case may be, before giving effect to such Share Reorganization; and
- (B) the denominator of which shall be the number of Shares which will be outstanding immediately after giving effect to such Share Reorganization (including in the case of a distribution of securities exchangeable or exercisable for or convertible into Shares, the number of Shares that would be outstanding had such securities all been exchanged or exercised for or converted into Shares on such date).

To the extent that any adjustment in the Exercise Price occurs pursuant to this Subsection 5.1(2)(a) as a result of the fixing by the Company of a record date for the distribution of securities exchangeable for or convertible into Shares, the Exercise Price shall be readjusted immediately after the expiry of any relevant exchange or conversion right to the Exercise Price which would then be in effect

based upon the number of Share actually issued and remaining issuable after such expiry and shall be further readjusted in such manner upon the expiry of any further such right. If the Holder has not exercised its right to subscribe for and purchase Shares on or prior to the record date of such stock dividend or distribution or the effective date of such subdivision or consolidation, as the case may be, upon the exercise of such right thereafter shall be entitled to receive and shall accept in lieu of the number of Shares then subscribed for and purchased by the Holder, at the Exercise Price determined in accordance with this Subsection 5.1(2)(a) the aggregate number of Shares that the Holder would have been entitled to receive as a result of such Share Reorganization, if, on such record date or effective date, as the case may be, the Holder had been the holder of record of the number of Shares so subscribed for and purchased.

- (b) If at any time during the Adjustment Period the Company shall fix a record date for the issue or distribution to the holders of all or substantially all of the outstanding Shares of rights, options or warrants pursuant to which such holders are entitled, during a period expiring not more than 45 days after the record date for such issue (such period being the “**Rights Period**”), to subscribe for or purchase Share or securities exchangeable for or convertible into Shares at a price per share to the holder (or in the case of securities exchangeable for or convertible into Shares, at an exchange or conversion price per share) at the date of issue of such securities of less than 95% of the Current Market Price on such record date (any of such events being called a “**Rights Offering**”), the Exercise Price shall be adjusted effective immediately after the record date for such Rights Offering to the amount determined by multiplying the Exercise Price in effect on such record date by a fraction:
- (i) the numerator of which shall be the aggregate of:
- (A) the number of Shares outstanding on the record date for the Rights Offering; and
- (B) the quotient determined by dividing:
- either: (a) the product of the number of Shares offered during the Rights Period pursuant to the Rights Offering and the price at which such Shares are offered; or (b) the product of the exchange, exercise or conversion price of the securities so offered and the number of Shares for or into which the securities offered pursuant to the Rights Offering may be exchanged, exercised or converted, as the case may be; by
- the Current Market Price as of the record date for the Rights Offering; and
- (ii) the denominator of which shall be the aggregate of the number of Shares outstanding on such record date and the number of Shares offered pursuant to the Rights Offering (including in the case of the issue or distribution of securities exchangeable or exercisable for or convertible

into Shares, the number of Shares into which such securities may be exchanged, exercised or converted).

Any Share owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such calculation. To the extent that any adjustment in the Exercise Price occurs pursuant to this Subsection 5.1(2)(b) as a result of the fixing by the Company of a record date for the issue or distribution of rights, options or warrants referred to in this Subsection 5.1(2)(b), the Exercise Price shall be readjusted immediately after the expiry of any relevant exchange, conversion or exercise right to the Exercise Price which would then be in effect based upon the number of Shares actually issued and remaining issuable after such expiry and shall be further readjusted in such manner upon the expiry of any further such right.

- (c) If at any time during the Adjustment Period the Company shall fix a record date for the issue or distribution to the holders of all or substantially all of the Shares of:
- (i) shares of the Company of any class other than Shares;
  - (ii) rights, options or warrants to acquire Shares or securities exchangeable or exercisable for or convertible into Shares (other than rights, options or warrants pursuant to which holders of Shares are entitled, during a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Shares or securities exchangeable or exercisable for or convertible into Shares at a price per share (or in the case of securities exchangeable or exercisable for or convertible into Shares at an exchange, exercise or conversion price per share on the record date for the issue of such securities) of at least 95% of the Current Market Price on such record date);
  - (iii) evidences of indebtedness of the Company; or
  - (iv) any property or assets of the Company;

and if such issue or distribution does not constitute a Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a “**Special Distribution**”), the Exercise Price shall be adjusted effective immediately after the record date for the Special Distribution to the amount determined by multiplying the Exercise Price in effect on the record date for the Special Distribution by a fraction:

(A) the numerator of which shall be the difference between

the product of the number of Shares outstanding on such record date and the Current Market Price on such record date, and

the fair value, as determined by the directors of the Company, to the holders of Shares of the shares, rights, options, warrants, evidences of indebtedness or property

or assets to be issued or distributed in the Special Distribution, and

- (B) the denominator of which shall be the product obtained by multiplying the number of Shares outstanding on such record date by the Current Market Price on such record date.

Any Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of such calculation. To the extent that any adjustment in the Exercise Price occurs pursuant to this Subsection 5.1(2)(c) as a result of the fixing by the Company of a record date for the issue or distribution of rights, options or warrants to acquire Shares or securities exchangeable or exercisable for or convertible into Shares referred to in this Subsection 5.1(2)(c), the Exercise Price shall be readjusted immediately after the expiry of any relevant exchange, exercise or conversion right to the amount which would then be in effect if the fair market value had been determined on the basis of the number of Shares issued and remaining issuable immediately after such expiry, and shall be further readjusted in such manner upon the expiry of any further such right.

- (d) If at any time during the Adjustment Period there shall occur:
- (i) a reclassification or redesignation of the Shares, any change of the Shares into other shares or securities (excepting any conversion of Shares to Subordinate Voting Shares at the request of a holder of Shares) or any other capital reorganization involving the Shares other than a Share Reorganization;
  - (ii) a consolidation, amalgamation or merger of the Company with or into any other body corporate which results in a reclassification or redesignation of the Shares or a change of the Shares into other shares or securities; or
  - (iii) the transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or entity;

(any of such events being herein called a “**Capital Reorganization**”), after the effective date of the Capital Reorganization, the Holder shall be entitled to receive, and shall accept, for the same aggregate consideration, upon exercise of this Warrant, in lieu of the number of Shares which the Holder was theretofore entitled to purchase or receive upon the exercise of this Warrant, the kind and aggregate number of shares and other securities or property resulting from the Capital Reorganization which the Holder would have been entitled to receive as a result of the Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Shares to which the Holder was theretofore entitled to purchase or receive upon the exercise of this Warrant. If necessary, as a result of any Capital Reorganization, appropriate adjustments shall be made in the application of the provisions of this Warrant Certificate with respect to the rights and interest thereafter of the Holder to the end that the provisions of this Warrant Certificate shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares or

other securities or property thereafter deliverable upon the exercise of this Warrant.

- (e) If at any time during the Adjustment Period any adjustment or readjustment in the Exercise Price shall occur pursuant to the provisions of Subsections 5.1(2)(a), 5.1(2)(b), or 5.1(2)(c) hereof, then the number of Shares purchasable upon the subsequent exercise of this Warrant shall be simultaneously adjusted or readjusted, as the case may be, by multiplying the number of Shares purchasable upon the exercise of this Warrant immediately prior to such adjustment or readjustment by a fraction which shall be the reciprocal of the fraction used in the adjustment or readjustment of the Exercise Price.
- (3) Rules: The following rules and procedures shall be applicable to adjustments made pursuant to Subsection 5.1(2) of this Warrant.
- (a) Subject to the following provisions of this Subsection 5.1(3), any adjustment made pursuant to Subsection 5.1(2) hereof shall be made successively whenever an event referred to therein shall occur.
  - (b) No adjustment in the Exercise Price shall be required unless such adjustment would result in a change of at least one per cent in the then Exercise Price; provided, however, that any adjustments which except for the provision of this Subsection 5.1(3)(b) would otherwise have been required to be made shall be carried forward and taken into account in any subsequent adjustment. Notwithstanding any other provision of Subsection 5.1(2) hereof, no adjustment of the Exercise Price shall be made which would result in an increase in the Exercise Price or a decrease in the number of Shares issuable upon the exercise of this Warrant (except in respect of the Share Reorganization described in Subsection 5.1(2)(a)(iv) hereof or a Capital Reorganization described in Subsection 5.1(2)(d)(ii) hereof).
  - (c) No adjustment in the Exercise Price or in the number or kind of securities purchasable upon the exercise of this Warrant shall be made in respect of any event described in Section 5.1 hereof if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if the Holder had exercised this Warrant prior to or on the record date or effective date, as the case may be, of such event.
  - (d) No adjustment in the Exercise Price or in the number of Shares purchasable upon the exercise of this Warrant shall be made pursuant to Subsection 5.1(2) hereof in respect of the issue from time to time of Shares and Shares pursuant to this Warrant Certificate or pursuant to any stock option, stock purchase or stock bonus plan in effect from time to time for directors, officers or employees of the Company and/or any subsidiary of the Company and any such issue, and any grant of options in connection therewith, shall be deemed not to be a Share Reorganization, a Rights Offering nor any other event described in Subsection 5.1(2) hereof.
  - (e) If at any time during the Adjustment Period the Company shall take any action affecting the Shares, other than an action described in Subsection 5.1(2) hereof, which in the opinion of the directors would have a material adverse effect upon

the rights of the Holder, either or both the Exercise Price and the number of Shares purchasable upon exercise of this Warrant shall be adjusted in such manner and at such time by action by the directors, in their sole discretion, as may be equitable in the circumstances; provided, however, that any such adjustment shall be subject to the approval of the applicable recognized stock exchange (if the Shares are then listed on such stock exchange) and any other required regulatory approvals.

- (f) If the Company shall set a record date to determine holders of Shares for the purpose of entitling such holders to receive any dividend or distribution or any subscription or purchase rights and shall, thereafter and before the distribution to such holders of any such dividend, distribution or subscription or purchase rights, legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the Exercise Price or the number of Shares purchasable upon exercise of this Warrant shall be required by reason of the setting of such record date.
- (g) In any case in which this Warrant shall require that an adjustment shall become effective immediately after a record date for an event referred to in Subsection 5.1(2) hereof, the Company may defer, until the occurrence of such event:
  - (i) issuing to the Holder, to the extent that this Warrant is exercised after such record date and before the occurrence of such event, the additional Shares issuable upon such exercise by reason of the adjustment required by such event; and
  - (ii) delivering to the Holder any distribution declared with respect to such additional Shares after such record date and before such event;

provided, however, that the Company shall deliver to the Holder an appropriate instrument evidencing the right of the Holder, upon the occurrence of the event requiring the adjustment, to an adjustment in the Exercise Price and the number of Shares purchasable upon the exercise of this Warrant and to such distribution declared with respect to any such additional Shares issuable on this exercise of this Warrant.

- (h) In the absence of a resolution of the directors fixing a record date for a Rights Offering, the Company shall be deemed to have fixed as the record date therefor the date of the issue of the rights, options or warrants issued pursuant to the Rights Offering.
- (i) If a dispute shall at any time arise with respect to adjustments of the Exercise Price or the number of Shares purchasable upon the exercise of this Warrant, such disputes shall be conclusively determined by a firm of independent chartered accountants mutually acceptable to the Company and the Holder other than the auditors of the Company and any such determination shall be conclusive evidence of the correctness of any adjustment made pursuant to Subsection 5.1(2) hereof and shall be binding upon the Company and the Holder.

- (j) As a condition precedent to the taking of any action which would require an adjustment pursuant to Subsection 5.1(2) hereof, including the Exercise Price and the number or class of Shares or other securities which are to be received upon the exercise thereof, the Company shall take any action which may, in the opinion of counsel to the Company, be necessary in order that the Company may validly and legally issue as fully paid and non-assessable shares all of the Shares or other securities which the Holder is entitled to receive in accordance with the provisions of this Warrant Certificate.
  
- (4) Notice: At least seven (7) days prior to any record date or effective date, as the case may be, for any event which requires or might require an adjustment in any of the rights of the Holder under this Warrant, including the Exercise Price and the number of Shares which are purchasable under this Warrant, the Company shall deliver to the Holder a certificate of the Company specifying the particulars of such event and, if determinable, the required adjustment and the calculation of such adjustment. In case any adjustment for which a notice in this Subsection 5.1(4) has been given is not then determinable, the Company shall promptly after such adjustment is determinable deliver to the Holder a certificate providing the calculation of such adjustment. The Company hereby covenants and agrees that the register of transfers and transfer books for the Shares will be open, and that the Company will not take any action which might deprive the Holder of the opportunity of exercising the rights of subscription contained in this Warrant Certificate, during such seven (7) day period.

### **Determination of Adjustments**

**Section 5.2** If any question will at any time arise with respect to any adjustments to be made under Part 5, such question will be conclusively determined by the Company's auditor, or, if the Company's auditor declines to so act, any other chartered accountant that the Company and the Holder mutually agree upon and designate (acting reasonably) and who will have access to all appropriate records, and such determination will be binding upon the Company and the Holder.

### **Hold Period**

**Section 5.3** The Shares received by the Holder upon the exercise of the Warrants may be subject to a hold period as determined by the policies of the Canadian Securities Exchange and/or other applicable securities laws of stock exchange polices the Company is then listed on.

## **PART 6 COVENANTS BY THE COMPANY**

### **Reservation of Shares**

**Section 6.1** The Company will reserve, and there will remain unissued out of its authorized capital, a sufficient number of Shares to satisfy the rights of purchase provided for in all Warrants from time to time outstanding.

## **PART 7 RESTRICTION ON EXERCISE**

**Section 7.1 [Intentionally deleted]**

**Section 7.2** This Warrant and the Shares to be issued upon its exercise have not been and will not be 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. This Warrant may not be exercised in the United States, or by or for the account or benefit of a U.S. person or a person in the United States, unless (i) the Shares are registered under the U.S. Securities Act and the applicable laws of any such state or (ii) an exemption from such registration requirements is available and, in either case, the Holder has complied with the requirements set forth in the Warrant Exercise Form attached hereto as **APPENDIX “B”**. “United States” and “U.S. person” are as defined in Regulation S under the U.S. Securities Act.

**Section 7.3** Any Shares issued upon exercise of this Warrant in the United States, or to or for the account or benefit of a U.S. person or a person in the United States, will be “restricted securities”, as defined in Rule 144(a)(3) under the U.S. Securities Act. The certificates representing such Shares, as well as all certificates issued in exchange or in substitution therefor, until such time as is no longer required under the applicable requirements of the U.S. Securities Act, or applicable state securities laws, will bear, on the face of such certificate, the following legends:

**“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 PURCHASING 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 PARAGRAPH (C) OR (D), THE SELLER FURNISHES TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY 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.”**

provided, that if the Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act (“**Regulation S**”) and such Shares were acquired at a time when the Company is a “foreign issuer” as defined in Regulation S, the legends set forth above in this Section 7.3 may be removed by providing a declaration to the registrar and transfer agent of the Company, as set forth in Appendix “D” attached hereto (or in such other form as the Company may prescribe from time to time); and provided, further, that, if the Shares are being sold otherwise than in accordance with Rule 904 of Regulation S and other than to the Company, the legends may be removed by delivery to the registrar and transfer agent and the Company of an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company that such legends are no longer required under applicable requirements of the U.S. Securities Act or state securities laws.



**Section 7.4** Notwithstanding any provision to the contrary contained herein, no Shares will be issued pursuant to the exercise of any Warrant if the issuance of such securities would constitute a violation of the securities laws of any applicable jurisdiction, and the certificates evidencing the Shares thereby issued may bear such legend as may, in the opinion of legal counsel to the Company, be necessary in order to avoid a violation of any securities laws of any applicable jurisdiction or to comply with the requirements of any stock exchange on which the Shares of the Company are listed, provided that, at any time, in the opinion of legal counsel to the Company, such legends are no longer necessary in order to avoid a violation of any such laws, or the holder of any such legended certificate, at that holder's expense, provides the Company with evidence reasonably satisfactory in form and substance to the Company (which may include an opinion of legal counsel reasonably satisfactory to the Company) to the effect that such holder is entitled to sell or otherwise transfer such Shares in a transaction in which such legends are not required, such legended certificate may thereafter be surrendered to the Company in exchange for a certificate which does not bear such legend.

## **PART 8 MODIFICATION OF TERMS, SUCCESSORS**

### **Modification of Terms and Conditions for Certain Purposes**

**Section 8.1** From time to time the Company may, subject to the provisions of the Warrant Certificate, with the consent of the Holder, modify the terms and conditions hereof, for any one or more or all of the following purposes:

- (a) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of counsel for the Company, are reasonably necessary or advisable in the circumstances;
- (b) making such provisions not inconsistent herewith as may be reasonably necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of Warrants on any stock exchange or house;
- (c) adding to or altering the provisions hereof in respect of the registration of Warrants making provision for the exchange of Warrant Certificates of different denominations; and making any modification in the form of Warrant Certificates which does not affect the substance thereof;
- (d) for any other purpose not inconsistent with the terms hereof, including the correction or rectification of any ambiguities, defective provisions, errors or omissions herein; and
- (e) to evidence any succession of any corporation and the assumption by any successor of the covenants of the Company herein and in the Warrants contained as provided hereafter in this Part 8.

### **The Company may Amalgamate on Certain Terms**

**Section 8.2** Nothing herein contained will prevent any amalgamation or merger of the Company with or into any other company, or the sale of the property or assets of the Company to any company lawfully entitled to acquire the same; provided however that such amalgamation or merger is permitted under the Purchase Agreement.

### **Additional Financings**

**Section 8.3** Nothing herein contained will prevent the Company from issuing any other securities or rights with respect thereto during the period within which a Warrant is exercisable, upon such terms as the Company may deem appropriate. Notwithstanding the foregoing, the Company shall not, through any issuance or sale of securities, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but shall at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the Holder in order to protect the exercise rights of the Holder against dilution or other impairment, consistent with the tenor and purpose of this Warrant.

[End of Schedule "A"]

## **APPENDIX “A”**

### **INSTRUCTIONS TO HOLDERS**

#### **TO EXERCISE:**

To exercise Warrants, the Holder must complete, sign and deliver the Warrant Exercise Form, attached as Appendix “B” and deliver the Warrant Certificate(s) to the Company, indicating the number shares to be acquired.

#### **TO TRANSFER:**

To transfer Warrants, the Holder must complete, sign and deliver the Warrant Transfer Form, attached as Appendix “C” and deliver the Warrant Certificate(s) to the Company. The Company may require such other certificates or opinions to evidence compliance with applicable securities legislation in Canada.

To transfer Warrants, the Warrant Holder’s signature on the Warrant Transfer Form must be guaranteed by an authorized officer of a chartered bank, trust company or an investment dealer who is a member of a recognized stock exchange.

#### **GENERAL:**

If forwarding any documents by mail, registered mail must be employed.

If the Warrant Exercise Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the Warrant Certificate must also be accompanied by evidence of authority to sign satisfactory to the Company.

The address of the Company is:

4Front Ventures Corp.  
5060 North 40th Street, Suite 120  
Phoenix, AZ 85018  
USA

Attention: Mr. Joshua Rosen (CEO)

[End of Appendix “A”]

**APPENDIX "B"**

**WARRANT EXERCISE FORM**

TO: 4Front Ventures Corp.  
5060 North 40th Street, Suite 120  
Phoenix, AZ 85018  
USA

Attention: Mr. Joshua Rosen (CEO)

The undersigned Holder of the within Warrants hereby subscribes for \_\_\_\_\_ Class B subordinate proportionate voting shares (the "**Shares**") of 4Front Ventures Corp. (the "**Company**") pursuant to the within Warrants on the terms and price specified in the Warrants. This subscription is accompanied by a certified cheque, bank draft, or wire transfer payable to or to the order of the Company for the whole amount of the purchase price of the Shares.

The Shares issued upon exercise of the Warrants will be Class B subordinate proportionate voting shares in the capital of the Company.

The undersigned hereby directs that the Shares be registered as follows:

NAME(S) IN FULL	ADDRESS(ES)	NUMBER OF SHARES

As at the time of exercise hereunder, the undersigned Holder represents, warrants and certifies as follows (check one):

- (A) the undersigned holder at the time of exercise of the Warrant is not in the United States, is not a "U.S. person" as defined in Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and is not exercising the Warrant for the account or benefit of a U.S. person or a person in the United States (as defined in Regulation S), and did not execute or deliver this exercise form in the United States; OR
- (B) the undersigned holder is resident in the United States, is a U.S. person, or is exercising the Warrant for the account or benefit of a U.S. person or a person in the United States (a "**U.S. Holder**"), and is an "accredited investor", as defined in Rule 501(a) of Regulation D under the U.S. Securities Act (a "**U.S. Accredited Investor**"), and has completed the U.S. Accredited Investor Status Certificate in the form attached to this exercise form; OR
- (C) if the undersigned holder is a U.S. Holder, the undersigned holder has delivered to the Company and the Company's transfer agent an opinion of counsel of recognized standing (which will not be sufficient unless it is in form and substance reasonably satisfactory to the Company) or such other evidence reasonably satisfactory to the Company to the effect that with respect to the Shares to be delivered upon exercise of the Warrant, the issuance of such securities has been registered under the U.S. Securities Act

and applicable state securities laws, or an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available.

**Note: Certificates representing Class B subordinate proportionate voting shares will not be registered or delivered to an address in the United States unless box (B) or (C) immediately above is checked.**

If the undersigned Holder has indicated that the undersigned Holder is a U.S. Accredited Investor by marking box (B) above, the undersigned Holder additionally represents and warrants to the Company that:

- (2) the undersigned Holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares, and the undersigned is able to bear the economic risk of loss of his or her entire investment;
- (3) the undersigned is: (i) purchasing the Shares for his or her own account or for the account of one or more U.S. Accredited Investors with respect to which the undersigned is exercising sole investment discretion, and not on behalf of any other person; (ii) is purchasing the Shares for investment purposes only and not with a view to resale, distribution or other disposition in violation of United States federal or state securities laws; and (iii) in the case of the purchase by the undersigned of the Shares as agent or trustee for any other person or persons (each a “**Beneficial Owner**”), the undersigned holder has due and proper authority to act as agent or trustee for and on behalf of each such Beneficial Owner in connection with the transactions contemplated hereby; provided that: (x) if the undersigned holder, or any Beneficial Owner, is a corporation or a partnership, syndicate, trust or other form of unincorporated organization, the undersigned holder or each such Beneficial Owner was not incorporated or created solely, nor is it being used primarily to permit purchases without a prospectus or registration statement under applicable law; and (y) each Beneficial Owner, if any, is a U.S. Accredited Investor; and
- (4) the undersigned has not exercised the Warrants as a result of any form of general solicitation or general advertising (as such terms are used in Rule 502 of Regulation D under the U.S. Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio, television, the Internet or other form of telecommunications, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

If the undersigned has indicated that the undersigned is a U.S. Accredited Investor by marking box (B) above, the undersigned also acknowledges and agrees that:

- (5) the Company has provided to the undersigned the opportunity to ask questions and receive answers concerning the terms and conditions of the offering, and the undersigned has had access to such information concerning the Company as the undersigned has considered necessary or appropriate in connection with the undersigned’s investment decision to acquire the Shares;
- (6) if the undersigned decides to offer, sell or otherwise transfer any of the Shares, the undersigned must not, and will not, offer, sell or otherwise transfer any of such Shares directly or indirectly, unless:
  - (a) the sale is to the Company;

- (b) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations;
  - (c) the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities or “blue sky” laws; or
  - (d) the Shares are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities, and it has prior to such sale furnished to the Company an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company;
- (7) the Shares are “restricted securities” under applicable federal securities laws and that the U.S. Securities Act and the rules of the United States Securities and Exchange Commission provide in substance that the undersigned may dispose of the Shares only pursuant to an effective registration statement under the U.S. Securities Act or an exemption therefrom;
  - (8) the Company has no obligation to register any of the Shares or to take action so as to permit sales pursuant to the U.S. Securities Act (including Rule 144 thereunder);
  - (9) the certificates representing the Shares (and any certificates issued in exchange or substitution for the Shares) will bear a legend stating that such securities have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered for sale or sold unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States, or unless an exemption from such registration requirements is available;
  - (10) delivery of certificates bearing such a legend may not constitute “good delivery” in settlement of transactions on Canadian stock exchanges or over-the-counter markets, but a new certificate without such a legend will be made available to the undersigned upon provision by the undersigned of a declaration to the registrar and transfer agent (the “**Transfer Agent**”) of the Company’s Class B subordinate proportionate voting shares in the form attached as Appendix “D” to the Warrant Certificate (or in such other form as the Company may prescribe from time to time) and, if requested by the Company or the Transfer Agent, an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company and the Transfer Agent, to the effect that such sale is being made in compliance with Rule 904 of Regulation S in circumstances where Rule 905 of Regulation S does not apply; and provided, further, that, if any Shares are being sold otherwise than in accordance with Rule 904 of Regulation S and other than to the Company, the legend may be removed by delivery to the Transfer Agent and the Company of an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws;
  - (11) the financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles or International Financial Reporting Standards, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;
  - (12) there may be material tax consequences to the undersigned of an acquisition or disposition of the Shares;

- (13) the Company gives no opinion and makes no representation with respect to the tax consequences to the undersigned under United States, state, local or foreign tax law of the undersigned’s acquisition or disposition of any Shares; in particular, no determination has been made whether the Company will be a “passive foreign investment company” (commonly known as a “**PFIC**”) within the meaning of Section 1297 of the United States Internal Revenue Code;
- (14) funds representing the subscription price for the Shares which will be advanced by the undersigned to the Company upon exercise of the Warrants will not represent proceeds of crime for the purposes of the United States Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the “**PATRIOT Act**”), and the undersigned acknowledges that the Company may in the future be required by law to disclose the undersigned’s name and other information relating to this exercise form and the undersigned’s subscription hereunder, on a confidential basis, pursuant to the PATRIOT Act. No portion of the subscription price to be provided by the undersigned (i) has been or will be derived from or related to any activity that is deemed criminal under the laws of the United States of America, or any other jurisdiction, or (ii) is being tendered on behalf of a person or entity who has not been identified to or by the undersigned, and it shall promptly notify the Company if the undersigned discovers that any of such representations ceases to be true and provide the Company with appropriate information in connection therewith;
- (15) the Company is not obligated to remain a “foreign issuer”; and
- (16) the undersigned consents to the Company making a notation on its records or giving instructions to any transfer agent of the Company in order to implement the restrictions on transfer set forth and described in this Warrant Exercise Form.

In the absence of instructions to the contrary, the securities or other property will be issued in the name of or to the holder hereof and will be sent by first class mail to the last address of the holder appearing on the register maintained for the Warrants.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

In the presence of:

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Holder

\_\_\_\_\_  
Witness’s Name

\_\_\_\_\_  
Name and Title of Authorized Signatory  
for the Holder

**INSTRUCTIONS FOR SUBSCRIPTION**

The signature to the subscription must correspond in every particular with the name written upon the face of the Warrant Certificate without alteration. If the registration in respect of the certificates representing the Shares to be issued upon exercise of the Warrants differs from the registration of the Warrant Certificates the signature of the registered holder must be guaranteed by an authorized officer of a Canadian chartered bank, or of a major Canadian trust company, or by a medallion signature guarantee from a member recognized under the Signature Medallion Guarantee Program, or from a similar entity in the United States, if this transfer is executed in the United States, or in accordance with industry standards.

In the case of persons signing by agent or attorney or by personal representative(s), the authority of such agent, attorney or representative(s) to sign must be proven to the satisfaction of the Company.

If the Warrant Certificate and the form of subscription are being forwarded by mail, registered mail must be employed.



## U.S. ACCREDITED INVESTOR STATUS CERTIFICATE

In connection with the exercise of certain outstanding warrants of 4FRONT VENTURES CORP. (the “**Company**”) by the holder, the holder hereby represents and warrants to the Company that the holder, and each beneficial owner (each a “**Beneficial Owner**”), if any, on whose behalf the holder is exercising such warrants, satisfies one or more of the following categories of Accredited Investor (**please write “W/H” for the undersigned holder, and “B/O” for each beneficial owner, if any, on each line that applies**):

- \_\_\_\_\_ (1) Any bank as defined in Section 3(a)(2) of the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the U.S. Securities Exchange Act of 1934; any insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; any investment company registered under the U.S. Investment Corporation Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Corporation licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the U.S. Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of US\$5,000,000; any employee benefit plan within the meaning of the U.S. Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of US\$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are “accredited investors” (as such term is defined in Rule 501 of Regulation D of the U.S. Securities Act);
- \_\_\_\_\_ (2) Any private business development company as defined in Section 202(a)(22) of the U.S. Investment Advisers Act of 1940;
- \_\_\_\_\_ (3) Any organization described in Section 501(c)(3) of the U.S. Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US\$5,000,000;
- \_\_\_\_\_ (4) Any trust with total assets in excess of US\$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person (being defined as a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment);
- \_\_\_\_\_ (5) A natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of purchase, exceeds US\$1,000,000 (for the purposes of calculating net worth, (i) the person’s primary residence shall not be included as an asset; (ii) indebtedness that is secured by the person’s primary residence, up to the estimated fair market value of the primary residence at the time of this certification, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of this certification exceeds the amount outstanding 60 days before such time, other

than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability);

- \_\_\_\_\_ (6) A natural person who had annual gross income during each of the last two full calendar years in excess of US\$200,000 (or together with his or her spouse in excess of US\$300,000) and reasonably expects to have annual gross income in excess of US\$200,000 (or together with his or her spouse in excess of US\$300,000) during the current calendar year, and no reason to believe that his or her annual gross income will not remain in excess of US\$200,000 (or that together with his or her spouse will not remain in excess of US\$300,000) for the foreseeable future;
- \_\_\_\_\_ (7) Any director or executive officer of the Company; or
- \_\_\_\_\_ (8) Any entity in which all of the equity owners meet the requirements of at least one of the above categories – if this alternative is selected you must identify each equity owner and provide statements from each demonstrating how they qualify as an accredited investor.

[End of Appendix "B"]

**APPENDIX "C"**

**WARRANT TRANSFER FORM**

TO: 4Front Ventures Corp.  
5060 North 40<sup>th</sup> Street, Suite 120  
Phoenix, AZ 85018  
USA

Attention: Mr. Joshua Rosen (CEO)

FOR VALUE RECEIVED, the undersigned holder (the "**Transferor**") of the within Warrants hereby sells, assigns and transfers to \_\_\_\_\_ (the "**Transferee**"), \_\_\_\_\_ Warrants of 4Front Ventures Corp. (the "**Company**") registered in the name of the undersigned on the records of the Company and irrevocably appoints \_\_\_\_\_ the attorney of the undersigned to transfer the said securities on the books or register with full power of substitution.

The undersigned hereby directs that the Warrants hereby transferred be issued and delivered as follows:

NAME IN FULL	ADDRESS	NUMBER OF WARRANTS

The Transferor hereby certifies that (check either A or B):

- (A) the transfer of the Warrants is being completed pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), in which case the Transferor has delivered or caused to be delivered by the Transferee a written opinion of U.S. legal counsel of recognized standing in form and substance reasonably satisfactory to the Company to the effect that the transfer of the Warrants is exempt from the registration requirements of the U.S. Securities Act; or
- (B) the transfer of the Warrants is being made in reliance on Rule 904 of Regulation S under the U.S. Securities Act, and certifies that:
  - (1) the undersigned is not an "affiliate" (as defined in Rule 405 under the U.S. Securities Act) of the Company (except solely by virtue of being an officer or director of the Company) or a "distributor", as defined in Regulation S, or an affiliate of a "distributor";
  - (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of a designated offshore securities market within the meaning of Rule 902(b) of Regulation S under the U.S. Securities Act, and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States;

- (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf engaged in any directed selling efforts in connection with the offer and sale of the Warrants;
- (4) the sale is bona fide and not for the purpose of “washing off” the resale restrictions imposed because the Warrants are “restricted securities” (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act);
- (5) the Transferor does not intend to replace the securities sold in reliance on Rule 904 of the U.S. Securities Act with fungible unrestricted securities; and
- (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or a scheme to evade the registration provisions of the U.S. Securities Act.

Unless otherwise specified, terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Signature of Warrant Holder

\_\_\_\_\_  
Signature Guaranteed

**INSTRUCTIONS FOR TRANSFER**

Signature of the Warrant Holder must be the signature of the person appearing on the face of this Warrant Certificate.

If the Transfer Form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity, the certificate must be accompanied by evidence of authority to sign satisfactory to the Company.

The signature on the Transfer Form must be guaranteed by a chartered bank or trust company, or a member firm of an approved signature guarantee medallion program. The guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

The Warrants will only be transferable in accordance with applicable laws. The Warrants and the shares issuable upon exercise thereof have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state of the United States, and may not be transferred to or for the account or benefit of a U.S. person or any person in the United States without registration under the U.S. Securities Act and applicable state securities laws, or compliance with the requirements of an exemption from registration. "**United States**" and "**U.S. person**" are as defined in Regulation S under the U.S. Securities Act.

[End of Appendix "C"]

**APPENDIX "D"**

**FORM OF DECLARATION FOR REMOVAL OF LEGEND**

TO: Registrar and transfer agent for the shares of 4Front Ventures Corp. (the "Issuer")

The undersigned (A) acknowledges that the sale of the \_\_\_\_\_ Class B subordinate proportionate voting shares in the capital of the Issuer represented by certificate number \_\_\_\_\_, to which this declaration relates, is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and (B) certifies that (1) the undersigned is not an "affiliate" (as defined in Rule 405 under the U.S. Securities Act) of the Issuer (except solely by virtue of being an officer or director of the Issuer) or a "distributor", as defined in Regulation S, or an affiliate of a "distributor"; (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of a designated offshore securities market within the meaning of Rule 902(b) of Regulation S under the U.S. Securities Act, and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged in any directed selling efforts in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace the securities sold in reliance on Rule 904 of Regulation S under the U.S. Securities Act with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or a scheme to evade the registration provisions of the U.S. Securities Act. Unless otherwise specified, terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of Individual (if Seller **is** an individual)

\_\_\_\_\_  
Authorized signatory (if Seller is **not** an individual)

\_\_\_\_\_  
Name of Seller (**please print**)

\_\_\_\_\_  
Name of authorized signatory (**please print**)

\_\_\_\_\_  
Official capacity of authorized signatory (**print print**)

**Affirmation by Seller's Broker-Dealer**  
**(Required for sales pursuant to Section (B)(2)(b) above)**

We have read the representations of our customer \_\_\_\_\_ (the “**Seller**”) contained in the foregoing Declaration for Removal of Legend, dated \_\_\_\_\_, 20\_\_, with regard to the sale, for such Seller’s account, of \_\_\_\_\_ Class B subordinate proportionate voting shares (the “**Securities**”) of the Issuer represented by certificate number \_\_\_\_\_. We have executed sales of the Securities pursuant to Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), on behalf of the Seller. In that connection, we hereby represent to you as follows:

- (1) no offer to sell Securities was made to a person in the United States;
- (2) the sale of the Securities was executed in, on or through the facilities of the Canadian Securities Exchange or another designated offshore securities market (as defined in Rule 902(b) of Regulation S under the U.S. Securities Act), and, to the best of our knowledge, the sale was not pre-arranged with a buyer in the United States;
- (3) no “directed selling efforts” were made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and
- (4) we have done no more than execute the order or orders to sell the Securities as agent for the Seller and will receive no more than the usual and customary broker’s commission that would be received by a person executing such transaction as agent.

For purposes of these representations: “**affiliate**” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned; “**directed selling efforts**” means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Securities (including, but not be limited to, the solicitation of offers to purchase the Securities from persons in the United States); and “**United States**” means the United States of America, its territories or possessions, any State of the United States, and the District of Columbia.

Legal counsel to the Issuer shall be entitled to rely upon the representations, warranties and covenants contained herein to the same extent as if this affirmation had been addressed to them.

\_\_\_\_\_  
Name of Firm

Per: \_\_\_\_\_  
Authorized Signatory

[End of Appendix “D”]