Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

APPLICATION RECORD OF THE APPLICANT, CHALICE BRANDS LTD.
(Application Returnable May 23, 2023 at 8:00 a.m.)

May 23, 2023

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TO: **THE SERVICE LIST**

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

SERVICE LIST

(As at May 22, 2023)

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Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

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TAB 1

Court File No.

ONTARIO
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT* R.S.C. 1985, c. C-36, AS AMENDED

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NOTICE OF APPLICATION

TO THE RESPONDENT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing *(choose one of the following)*

☐ In writing
☐ In person
☐ By telephone conference
☒ By video conference

at the following video conference link:
https://ca01web.zoom.us/j/64172244590?pwd=OHg5VkFZNlRHb3FPdFcxaVY4dnRRZz09

Meeting ID: 641 7224 4590

Passcode: 708039, on **Tuesday, May 23, at 8:00 AM**.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date ______________________ Issued by ____
Local Registrar

Address of court office: Superior Court of Justice
330 University Avenue
9th Floor
Toronto ON M5G 1R7

TO: **SERVICE LIST**

APPLICATION

1. The Applicant, Chalice Brands Ltd., (**"Chalice"**, or the **"Applicant"**) makes an application for an Order substantially in the form attached as Tab 3 of the Application Record (the **"Initial Order"**), including, among other things:

(a) abridging the time for service of this notice of application and dispensing with service on any person other than those served;

(b) declaring that the Applicant is party to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **"CCAA"**) applies;

(c) declaring that Greenpoint Holdings Delaware, Inc. (**"Greenpoint Holdings"**), Greenpoint Oregon, Inc. (**"Greenpoint Oregon"**), CFA Retail, LLC (**"CFA Retail"**), SMS Ventures, LLC (**"SMS Ventures"**), CF Bliss LLC (**"CFB"**), Greenpoint Workforce, Inc. (**"Greenpoint Workforce"**), Greenpoint Equipment Leasing, LLC**,** Fifth and Root, Inc. and Greenpoint Nevada, Inc. (collectively, the **"Non-Filing Affiliates",** and together with Chalice, the **"Chalice Group"**), shall enjoy the benefits of the protections provided to the Applicant under the Initial Order;

(d) appointing KSV Restructuring Inc. (**"KSV"**) as an officer of this Court to monitor the assets, businesses and affairs of the Chalice Group (in such capacity, the **"Monitor"**);

(e) staying, for an initial period of not more than ten days (the **"Initial Stay Period"**) all proceedings taken or that might be taken in respect of the Applicant or the

Monitor, or their respective employees, directors, advisors, officers and representatives acting in such capacities, subject to further Order of the Court (the **"Stay of Proceedings"**);

(f) extending the Stay of Proceedings to the Non-Filing Affiliates;

(g) authorizing the Applicant to continue to utilize the Cash Management System (as defined in the Initial Order) and to maintain the banking arrangements currently in place for the Chalice Group;

(h) granting a charge over the property of the Applicant, in the maximum amount of $400,000, to secure the fees and disbursements incurred in connection with services rendered to the Applicant both before and after the commencement of the CCAA proceedings in favour of counsel to the Applicant, the Monitor, and counsel to the Monitor (the **"Administration Charge"**);

(i) such further and other relief as this Court may deem just.

2. If the proposed Initial Order is granted, the Applicant intends to seek an amended and restated initial order ("**ARIO**") within 10 days of the Initial Order being granted seeking, among other things:

(a) approving the engagement between the Applicant and Cardinal Advisory Services Inc. ("**Cardinal Advisory**"), pursuant to which Cardinal Advisory will act as the Chief Restructuring Officer ("**CRO**") of the Applicant through the services of Scott Secord;

(b) approving the fees and expenses contemplated under the CRO engagement letter, granting the CRO the benefit of the Administration Charge, and increasing the Administration Charge to a maximum amount of $500,000;

(c) authorizing the decision by the Applicant to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada or by the rules and regulations of a stock exchange, provided that any securities regulator or stock exchange shall not be prohibited from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicant;

(d) relieving the Applicant of any obligation to call and hold its annual general meeting of shareholders (the "**AGM**") until further Order of the Court; and

(e) an extension of the Stay of Proceedings.

3. The grounds for the application are:

General

(a) The Applicant is insolvent;

(b) the Applicant is a company to which the CCAA applies;

(c) claims against the Applicant exceed $5 million;

(d) Chalice is a public company governed by the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, with its registered head office in Toronto, Ontario

(e) prior to the issuance of the CTO (as defined below), the common shares of Chalice traded on the Canadian Securities Exchange under the trading symbol "CHAL" as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol "CHALF";

(f) the Chalice Group is a vertically integrated cannabis company that operates primarily in the State of Oregon;

(g) the Chalice Group grows its own cannabis flower at a leased cultivation facility outside of Portland, Oregon which it sells through its retail stores;

(h) the Chalice Group operates two processing and extraction facilities in Clackamas, Oregon, as well as a facility dedicated to edibles production and wholesale distribution;

(i) the Chalice Group owns and operates a network of 16 retail stores in Oregon: 14 under the flagship dispensary banner "Chalice Farms", one under the banner "Cannabliss and Co." and one under the banner "Left Coast Connection", eight of which are located in Portland, Oregon, and eight of which are located elsewhere in the Willamette Valley, within two hours of the Portland Metro Area;

(j) the Chalice Group holds 32 regulatory licenses in Oregon related to producing, processing, wholesaling and retailing cannabis;

(k) the Chalice Group holds another four licenses in Nevada related to cultivation and product manufacturing of medical marijuana, all of which are in good standing but inactive;

(l) the Chalice Group employs 134 full-time employees and 37 part-time employees through Greenpoint Workforce, all of whom work in the United States;

(m) the Chalice Group does not own any real property in Canada or in the United States. It leases certain properties in Oregon, including all of its 16 retail store locations, its three production facilities, and its cultivation facility;

(n) Since its inception, the Chalice Group has been largely cash flow negative from operations and has relied on equity and debt financing to fund the company;

(o) Chalice has outstanding debt consisting principally of three promissory notes and two series of unsecured debentures with an aggregate outstanding principal amount of approximately USD $10,260,000;

(p) Chalice's subsidiaries have outstanding debt consisting of four promissory notes and four bridge loans with an aggregate outstanding principal amount of approximately USD $8,860,000 (including approximately USD $2,000,000 of which is co-borrowed by Chalice, and included in the total amount owed by Chalice);

(q) the Chalice Group has approximately USD $6,000,000 owing in trades payable owing to its suppliers, various vendors, and landlords;

(r) on May 6, 2022, the Ontario Securities Commission issued a failure-to-file cease trade order (the "**CTO**") as a result of a delay by Chalice in filing its audited financial statements and associated materials for its fiscal year ending December 31, 2021;

(s) the CTO remains in place and Chalice has not made its 2021 annual filings nor filed audited financial statements and associated materials for the fiscal year ending December 31, 2022;

(t) the Chalice Group is facing an urgent liquidity crisis. Notwithstanding significant reductions in headcount and inventory procurement made over the past year, and the deferral of payments to key employees and the renegotiation of certain ongoing contractual obligations, Chalice and its operating subsidiaries find themselves unable satisfy their obligations as they come due;

(u) Chalice is currently in default on all three of its promissory notes, has ceased paying interest on one of its unsecured debentures, and does not have sufficient liquidity to make payments on either of the unsecured debentures when the next interest payments come due on June 30, 2023;

(v) certain of the Non-Filing Affiliates are alleged to be, or are, in default under their respective debt obligations;

(w) lenders under one set of Chalice's promissory notes have recently threatened to foreclose on the assets of the Chalice Group, and have requested regulatory

approval in Oregon for temporary authority to operate five of the Chalice Group's cannabis licenses;

Stay of Proceedings

(x) as a cannabis business, the Chalice Group cannot access the protections of the federal U.S. Bankruptcy Code even though the Chalice Group operates in compliance with state cannabis laws;

(y) as a result, concurrently with the filing of this Application for relief under the CCAA, the Applicant has commenced proceedings in the State of Oregon in order to have Greenpoint Oregon, CFA Retail, Greenpoint Equipment Leasing, LLC, SMS Ventures, and CFB (together, the **"Oregon Subsidiaries"**) placed into receivership;

(z) should the Oregon Subsidiaries be placed into receivership, there shall be a stay of proceedings in the State of Oregon against those entities and their property;

(aa) the Applicant urgently requires the Stay of Proceedings and the other relief sought under the CCAA in order to provide breathing space to permit the Chalice Group to continue operating as a going concern while the Applicant and its chief restructuring officer (the **"CRO"**), with the assistance of the proposed Monitor and in close consultation with the proposed receiver of the Oregon Subsidiaries (the **"Oregon Receiver"**), pursue a coordinated sale of all or substantially all of the Chalice Group's assets;

(bb) as any stay granted pursuant to the Oregon Receiverships may not have effect beyond the State of Oregon, it is necessary and in the best interest of the Chalice Group and its stakeholders that the Stay of Proceedings be extended to the Non-Filing Affiliates, as they are integral to the Chalice Group's overall enterprise, and require protection to stabilize the Chalice Group's operations and ensure a coordinated restructuring process;

(cc) the commencement or continuation of any proceedings or the exercise of any rights or remedies in Canada or elsewhere against the Non-Filing Affiliates would be detrimental to the Applicant's efforts to pursue a going concern sale of the entire Chalice Group in consultation with the Oregon Receiver;

Administration Charge

(dd) the granting of the Administration Charge is appropriate in the circumstances and will facilitate the active involvement of the beneficiaries of the Administration Charge during the CCAA proceedings;

CRO Engagement

(ee) on May 12, 2023, the Applicant entered into an engagement with Cardinal Advisory pursuant to which Cardinal Advisory would act as CRO of the Applicant through the services of Mr. Scott Secord to assist the Chalice Group in managing its business and operations and in connection with its restructuring efforts;

(ff) Mr. Secord is a member of the board of directors of Chalice;

(gg) the Applicant is requesting that this Court approve the fees and expenses contemplated under the CRO engagement letter;

(hh) additionally, in connection with the CRO's appointment, it is proposed that the CRO be added to the Administration Charge (if granted) as security for the fees and expenses incurred by the CRO relating to the services rendered to the Applicants;

Securities Filings

(ii) as noted above, prior to the CTO, the common shares of Chalice traded on the Canadian Securities Exchange under the trading symbol "CHAL" as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol "CHALF", and, as a result, the Applicant has certain regulatory and reporting obligations;

(jj) in light of the Applicant's significant liquidity constraints, it has determined that directing further time and resources to securities reporting is not appropriate or practical at this time;

(kk) the Applicant is seeking relief authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, press releases, financial reporting or any other actions that may be required by any federal, provincial or other law relating to securities or capital markets in Canada or by the rules and regulations of a stock exchange;

(ll) the Applicant believes it would be a distraction and unnecessary expense for it to hold an AGM in the circumstances where it is subject to creditor protection and is

accordingly seeking to be relieved of any obligation to call and hold an AGM until further Order of this Court;

Other Grounds

(mm) the provisions of the CCAA and the inherent and equitable jurisdiction of this Court;

(nn) Rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 16, 38 and 39 of the *Rules of Civil Procedure*, R.R.O 1990, Reg 194, as amended and section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and

(oo) Such further and other grounds as counsel may advise and this Court may permit.

4. The following documentary evidence will be used at the hearing of the application:

(a) The affidavit of Scott Secord, sworn May 22, 2023;

(b) The consent of KSV to act as the Monitor;

(c) The Pre-Filing Report of the Proposed Monitor; and

(d) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

May 23, 2023

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Lawyers for the Applicant,
Chalice Brands Ltd.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36, AS AMENDED

Court File No.

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

NOTICE OF APPLICATION

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Lawyers for the Applicant,
Chalice Brands Ltd.

TAB 2

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

AFFIDAVIT

I, Scott Secord, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. This Affidavit is made in support of an Application by Chalice Brands Ltd. (**"Chalice"**, or the **"Applicant"**) for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **"CCAA"**).

2. I serve as the Chief Restructuring Officer (**"CRO"**) of Chalice through my personal corporation, Cardinal Advisory Services Inc. I am also a member of Chalice's Board of Directors. I have served as a director of Chalice since March 22, 2021. Over the course of my career, I have been a founder, executive, advisor and board member of multiple successful private and public companies leading to various liquidity events, including as President/CEO of *Pointstreak Sports Technologies Inc.* (2009 to 2015), President/CEO of *Gaming Nation Inc.* (TSX: FAN 2015 to 2018), and Managing Partner of *Cardinal Sports Capital Inc.* (2018 to present). I also served as Executive Chairman and Chief Restructuring Officer for *RISE Life Sciences Inc.* and successfully concluded a reverse take-over transaction for the company.

3. In my current role as CRO of Chalice, I have oversight over Chalice's governance, business, and general operations. In the course of my duties as CRO and director, I have become familiar with Chalice's businesses, day-to-day operations, and financial affairs. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with the senior management team of the Chalice Group (as defined below) and the Applicant's financial and legal advisors.

4. All references to monetary amounts in this affidavit are in U.S. dollars unless noted otherwise.

A. Introduction

5. Chalice is a publicly traded corporation and reporting issuer, incorporated in Canada, with its registered head office in Toronto, Ontario. Until the issuance of the CTO (defined and detailed below), the common shares of Chalice traded on the Canadian Securities Exchange (**"CSE"**) under the trading symbol "CHAL" as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol "CHALF".

6. Chalice, together with its subsidiaries (together, the **"Chalice Group"**), all of which are based in the United States, forms a vertically integrated corporate group that grows, processes, distributes and sells cannabis and cannabis products. The Chalice Group primarily operates within the Oregon adult-use regulated market, principally through its main operating subsidiaries, Greenpoint Oregon, Inc. (**"Greenpoint Oregon"**), CFA Retail LLC (**"CFA Retail"**), SMS Ventures LLC (**"SMS Ventures"**), and CF Bliss LLC (**"CFB"**).

7. At present, the Chalice Group has approximately 134 full-time employees and approximately 37 part-time employees, all of whom work in the United States and are employed by one of Chalice's wholly-owned indirect subsidiaries, Greenpoint Workforce, Inc. (**"Greenpoint Workforce"**). As described in greater detail below, the Applicant is seeking to extend the stay of proceedings to Greenpoint Workforce, as it is integral to the Chalice Group's operations.

8. The Chalice Group has been incurring operating losses and cash flow deficits since its inception in 2014 and has historically relied on equity and debt financing to fund its operations.

9. In early 2021, the cannabis industry had an optimistic forecast for the future, notwithstanding the impacts of COVID-19. The Chalice Group was relatively well capitalized, year-over-year sales were improving and the industry anticipated that a change in the U.S. federal government would result in the federal legalization of cannabis, the passage of safe banking acts, and the opening up of capital markets in the United States.

10. In anticipation, the Chalice Group undertook an acquisition-based strategy, taking on debt to acquire retail stores and production facilities in Oregon to support its vertical integration. All of these acquisitions were funded through a combination of cash and vendor take-back notes. The Chalice Group anticipated servicing its debt through a combination of revenue from retail operations and equity financing (if available).

11. Unfortunately, the last two years have been very challenging for the cannabis industry in Oregon and elsewhere in the United States. Federal deregulation in the U.S. has not occurred and, as a result, the market value of the entire cannabis industry has started to decline. It was widely assumed that with U.S. federal deregulation, there would be a shift in customer demographics

from younger consumers to middle age and senior consumers. Generally speaking, younger consumers are higher cannabis users and extremely price sensitive. The expected demographic shift did not occur.

12. In the same time frame, macroeconomic factors created supply chain issues in many industries. This, and the general inflationary environment, not only increased the Chalice Group's cost of goods sold, but also impacted the willingness of consumers, particularly in the cannabis-purchasing demographic, to spend money on recreational activities such as recreational cannabis use. As governments and central banks took steps to combat inflation by raising interest rates, those customers with restricted cashflows started to change their buying habits by reducing consumption and, in some case, returning to the lower-priced black market. Oversupply in more mature markets such as California, Colorado, and Oregon have also led to significant declines in retail cannabis prices. Accordingly, to maintain competitive prices, the Chalice Group was forced to make further cuts in retail prices, adversely impacting its retail revenue. These reductions lead to dramatically lower gross margin dollars, which after the impacts of U.S. Internal Revenue Code (**"IRC"**) Section 280E's denial of U.S. income tax deductions, described below, leaves even less cash flow to fund operating costs.

13. Capital markets in the United States were awaiting federal deregulation so that they could participate in the cannabis industry. The direct impact of these regulatory hurdles remaining in place caused much needed capital, both debt and equity, to dry up. As this situation continued, the value of many cannabis companies decreased dramatically over the past twenty-four months. To my knowledge, many publicly traded cannabis companies and related exchange-traded funds have lost significant value year-over-year.

14. Additionally, certain of Chalice's subsidiaries, being Greenpoint Oregon, Greenpoint Nevada Inc., CFA Retail, Greenpoint Workforce, SMS Ventures, and CFB are subject to U.S. IRC Section 280E. That section denies deductions and credits attributable to a trade or business that traffics in what the U.S. Controlled Substances Act deems to be "controlled substances". Even though many states have enacted medical and recreational marijuana laws, the Internal Revenue Service (**"IRS"**) is applying IRC Section 280E to deny business deductions to businesses involved with medical and recreational marijuana since under U.S. federal law, marijuana is classified as a Schedule 1 controlled substance. Accordingly, Section 280E of the IRC has the impact of essentially taxing cannabis businesses on 21% of their gross profit rather than on their net income, reducing the margins and cash flows on which a business can achieve profitability. To keep attracting customers, the Chalice Group and other operators had to continually drop prices to discourage customers from returning to the black market. As retail selling prices declined, it became more and more difficult for smaller companies like the Chalice Group to adjust their cost structures and obtain profitability.

15. In addition to the challenging market conditions, on May 6, 2022, the Ontario Securities Commission issued a failure-to-file cease trade order (the **"CTO"**) as a result of a delay by Chalice in filing its audited financial statements and associated materials for its fiscal year ending December 31, 2021 (the **"2021 Annual Filings"**), as well as its related management's discussion and analysis and officer certifications. As of the date of the swearing of this affidavit, the CTO remains in place and Chalice has not made its 2021 Annual Filings nor filed audited financial statements and associated materials for the fiscal year ending December 31, 2022.

16. As a result of the CTO, trading in any Chalice securities is prohibited, except in accordance with the conditions in the CTO, for as long as the CTO remains in effect. Chalice's inability to finalize its 2021 and 2022 audited financial statements prevents it from raising further funds through the issuance of equity or debt instruments.

17. Over the past year, the Chalice Group has made significant reductions in headcount and inventory procurement and has renegotiated or paused certain ongoing contractual obligations such as lease payments and the Earn-Out Payments (as defined below), to navigate this period of reduced cash flow. The Chalice Group has also asked key employees to take dramatic pay cuts or deferrals, or to take payment in shares. However, these efforts have not been able to stem the tide. The Chalice Group now faces an urgent liquidity crisis. The Chalice Group is unable to pay key suppliers and has recently failed to make payments of interest and principal on several of its promissory notes, including a vendor take-back note which the lenders thereto argue is secured by certain of the Chalice Group's cannabis regulatory licenses and store inventory. This has caused those notes to fall into default. The Chalice Group has also failed to make payments of interest and principal on certain of its unsecured debentures.

18. Further, certain of Chalice's subsidiaries have also fallen behind on making lease payments to certain of their landlords. I am advised by Tim Solomon, a partner at Leonard Law Group, U.S. counsel to Chalice, that under Oregon law, failure to satisfy rent obligations may entitle the landlords to declare a default under the lease and lock-out the tenant. This, in turn, would put the Chalice Group's store-based cannabis licenses at risk as in Oregon, cannabis licenses are specific to a retail location and risk being suspended or terminated if the retail location

ceases operation. At present, the Chalice Group owes approximately $6 million in trade payables, which includes over $1 million in missed rent.

19. Given all these circumstances, the Applicant requires an urgent stay of proceedings and related relief under the CCAA in order to ensure the corporate group can continue going concern operations while the Applicant, the CRO and the Proposed Monitor (as defined below) pursue a coordinated going concern sale of all or a significant portion of the Chalice Group's assets. In order to best ensure a coordinated going-concern sale, the Applicant also seeks to have the stay of proceedings and other provisions of an initial order under the CCAA (the **"Initial Order"**) extended to its direct subsidiary Greenpoint Holdings Delaware, Inc. (**"Greenpoint Holdings"**) and to each of its indirect, wholly-owned subsidiaries, all of which are based in the U.S. (together, the **"Non-Filing Affiliates"**). The Non-Filing Affiliates are listed at Schedule A to this Affidavit. The Non-Filing Affiliates are integral to the overall enterprise operation. Extending the stay to the Non-Filing Affiliates will allow the Chalice Group to stabilize its operations and ensure a coordinated restructuring process.

20. Concurrently with the filing of this Application for relief under the CCAA, the Applicant has commenced proceedings in the State of Oregon in order to have the following Chalice subsidiaries, all of which are formed or have assets in Oregon, placed into state receivership: Greenpoint Oregon, CFA Retail, Greenpoint Equipment Leasing, LLC, SMS Ventures, and CFB (together, the **"Oregon Subsidiaries"**). Should the Oregon Subsidiaries be placed in receivership, I am advised by Mr. Solomon that there shall be an automatic stay of proceedings in the State of Oregon against those entities and their property, prohibiting the commencement or continuation of any proceedings by creditors, including landlords, and preventing them from taking precipitous

actions against those entities and their property. If appointed, the proposed receiver (the **"Oregon Receiver"**) will immediately take steps to obtain temporary cannabis licenses from the Oregon Liquor and Cannabis Commission (**"OLCC"**) to the extent necessary. It is intended that the Applicant and the CRO, with the assistance of the proposed Monitor, will conduct the proposed going concern sale process, in consultation with the Oregon Receiver and in a coordinated fashion.

21. I am advised by Mr. Solomon that because the Chalice Group grows and sells cannabis and cannabis products, it is unable to access the tools available in the U.S. under federal law pursuant to the U.S. Bankruptcy Code, whether or not the Chalice Group is in compliance with state cannabis laws. As such, I understand that state receivership is the best way to protect the assets of the Oregon Subsidiaries.

B. Corporate Structure

22. Chalice is an Ontario corporation with its registered head office located at 84 Richmond Street East, Toronto, Ontario. It operates as the public company in the corporate group and its assets are comprised of its direct and indirect ownership of the remaining entities in the Chalice Group.

23. Chalice was incorporated on April 12, 2011 as Longacre Resources Inc. (**"Longacre"**) under the *Business Corporations Act* (British Columbia). Golden Leaf Holdings Inc. (**"GLHI"**) was incorporated on April 8, 2014 under the *Business Corporations Ac*t (Ontario) (**"OBCA"**). On October 6, 2015, Longacre was continued under the OBCA as Golden Leaf Holdings Ltd. (**"Golden Leaf"**) and completed a reverse take-over with GLHI. Pursuant to the reverse take-over, Golden Leaf acquired all of the issued and outstanding shares of GLHI pursuant to a three-cornered

amalgamation, whereby (i) Longacre incorporated 2470251 Ontario Inc. (**"Subco"**), a new wholly-owned Ontario subsidiary of Longacre; (ii) Golden Leaf was issued one Common Share in exchange for each common share of GLHI then held by GLHI shareholders; and (iii) Subco amalgamated with GLHI to form an amalgamated subsidiary of Golden Leaf.

24. On May 25, 2021, Golden Leaf officially changed its name to Chalice Brands Ltd.

25. As noted above, Chalice is the public, ultimate parent company of the Chalice Group. Chalice is the 100% owner of Greenpoint Holdings, which is in turn the 100% owner of each of the operating subsidiaries in the Chalice Group, listed in the table below. Chalice does not otherwise carry on operations. A copy of the Chalice Group's organizational chart is attached hereto as **Exhibit "A"**.

Company Name	Place of Formation/Incorporation	Principal Activity
Greenpoint Oregon, Inc.	Oregon	Cannabis production, distribution, and sales
CFA Retail LLC	Oregon	Retail operations in Oregon
Greenpoint Equipment Leasing, LLC	Oregon	Ownership and leasing of capital equipment
Greenpoint Workforce, Inc.	Oregon	Administers payroll/benefits for employees on behalf of U.S. operating companies
SMS Ventures LLC	Oregon	Retail operations in Oregon
CF Bliss LLC	Oregon	Retail operations in Oregon

Company Name	Place of Formation/Incorporation	Principal Activity
Greenpoint Nevada, Inc.	Nevada	Nevada wholesale operations; also holds certain intangible purchased assets

26. The Chalice Group is also the 80% owner of Fifth and Root, Inc., a company based in California, carrying on business related to a CBD skincare line.

27. As of May 17, 2023, Chalice's equity consisted of:

(a) 84,415,725 issued and outstanding common shares;

(b) 15,900,000 warrants; and

(c) 5,900,000 stock options and restricted stock units.

C. The Business of the Chalice Group

(a) General Operations

28. The Chalice Group is a vertically integrated (farm-to-table) cannabis company. The Chalice Group grows its own cannabis flower, which it processes for sale and production. The Chalice Group uses its own cannabis flower to extract cannabis by-products for sale and for manufacture into other edible and extract products.

29. The Chalice Group operates a leased cultivation facility located outside of Portland, Oregon called Bald Peak. 100% of Bald Peak's agricultural output is sold through Chalice stores. Overall, Bald Peak's agricultural output supplies approximately 50% of the cannabis flower sold through the Chalice Group's retail stores, while the Chalice Group purchases another 50% of the cannabis flower it retails from third parties.

30. The Chalice Group produces a variety of branded products through its owned production facilities in Oregon and through manufacturing agreements in other states.

31. In Oregon, the Chalice Group has a 25,000 ft^2 leased facility shared between its corporate headquarters and its primary distribution facility in Portland. Roughly half of this facility is devoted to the Chalice Group's Airport Way dispensary/headquarters, and half is devoted to edibles production and wholesale distribution activities.

32. The Chalice Group also operates two processing and extraction locations in two adjacent 6000ft^2 suites in Clackamas, OR, just southeast of Portland. The Chalice Group purchased the operations and equipment relating to the processing and extraction locations from Tozmoz, LLC (**"Tozmoz"**) in December 2021, as more fully described below.

(b) Retail Business

33. The Chalice Group owns and operates a network of 16 retail stores in Oregon: 14 operate under the flagship dispensary banner "Chalice Farms", one under the banner "Cannabliss and Co." and one under the banner "Left Coast Connection". Eight stores are located within the Portland Metro Area and eight are in the Willamette Valley, within two hours of the Portland Metro Area. A chart detailing the locations of each store and the Chalice Group entity operating the location is attached hereto as **Exhibit "B"**.

34. The Chalice Group also distributes its branded products to other retailers in the Oregon wholesale market. These operations are supported by the same distribution infrastructure used for the Chalice Group's retail stores, at the Chalice Group's headquarters in Portland.

(c) Cannabis Licenses

35. The Chalice Group holds 32 regulatory licenses in Oregon related to producing, processing, wholesaling, and retailing cannabis. While all of these licenses are in good standing, four are on "Temporary Closure Status" under the OLCC licensing regime.

36. In Nevada, the Chalice Group holds four licenses related to cultivation and product manufacturing of medical marijuana. All four licenses are in good standing but are currently inactive. Chalice does not hold any licenses in Canada. A list of all Chalice Group cannabis licenses and license holders is attached hereto as **Exhibit "C"**.

(d) Employees

37. The Chalice Group currently has a total of 134 full-time employees and 37 part-time employees.

38. Greenpoint Workforce employs and pays all of the employees of the Chalice Group. There is no formal shared services or other agreement between Greenpoint Workforce and the other Chalice Group entities, which reimburse Greenpoint Workforce for employee expenses as the parties determine appropriate. Allocation of employee payroll is based on the type of activity performed and what legal entity is associated with said activity.

39. In 2020, U.S. Congress passed the *Coronavirus Aid, Relief and Economic Security (CARES) Act* which, among other things, created a new employee retention tax credit (the **"ERTCs"**) for private employers carrying on a trade or business who had closed, partially closed or had experienced significant revenue losses as a result of COVID-19. The ERTCs are a refundable tax credit created to encourage employers to keep their employees on the payroll during certain quarters in 2020 and 2021 affected by the pandemic.

40. For the years 2020 and 2021, Greenpoint Workforce claimed ERTCs. To date, Greenpoint Workforce has received $2,700,000 worth of ERTCs and anticipates receiving another $2,300,000 of ERTCs in the near future.

41. As described in more detail below, on or about May 12, 2023, Greenpoint Workforce made a payment of $1,450,000 to Chalice as partial repayment of its intercompany debt, which Chalice intends to use to fund this CCAA proceeding. Greenpoint Workforce also intends to use a portion of the ERTC proceeds received to date to repay the Bridge Loans (as defined below) during the course of this proceeding.

(e) Leased and Owned Property

42. The Chalice Group does not own any real property in Canada or the U.S.

43. The Chalice Group leases certain properties in Oregon, including all of its 16 retail store locations, its three (3) production facilities and its cultivation location (Bald Peak). Chalice has guaranteed certain of those leases.

(f) Trade Payables

44. As of May 22, 2023, the Chalice Group owed a total of $6,000,000 to its suppliers, various vendors, and landlords.

(g) Banking Arrangements

45. Chalice has three bank accounts in Canada with the Olympia Trust Company: one USD account, one CAD account, and one GBP account. Chalice also has two bank accounts in Canada through Corpay (formerly known as Cambridge Global Payments) to help process cross-border payments: one USD account and one CAD account.

46. The Chalice Group has 21 active bank accounts in the United States through Salal Credit Union (**"Salal"**), each denominated in USD. Salal is based in the State of Washington, and accordingly each of the Chalice Group's accounts with Salal is held in Washington. The Chalice Group's accounts with Salal are held by the following entities:

(a) Greenpoint Oregon (1) – consolidated operations account;

(b) Greenpoint Workforce (2) – one account for payroll and payroll taxes and one account to hold ERTC funds;

(c) Greenpoint Equipment Leasing, LLC (1) – one account with a small balance but largely dormant;

(d) Greenpoint Holdings (1) – one account for non-payroll taxes, and acts as a pass-through account for traditional means of sending funds to Canada;

(e) CFA Retail (7) – one account for each CFA Retail retail store location;

(f) CFB (4) – one account for each CFB retail store location;

(g) SMS Ventures (5) – one account for each SMS Ventures retail store location.

47. To assist in its cash management arrangements, the Chalice Group contracts with a third-party cash management logistics provider, Empyreal Logistics (**"Empyreal"**). On a regular basis, Empyreal picks up cash from the Chalice Group's retail stores and transports the cash to its own vault. Empyreal then processes the cash deposits into each corresponding store's licensed bank account. The Chalice Group's management team then sweeps those funds into the Chalice Group's main consolidated operating account at Salal twice per week.

(h) Intellectual Property

48. The Chalice Group owns a limited amount of intellectual property. The Assumed Business Name (**"ABN"**) "Chalice Farms" is owned by CFB. The main customer-facing website, www.chalicebrands.com, was created in 2021 and is owned by Greenpoint Holdings.

49. While Chalice purchased a number of other ABNs pursuant to certain acquisitions described in greater detail below, those ABNs or other tradenames were either never formally transferred with the Oregon Secretary of State, or, in the case of "Homegrown Oregon", have expired.

50. As well as its primary customer-facing website, the Chalice Group owns a number of other domain names which are currently inactive.

D. Financial Position of the Chalice Group

51. On May 3, 2022, Chalice announced it would be delayed in filing its 2021 Annual Filings, stating that that additional time was required to permit it and its then-auditors to complete work and enquiries in connection with the audit of the Chalice Group's 2021 consolidated financial statements.

52. As a result of the delay, on May 6, 2022, the Ontario Securities Commission issued the CTO against Chalice. A copy of the CTO is attached hereto as **Exhibit "D"**.

53. As a consequence of the CTO, no person or company may trade in or purchase a security of Chalice, except in accordance with the conditions in the CTO, for as long as the CTO remains in effect.

54. As of the date of the swearing of this Affidavit, Chalice has not yet made the 2021 Annual Filings and the CTO remains in place. Chalice has been delayed in finalizing the 2021 Annual Filings, in part, due to the resignation of its former CFO in June 2022, and a change in its external auditors.

55. A copy of the Chalice Group's unaudited, consolidated financial statements as at December 31, 2021, which is the most recent draft financial statements that is available, is attached hereto as **Exhibit "E"**.

(a) Assets

56. As of December 31, 2021, the assets of the Chalice Group had an unaudited book value of approximately $32,950,001 and consisted of the following.

Type of Asset	Amount
Cash	$4,795,535
Accounts receivable	$1,177,087
Biological assets	$612,793
Inventory	$3,371,630
Prepaid expenses and deposits	$890,554
Current Assets: $10,847,599	
Property, plant and equipment	$2,916,221
Other receivables	$189,257
Right-of-use assets, net	$5,232,838
Intangible assets, net	$10,226,858
Goodwill	$3,537,228
Non-Current Assets: $22,102,402	
Total Assets: $32,950,001	

(b) Liabilities

57. As of December 31, 2021, the liabilities of the Chalice Group had an unaudited book value of approximately $29,847,412 and consisted of the following:

Type of Liability	Amount
Accounts payable and accrued liabilities	$4,181,553
Income taxes payable	$2,648,527
Sales tax payable	$961,894
Current portion of long-term debt	$27,399
Current portion of notes payable	$549,752
Convertible debentures carried at fair value	$3,087,820
Consideration payable – cash portion	$798,276
Consideration payable – equity portion	$4,527,000
Lease liability	$963,259
Current Liabilities: $17,745,480	
Notes payable	$1,853,998
Deferred tax liability	$320,708
Long-term debt	$112,748
Long-term lease liability	$5,439,599
Warrant liability	$535,066
Convertible debentures carried at amortized cost	$2,272,126
Consideration payable – cash portion	$1,567,687
Non-Current Liability: $12,101,932	
Total Liabilities: $29,847,412	

58. After removing intangible assets and goodwill, the Chalice Group's liabilities exceed its assets. The Chalice Group's financial position has continued to deteriorate since the preparation of these financial statements.

(c) Earnings

59. For the period ending December 31, 2021, the Chalice Group's net loss was $16,965,906.

E. Chalice Indebtedness

60. As of the date of the swearing of this affidavit, Chalice's principal liabilities consist of outstanding debt under three notes and two series of unsecured debentures with an aggregate outstanding principal amount of approximately **$10,259,297**, as summarized in the following chart:

Instrument	Maturity Date	Principal Outstanding
Notes		
Bobsled Note	2024-05-31	$108,587
Homegrown Note (co-borrower with Greenpoint Holdings)	2025-06-01	$1,896,411
Revised Earn-Out Agreement	2027-04-01	$2,149,299
Total Notes Debt		**$4,154,297**
Unsecured Debentures		
Round 4 Convertible Debentures	2024-11-16	$3,086,250
Round 5 Convertible Debentures	2024-11-23	$3,018,750
Total Debenture Debt		**$6,105,000**[1]
Total Indebtedness		**$10,259,297**

61. In addition to the Chalice indebtedness, four of Chalice's subsidiaries also have funded debt of **$8,864,616**, as summarized in the following chart:

[1] Debenture debt is in Canadian dollars, as described below. R4: CAD $4,115,000; R5: CAD $4,025,000. The USD amounts are calculated using the US:CAD foreign exchange rate of $0.75 CAD:USD.

Instrument	Maturity Date	Principal Outstanding
Greenpoint Holdings		
Homegrown Note (co-borrower with Chalice)	2025-06-01	$1,896,411
Greenpoint Oregon		
Tozmoz Note (unsecured)	2025-12-21	$178,368
Bobsled Note (co-borrower with Chalice)	2024-05-31	$108,587
CFB		
Cannabliss Note (secured)	2026-01-01	$5,850,000
Greenpoint Workforce		
Secured Bridge Loans	2023-04-30	$550,000
Secured Bridge Loans[2]	2023-04-30	$281,250
Total Subsidiary Indebtedness		**$8,864,616**

(a) Bobsled Note

62. On May 25, 2021, Golden Leaf (predecessor to Chalice) and Greenpoint Oregon, as borrowers, entered into a secured promissory note with Bobsled Extracts, LLC (**"Bobsled"**), as lender, in the principal amount of $315,000 (the **"Bobsled Note"**) for the purchase of certain production equipment. A copy of the Bobsled Note is attached hereto as **Exhibit "F"**.

63. The Bobsled Note does not accrue any interest. In lieu of interest, Greenpoint Oregon agreed to enter into a 36-month term product procurement agreement with Bobsled (the **"Product Procurement Agreement"**) pursuant to which the Chalice Group agreed to purchase $20,000 of

[2] Certain Bridge Loans were made totalling CAD $375,000, as described below. The USD amounts are calculated using the US:CAD foreign exchange rate of $0.75 CAD:USD.

product from Bobsled per month. The principal under the Bobsled Note is payable in 36 consecutive monthly payments, with the last payment due on May 25, 2024.

64. As of May 1, 2023, $108,586.97 remains owing on the Bobsled Note. Payments due on April 30 and May 1, 2023 were not made. The Chalice Group has largely failed to meet its obligation under the Product Procurement Agreement to purchase $20,000 of product from Bobsled per month.

65. The Bobsled Note is secured by the Collateral, as defined in a security agreement entered into between Chalice, Greenpoint Oregon and Bobsled (the **"Bobsled Security Agreement"**). A copy of the Bobsled Security Agreement is attached hereto as **Exhibit "G"**. The Bobsled Note provides that, upon an Event of Default (as defined in the Bobsled Security Agreement), all principal, interest and any other amounts remaining unpaid shall immediately become due and payable. No Ontario Personal Property Security Registration has been made against Chalice in this regard. A Uniform Commercial Code (**"UCC"**) financing statement was registered against Golden Leaf (predecessor to Chalice) in Oregon, which details certain production equipment.

66. On January 27, 2023, Bobsled delivered, through its counsel, a Notice of Default and Demand for Payment (the **"Bobsled Letter"**). Bobsled claimed that Chalice owed $319,000, being the principal on the Bobsled Note, $120,000 of missed retail orders, $38,250 for product which Bobsled had delivered, and $12,000 in late fees. Chalice disputes the allegations in the Bobsled Letter. A copy of the Bobsled Letter is attached hereto as **Exhibit "H"**.

(b) Homegrown Note

67. On May 19, 2021, Golden Leaf (predecessor to Chalice) and Greenpoint Holdings entered into an agreement (the **"Homegrown Acquisition"**) to acquire 100% ownership in SMS Ventures, a chain of five retail dispensaries located in Portland, Salem and Albany, Oregon.

68. The total consideration of the Homegrown Acquisition was $9,750,000, consisting of $6,000,000 in cash, $2,000,000 in common shares of Chalice, a promissory note in the principal amount of $1,750,000 pursuant to which Alicia Smith, Jillian Smith, and Marcena Sorrels (the **"Homegrown Lenders"**), as assignees of the lender Sorrels Investments, LLC, are lenders (the **"Homegrown Note"**), and an indeterminate amount pursuant to an unsecured variable note (the **"Homegrown Variable Note"**).[3] Golden Leaf and Greenpoint Holdings are the borrowers under the Homegrown Note. The Homegrown Note accrues interest at the rate of 8% per annum. A copy of the Homegrown Note is attached hereto as **Exhibit "I"**.

69. The Homegrown Note is payable in 48 consecutive monthly payments, commencing on June 1, 2021 and with the last payment due on June 1, 2025. The first 12 payments were required to be paid in equal installments of interest only in the amount of $11,666.67 per month, and the remaining 36 payments are required to be paid in equal installments of principal and interest in the amount of $54,838.64 per month.

70. As of May 1, 2023, $1,896,411 is outstanding on the Homegrown Note.

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[3] Under the terms of the Homegrown Variable Note, if the closing price of the shares in Golden Leaf (now Chalice) was above CAD $0.0656 as of the Maturity Date, the Homegrown Variable Note will be cancelled and the Borrower shall have no further obligations under said note. This condition was satisfied and, as a result, the Company has deemed the Homegrown Variable Note cancelled in accordance with its terms, and no payments are owing.

71. The Homegrown Note provides that performance thereunder is secured by a first priority security interest in the collateral specified in a Security Agreement (as defined in the Homegrown Note) (the **"Homegrown Security Agreement"**). The parties to the Homegrown Security Agreement are Golden Leaf and Greenpoint Holdings as the "Debtor" and the Homegrown Lenders as the "Secured Party." The collateral, as defined and more fully described in the Homegrown Security Agreement, is generally comprised of certain cannabis licenses, the inventory arising from the licenses and the proceeds from the sale of the inventory. The licenses described in the Homegrown Security Agreement are not the property of Golden Leaf or Greenpoint Holdings, but rather are held by a different Chalice Group entity which is not party to any Homegrown loan or security documents. A copy of the Homegrown Security Agreement is attached hereto as **Exhibit "J"**.

72. No Ontario Personal Property Security Registration has been made against Chalice in respect of the Homegrown Note. UCC financing statements were registered against Chalice and Greenpoint Holdings in Oregon, which detail the cannabis licenses held by the non-party to the Homegrown Note. No UCC financing statement was registered against the entity with title to the collateral that is the subject of the Homegrown Security Agreement.

73. The Homegrown Note further provides that, upon an Event of Default (as defined in the Homegrown Note), all principal, interest and any other amounts remaining unpaid shall immediately become due and payable.

74. The Homegrown Note has been in default since July 2022. No monthly payments have been made since May 2022. The Homegrown Lenders have taken enforcement steps under the Homegrown Loan, as detailed below.

(c) Revised Earn-Out Agreement

75. In connection with various purchases and acquisitions of certain assets or subsidiaries of the Chalice Group on or around July 7, 2017, all as detailed more fully in an Asset Purchase Agreement dated July 7, 2017 and in the Membership Interest Purchase Agreement dated July 7, 2017, certain earn-out payments totaling $9,527,350 were required to be paid, of which no less than $5,000,000 in cash (as amended, the **"Cash Payment"**) was payable to the prior owners of Chalice LLC, namely William Simpson, Mike Genovese and Gary Zipfel (the **"Owners"**), with the balance payable in Chalice stock (as amended, the **"Stock Earn-Out Payment"** and, together with the Cash Payment, the **"Earn-Out Payments"**).

76. In or around July 2019, the parties agreed to amend and defer the Earn-Out Payments obligation. On November 18, 2020, the Owners reached an agreement to further extend the Earn-Out Payments due on May 2, 2022 (the **"Revised Earn-Out Agreement"**). A copy of the Revised Earn-Out Agreement is attached hereto as **Exhibit "K"**.

77. Under the Revised Earn-Out Agreement, certain of the debt was converted into shares, with the remaining principal of $2,500,000 (the **"Remaining Cash Portion"**) becoming payable in 60 consecutive monthly payments of $41,666 plus an interest rate of 6% beginning on the maturity date of May 2, 2022 and ending on April 2, 2027.

78. The Revised Earn-Out Agreement currently has a principal balance outstanding of $2,149,299. Payments ceased in mid-2022, but no formal notice of default has been issued. Interest has not been waived on this principal amount.

79. The Revised Earn-Out Agreement provides that, if Chalice is unable to pay or in the event Chalice declares bankruptcy, the Owners shall have as security for the outstanding balance of the

Remaining Cash Portion, assets of certain Chalice stores designated by Chalice valued to the amount of the then-outstanding balance of Remaining Cash Portion owed by Chalice. No such designation was made and no security agreements were entered into in respect thereof.

(d) Unsecured Debentures

80. Chalice has two outstanding rounds of unsecured debentures with a total aggregate value of CAD $8,140,000. As described below, interest on the debentures will come due on June 30, 2023.

(i) Round 4 Convertible Debentures

81. On November 18, 2018, Chalice issued unsecured convertible debenture units (collectively, the **"R4 Debentures"**) maturing November 16, 2021. The R4 Debentures accrue interest at a rate of 12% per annum until December 31, 2019 (the original first interest payment date), after which such interest decreased to 10% per annum and is payable semi-annually until maturity. A copy of the R4 indenture under which the R4 Debentures were issued (the **"R4 Indenture"**) is attached hereto as **Exhibit "L"**.

82. The R4 Debentures rank *pari passu* in right of payment of principal and interest with all other R4 Debentures issued under the offering and are subordinated to all existing secured indebtedness of Chalice.

83. The R4 Indenture has been amended multiple times since, first to extend the maturity date from November 16, 2021 to November 16, 2022 and second, by way of extraordinary resolution (the **"Extraordinary Resolution"**), the R4 Debentureholders (i) approved an extension of the time for repayment of the principal owing under the R4 Debentures until November 16, 2024, (ii) waived the default from the failure to pay interest which became due on June 30, 2022, and

(iii) extended the time for paying interest due on June 30, 2022 and December 31, 2022 to June 30, 2023. A copy of the news release announcing the passage of the Extraordinary Resolution is attached hereto as **Exhibit "M"**.

84. As of the date hereof, the outstanding principal with respect to the R4 Debentures is CAD $4,115,000.

(ii) Round 5 Convertible Debentures

85. On November 23, 2021, Chalice issued unsecured convertible debenture units (collectively, the **"R5 Debentures"**) maturing November 23, 2024. The R5 Debentures accrue interest at a rate of 10% per annum, payable on a semi-annual basis. A copy of the R5 indenture, under which the R5 Debentures were issued, is attached hereto as **Exhibit "N"**.

86. The R5 Debentures rank *pari passu* in right of payment of principal and interest with all other R5 Debentures issued under the offering and are subordinated to all existing secured indebtedness of Chalice.

87. The R5 Debentures also had interest coming due on June 30, 2022 but, as Chalice was unable to pay this interest, the parties informally agreed to waive the default on this interest.

88. As of the date hereof, the outstanding principal with respect to the R5 Debentures is CAD $4,025,000.

(e) Intercompany Debt

89. As of May 10, 2023 Chalice has provided Greenpoint Workforce with loans of approximately $4,000,000 to fund operating costs, namely employee wages and other working

capital obligations. On May 12, 2023, Greenpoint Workforce made a payment of $1,450,000 to Chalice as partial repayment of its intercompany debt.

90. As at December 31, 2021, being the date of the most recent draft financial statements, the following amounts were owed to Chalice by its subsidiaries:

Entity	**Amount**
Greenpoint Holdings	$55,578,393.89
Greenpoint Oregon	$27,725,493.78
CFA Retail	$3,130,556.26
Greenpoint Equipment Leasing, LLC	$916,846.41
Greenpoint Workforce	$3,989,351.23
GLH	$6,395,133.99
GL Management Inc. (since dissolved)	$9,290,062.11
Greenpoint Real Estate LLC (since dissolved)	($1,534,099.26)
CF Greenpoint CA, Inc. (since dissolved)	$3,870,194.75
CF CA Inc. (since dissolved)	$214,775.32
Greenpoint Nevada Inc.	$134,581.28
Total:	**USD $109,711,289.76**

91. While Chalice has not required its subsidiaries to enter into formal loan agreements in respect of these amounts loaned, the amounts listed above are consistent with the Chalice Group's tax filing of IRS Form 5472 included in its U.S. income tax return for the year ending December 31, 2021 which listed intercompany debt owing to Chalice in the amount of USD $109,711,289.76.

92. While at this time it is not expected that the Oregon Subsidiaries will need financing from Chalice during the contemplated receivership proceedings in Oregon, in the event that such need

arises, the Oregon Subsidiaries have entered into a General Security Agreement with Chalice, evidenced by UCC filings, to ensure the assets of Chalice as the CCAA Applicant are protected.

(f) Subsidiary Indebtedness

(i) Cannabliss Note

93. On September 16, 2021, CFB entered into an asset purchase agreement (as amended, the **"Cannabliss APA"**) to acquire four retail stores branded Cannabliss & Co. from Acreage Holdings Inc. (**"Acreage"**), for a total consideration of $6,500,000. On July 1, 2022, CFB and Acreage entered into an amending agreement (the **"Cannabliss Amending Agreement"**) which, among other things, extended the closing date under the Cannabliss APA in order to provide CFB with a longer time frame to service the debt obligations.

94. In connection with the Cannabliss Amending Agreement, CFB entered into a 36-month secured promissory note (as amended, the **"Cannabliss Note"**) in the principal amount of $5,850,000, carrying accrued interest at a rate of 12% per annum, payable on a quarterly basis commencing January 1, 2023. Under the Cannabliss Note, CFB agreed to make balloon payments to High Street Capital Partners (**"High Street"**) of $1,000,000 on January 1, 2024 and $1,000,000 on January 1, 2025. Amounts that remain owing to High Street, if any, shall be paid on January 1, 2026. A copy of the Cannabliss Note is attached hereto as **Exhibit "O"**.

95. The Cannabliss Note is secured by a security agreement dated July 1, 2022 (the **"Cannabliss Security Agreement"**) entered into between CFB and High Street. Until the Cannabliss Note is paid in full, CFB grants High Street a security interest in the Collateral (as defined therein), including among other things, all Equipment, Inventory, Accounts, General Intangibles, any the Cannabis Licenses and permits acquired by CFB under the Cannabliss APA,

and all intellectual property listed in the schedules thereto (each as defined in the Cannabliss Security Agreement). A copy of the Cannabliss Security Agreement is attached hereto as **Exhibit "P"**. A UCC financing statement was registered by High Street against CFB in Oregon.

96. The Cannabliss Note provides that, in the event Chalice or CFB experiences a Change in Control (as defined in the Cannabliss Note), High Street has the right to accelerate the Cannabliss Note to be due and payable in full upon the closing of such Change in Control.

97. The Cannabliss Note further provides that, upon an Event of Default (as defined in the Cannabliss Note), all principal, interest and any other amounts remaining unpaid shall immediately become due and payable. The Cannabliss Note provides that Greenpoint Holdings will be a guarantor. While a guarantee was drafted, it was never executed.

(ii) Tozmoz Note

98. On December 21, 2021, Chalice acquired substantially all of the assets of Tozmoz, a licensed cannabis processor in Oregon, pursuant to an asset purchase agreement. The purchased assets included a facility located in Clackamas County, which serves as the headquarters for multiple extraction options. The consideration consisted of 1,268,116 shares of Chalice stock, a 48-month unsecured promissory note for $400,000 (the **"Tozmoz Note"**), and forgiveness of a promissory note from Tozmoz valued at $656,718. A copy of the Tozmoz Note is attached hereto as **Exhibit "Q"**.

99. The Tozmoz Note is payable in 48 equal monthly instalments of $9,394, with the first payment due on the first day of the first full month after closing. The Tozmoz Note accrues interest at 6% per annum.

(iii) Greenpoint Workforce Bridge Loans

100. On November 22, 2022, Greenpoint Workforce entered into three secured bridge loan term sheets – one with Dan Noonan in the amount of CAD $250,000, one with Gary Zipfel in the amount of $300,000 and one with Karl Rickard Miller Trust in the amount of $250,000 (Noonan, Zipfel and Miller, together, the **"Bridge Lenders"**), which were intended to fund day-to-day working capital requirements until Greenpoint Workforce received the ERTC funds from the IRS. Subsequently, Dan Noonan and Greenpoint Workforce entered into an additional bridge loan term sheet, to further meet day-to-day working capital requirements, in the amount of CAD $125,000 (the four loans together, the **"Bridge Loans"**). In order to secure the Bridge Loans, the Board of Directors of Chalice committed to the Bridge Lenders that the Bridge Loans would be repaid upon receipt of the first tranche of ERTCs. The Bridge Lenders advanced funds concurrently with the execution of the Bridge Loans. Copies of the Bridge Loans are attached hereto as **Exhibit "R"**.

101. The Bridge Loans were intended to be secured; however, due to an oversight, the parties did not finalize the security agreements. Upon realizing the oversight, each of the Bridge Lenders entered into security agreements with Greenpoint Workforce dated May 7, 2023, copies of which are attached hereto as **Exhibit " S "**, and registered UCC financing statements in Oregon accordingly.

102. The Bridge Loans accrue interest at a fixed rates of 1.5% per month, have a term of five months and mature upon the earlier of April 30, 2023, the date on which Greenpoint Workforce received the ERTC refund, and the date a Bridge Lender demands repayment following an event of default.

103. Greenpoint Workforce intends to repay the Bridge Loans during the course of this CCAA proceeding.

104. A summary of all UCC filings against Chalice is attached hereto as **Exhibit "T"**.

F. Urgent Need for Relief

105. As described above, the Chalice Group faces an urgent liquidity crisis. Notwithstanding significant reductions in headcount and inventory procurement made over the past year by the Chalice Group, the deferral of payments to key employees, and the renegotiation of certain ongoing contractual obligations, Chalice and its operating subsidiaries find themselves unable satisfy their obligations as they come due. As present, the Chalice Group's trade payables totals approximately $6,000,000 million. Several of Chalice's subsidiaries are in default under their leases and there are amounts owing to landlords.

106. Moreover, Chalice and certain of the Non-Filing Affiliates are alleged to be, or are, in default under their respective debt obligations.

107. With respect to the Homegrown Note in particular, Chalice has not been able to pay either interest or principal since June 2022. The Homegrown Lenders issued a Notice of Default on July 19, 2022 and a Notice of Acceleration on August 8, 2022. On the same day, the Homegrown Lenders initiated an arbitration against Chalice relating to the defaults under the Homegrown Note. The Homegrown Lenders recently voluntarily dismissed that arbitration to instead begin a nonjudicial foreclosure of certain collateral belonging to the Chalice Group. A copy of the Notice of Disposition threatening such action is attached hereto as **Exhibit "U"**. On May 3, 2023, the Homegrown Lenders, through counsel, wrote directly to the OLCC, advising the OLCC that they were purportedly taking steps to foreclose on assets of the Chalice Group, and seeking OLCC's

approval for temporary authority to operate five of the Chalice Group's cannabis licenses. A copy of the letter from the Homegrown Lenders to the OLCC is attached hereto as **Exhibit "V"**.

108. On May 10, 2023, the Chalice Group, through its local U.S. corporate counsel wrote to the OLCC, disputing the Homegrown Lender's claims. A copy of this letter to the OLCC dated May 10, 2023 is attached hereto as **Exhibit "W"**.

109. The Chalice Group had also failed to pay interest on its R4 and R5 Debentures and does not have sufficient liquidity to make payments on either of the unsecured debentures when the next interest payments come due on June 30, 2023.

110. The detrimental impact of Section 280E of the IRC on the Chalice Group's operating margins, together with the inability of Chalice to raise funds through issuing equity as a result of the CTO, have further contributed to the Chalice Group's liquidity crisis, and severely limited the Chalice Group's ability to meet its imminent obligations.

G. Relief Sought

(a) Stay of Proceedings

111. In order to provide breathing space to allow the Applicant and the CRO, with the assistance of the proposed Monitor, to operate the business and conduct a coordinated sale process in consultation with the Oregon Receiver, the Applicant urgently requires an initial stay of proceedings for 10 days, until it can return to the Court for a second hearing.

112. Concurrently with the filing of this Application for relief under the CCAA, the Applicant is commencing proceedings in the State of Oregon in order to have the Oregon Subsidiaries placed into receivership. The Applicant is proposing that Mr. Kenneth Eiler be appointed as the Oregon

Receiver. Mr. Eiler is a practicing lawyer and a has over 20 years experience as a licensed trustee. A copy of Mr. Eiler's CV is attached hereto as **Exhibit "X"**. As noted above, should the Oregon Subsidiaries successfully be placed in receivership, there shall be an automatic stay of proceedings in the State of Oregon against those entities and their property, prohibiting the commencement or continuation of any proceedings by creditors, including landlords, and preventing them from taking precipitous actions against those entities or their property. The Oregon Receiver will immediately take steps to obtain temporary cannabis licenses from the OLCC, to the extent necessary.

113. It would be detrimental to the CRO's ability, with the assistance of the Monitor, and in close consultation and coordination with the Oregon Receiver, to pursue a going concern solution if proceedings were commenced or continued or rights and remedies were executed against it, including as against Chalice.

114. The Applicant seeks the benefit of the stay of proceedings to be extended to the Non-Filing Affiliates as they are integral to the overall enterprise operation. Among other things, (i) Greenpoint Workforce acts as the only employer within the corporate group and funds payroll; (ii) the Non-Filing Affiliates hold the cannabis licences, operate the cultivation and production facilities, and operate the 16 retail stores; (iii) certain creditor and landlord-driven enforcement action is being pursued against certain of the Non-Filing Affiliates that may put the licenses at risk; (iv) the shares and membership interests of Chalice's operating subsidiaries are held by Greenpoint Holdings; and (v) failure to satisfy payroll is a director and officer liability, making it critical that there is no risk to Greenpoint Workforce being able to facilitate same. Extending the

stay to the Non-Filing Affiliates will allow the Chalice Group to stabilize its operations and ensure a coordinated restructuring process.

115. Because the Non-Filing Affiliates are integral to the Chalice Group's operations, the commencement of any proceedings or the exercise of any rights or remedies in Canada or elsewhere against the Non-Filing Affiliates would be detrimental to the Applicant's efforts to pursue a going concern sale of the Chalice Group, with the assistance of the proposed Monitor, and would undermine a process that would otherwise benefit the stakeholders of the Chalice Group as a whole. The Initial Order contains provisions enjoining the exercise of rights and remedies against the Non-Filing Affiliates while the CCAA process is being undertaken to the extent that those rights or remedies are related to or would have an impact upon the Chalice Group.

116. To ensure that the appointment of the Oregon Receiver is not affected by the CCAA proceeding, the Initial Order includes a carve out from the stay for the Non-Filing Affiliates to permit the hearing of the Oregon receivership proceeding and the granting of an Order appointing the Oregon Receiver as regards the Oregon Subsidiaries (including a Complaint and a Motion to Appoint Receiver). The Initial Order expressly contemplates that the Oregon receivership proceeding can be heard, and an Order can be granted. Any stay of proceedings granted in Oregon may not have effect beyond the borders of Oregon.

117. The requested stay will provide the breathing space that the Applicant and the CRO need to oversee a going concern sale of all or substantially all of the Chalice Group's assets, in close consultation with the Oregon Receiver. The Applicant intends to seek approval of an expeditious sales and investment solicitation process at a further motion on notice to affected parties (the

"Comeback Hearing"). The stay in Canada, and the concurrent stay of proceedings being sought in Oregon, will help to protect the interests of the Chalice Group's stakeholders, including employees, suppliers, customers and lenders.

(b) Proposed Monitor

118. It is proposed that KSV Restructuring Inc. (**"KSV"**, or the **"Proposed Monitor"**) will act as the Monitor in the CCAA proceeding if the proposed Initial Order is issued. The Proposed Monitor has consented to act as the Monitor on the terms set out in the proposed Initial Order. A copy of the Proposed Monitor's consent to act as monitor is attached hereto as **Exhibit "Y"**.

(c) Administration Charge

119. In connection with its appointment, it is proposed that the Proposed Monitor, along with its counsel and the Applicant's counsel, will be granted a Court-ordered charge on Chalice's assets as security for their respective fees and disbursements relating to services rendered in respect of the Applicant up to a maximum of CAD $400,000 (the **"Administration Charge"**). The Administration Charge is proposed to have first priority over all other charges.

(d) Appointment of Chief Restructuring Officer

120. As described above, the Chalice Group has engaged me, through Cardinal Advisory Services Inc. to act as the CRO. A copy of the executed engagement letter (the **"CRO Engagement Letter"**) is attached hereto as **Exhibit "Z"**.

121. In the course of my duties as CRO and director, I have become and am familiar with the Chalice Group's businesses, day-to-day operations, and financial affairs. I understand the Chalice Group's financial situation and am well-positioned to lead the enterprise through the restructuring process and into a sale and investment solicitation process.

122. The proposed Amended and Restated Initial Order (**"ARIO"**), to be sought at the Comeback Hearing, provides for the approval of the CRO Engagement Letter and my appointment as CRO, as well as the inclusion of the CRO's fees in the Administration Charge and a corresponding increase in the size of the charge. The CRO Engagement Letter sets out the applicable fees and disbursements.

123. I am advised by Marc Wasserman, a partner at Osler, Hoskin & Harcourt LLP and believe that many of the CRO-related provisions in the proposed ARIO are similar to protections afforded to chief restructuring officers in other CCAA proceedings. These protections include that:

(a) nothing in the proposed ARIO shall be construed as resulting in the CRO being an employer, successor employer, a responsible person, operator or person with apparent authority within the meaning of any statute, regulation or rule of law, or equity for any purpose whatsoever; and

(b) no action or other proceeding shall be commenced directly, or by way of counterclaim, third-party claim or otherwise, against or in respect of the CRO and all rights and remedies of any Person against or in respect of the CRO are hereby stayed and suspended, except with the written consent of the CRO and the Monitor, or with leave of this Court on notice to the Applicant, the Monitor and the CRO. I believe that my appointment as CRO is in the best interests of the Chalice Group and its stakeholders. I also understand that the Proposed Monitor supports my appointment as CRO.

(e) Cash Flow Forecast

124. I understand that the Proposed Monitor will be filing a pre-filing report which will include a cash flow projection. The cash flow projection will demonstrate that Chalice has sufficient liquidity to continue going concern operations during the proposed stay period should the stay of proceedings be granted. It is not contemplated that Chalice will require debtor-in-possession financing during this CCAA proceeding.

125. The Applicant anticipates that the Proposed Monitor, if appointed, will provide oversight and assistance to Chalice, will assist in the proposed sale process or coordinate where necessary with the Oregon Receiver, and will report to the Court in respect of their actual results relative to cash flow forecast during this proceeding. Existing accounting procedures will provide the Proposed Monitor with the ability to accurately track the flow of funds and assist with any issues that may arise.

(f) Relief from Certain Securities Filing Requirements and in Respect of the AGM

126. The Applicant is a publicly traded company and reporting issuer, whose common shares previously traded on the CSE under the trading symbol "CHAL" as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol "CHALF".

127. Given the Chalice Group's significant liquidity constraints, the Applicant has determined that directing further time and resources to securities reporting is not appropriate or practical at this time. Accordingly, the Applicant will be seeking relief in the ARIO at the Comeback Hearing authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases, financial reporting or any other actions that may be required by any federal, provincial or other law

respecting securities or capital markets in Canada or the United States and other rules and policies of the CSE or OTCOX®.

128. Additionally, the Applicant believes it would be a distraction and an unnecessary expense for it to hold an annual general meeting in the circumstances where it is subject to creditor protection. As a result, the Applicant is also seeking to be relieved of any obligations to call and hold an annual general meeting until further Order of this Court.

129. I understand that the Proposed Monitor will post all Court materials, which will include Chalice's cash flow projections and variance analyses, such that shareholders and other stakeholders will still have uninterrupted access to, among other things, the Applicant's operational and financial information.

H. Conclusion

130. The Initial Order sought by the Applicant is in the best interest of the Chalice Group and its stakeholders. Without the stay of proceedings, the Applicant faces an immediate cessation of going concern operations, the liquidation of its assets (including the potential loss of valuable cannabis licenses) and the loss of employment for the Chalice Group's employees. I believe that a CCAA proceeding, together with the concurrent state receivership, is the only viable method to restructure the Chalice Group's business for the benefit of all stakeholders.

SWORN by Scott Secord of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on May 22, 2023, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits
(or as may be)

FABIAN SUÁREZ-AMAYA

SCOTT SECORD

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THIS IS EXHIBIT "A" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

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Commissioner for Taking Affidavits

Organizational Chart (4/21/2023)

Color Key:
Grey – Canadian Entity
Purple – Delaware, USA Entity
Orange – California, USA Entity
Blue – Nevada, USA Entity
Green – Oregon, USA Entity

Chalice Brands Ltd.[1]
82243 1516 RC0002

- 100% Greenpoint Holdings Delaware, Inc.[2] 46-5656717
  - 80% Fifth and Root, Inc.[4] 84-2440420
  - 100% Greenpoint Nevada Inc.[5] 82-1582703
  - 100% Greenpoint Oregon, Inc.[6] 46-5594816
  - 100% Greenpoint Workforce, Inc.[7] 82-1964269
  - 100% Greenpoint Equipment Leasing, LLC[8] 61-1801787
  - 100% CFA Retail LLC[9] 81-2005559
  - 100% SMS Ventures LLC[10] 47-5338851
  - 100% CF Bliss LLC[11] 87-2547198
- 100% CF Canada Franchising Company Ltd.[3] 76338 0110

Notes:
1. Chalice Brands Ltd. – Publicly traded holding company fka Golden Leaf Holdings Ltd.
2. CF Canada Franchising Company Ltd. – Non-active entity to be dissolved before 12/31/2023
3. Greenpoint Holdings Delaware, Inc. – Primary holding company in United States (U.S.)
4. Fifth and Root, Inc. – U.S. retail operations for CBD skincare line
5. Greenpoint Nevada Inc. – Nevada wholesale operation; also holds NevWa purchased assets
6. Greenpoint Oregon, Inc. – Oregon production and wholesale operations
7.Greenpoint Workforce, Inc. – Administers payroll/benefits to U.S. operating subsidiaries
8. Greenpoint Equipment Leasing, LLC – Owns/leases capital equipment for U.S. operations
9. CFA Retail LLC – Chalice retail operations in Oregon
10. SMS Ventures LLC – Homegrown retail operations in Oregon
11. CF Bliss LLC – Cannabliss & Co. retail operations in Oregon

THIS IS EXHIBIT "B" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

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Commissioner for Taking Affidavits

Entity	Store	Address
CFA Retail, LLC	Left Coast Connection	10055 NE Glisan, Portland, OR 97220
CFA Retail, LLC	Powell Chalice Farms	5333 SE Powell Blvd, Portland, OR 97206
CFA Retail, LLC	Airport Way Chalice Farms	13315 NE Airport Way, Suite 700
CFA Retail, LLC	Naito Chalice Farms	823 SW Naito Pkwy, Portland OR 97204
CFA Retail, LLC	Tigard Chalice Farms	16735 SW Pacific Hwy, Portland, OR 97224
CFA Retail, LLC	Dundee Chalice Farms	1178 N HWY 99W, Dundee, OR 97115
CFA Retail, LLC	McLoughlin Chalice Farms	5341 SE McLoughlin Blvd, Portland, OR 97202
SMS Ventures, LLC	Albany Chalice Farms (Formerly Homegrown)	921 SE 9th Ave, Albany, OR 97322
SMS Ventures, LLC	Beaverton Chalice Farms (Formerly Homegrown) (Temporary Closure Status)	6330 SW Beaverton Hillsdale Hwy, Portland OR 97221
SMS Ventures, LLC	Edgewater Chalice Farms (Formerly Homegrown)	1077 Edgewater Street NW, Salem OR 97304
SMS Ventures, LLC	Lansing Chalice Farms (Formerly Homegrown)	1803 Lansing Ave NE, Salem OR 97301
SMS Ventures, LLC	Liberty Chalice Farms (Formerly Homegrown)	2820 Liberty Street NE, Salem OR 97301
CF Bliss, LLC	Burnside Cannabliss & Co	2231 W Burnside Street, Portland, 97210
CF Bliss, LLC	Sorority House Chalice Farms (Formerly CannaBliss)	588 E 11th Ave Eugene, 97401
CF Bliss, LLC	Fire Station Chalice Farms (Formerly CannaBliss) (Temporary Closure Status)	1917 SE 7th Avenue, Portland, 97214
CF Bliss, LLC	Main Street Chalice Farms (Formerly CannaBliss)	2600 Main Street Suite E Springfield, 97477

THIS IS EXHIBIT "C" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

Holder	License Type	License Number	Description	Summary
Greenpoint Oregon, Inc.	OLCC - Producer	020-10087170927	Bald Peak Chalice Farms	Producer – cannabis cultivation
	OLCC - Processor	030-1003213EDB2	Suite 400 - Processor	Oregon processing Tozmoz
	ONI - Processor	MRL828	Suite 400 - Processor	Oregon processing Airport Way
	OLCC - Processor	030-100384161D7	Suite 700 - Processor	Oregon processing Airport Way
	ONI - Processor	MRL959	Suite 700 - Processor	Oregon processing Airport Way
	OLCC - Wholesale	060-1003227DB77	Greenpoint Oregon, Inc.	Oregon wholesale Tozmoz
	OLCC - Wholesale	060-10046405D93	Suite 700 - Wholesale	Oregon wholesale Airport Way
	ONI – Wholesale	MRL434	Suite 700 - Wholesale	Oregon wholesale Airport Way
	OLCC - Processor	030-1017201A3A9	Greenpoint Oregon, Inc.	Oregon processing Tozmoz
CFA Retail LLC	OLCC - Retailer	050-10079928B63	Dundee Chalice Farms	Retail license for Dundee, OR
	OLCC - Retailer	050-1007989F581	Powell Chalice Farms	Retail license for Portland, OR
	ONI - Retailer	MRL682	Powell Chalice Farms	Retail license for Portland, OR
	OLCC Retailer	050-10079902125	Naito Chalice Farms	Retail license for Portland, OR
	ONI - Retailer	MRL683	Naito Chalice Farms	Retail license for Portland, OR
	OLCC - Retailer	050-10079919CD9	Tigard Chalice Farms	Retail license for Tigard, OR
	OLCC - Retailer	050-1007988A80E	Airport Way Chalice Farms	Retail license for Portland, OR
	ONI - Retailer	MRL681	Airport Way Chalice Farms	Retail license for Portland, OR
	OLCC - Retailer	050-10025185011	Left Coast Connection	Retail license for Portland, OR
	ONI - Retailer	MRL205	Left Coast Connection	Retail license for Portland, OR
	OLCC - Retailer	050-1023329BEE5	McLoughlin	Retail license for Portland, OR
	ONI - Retailer	22CNB-LIC-00060	McLoughlin	Retail license for Portland, OR

SMS Ventures, LLC	OLCC - Retailer	050-1016990CA13	Albany	Retail license for Albany, OR
	OLCC - Retailer	050-10169911EE0	Beaverton	Retail license for Beaverton, OR
	ONI - Retailer	MRL22155	Beaverton	Retail license for Beaverton, OR
	OLCC - Retailer	050-10169922BD5	Edgewater	Retail license for Salem, OR
	OLCC - Retailer	050-1016993F313	Lansing	Retail license for Salem, OR
	OLCC - Retailer	050-1016995D03E	Liberty	Retail license for Salem, OR
CF Bliss, LLC	OLCC - Retailer	050-10184368093	Burnside	Retail license for Portland, OR
	ONI - Retailer	MRL22372	Burnside	Retail license for Portland, OR
	OLCC - Retailer	050-10184402F3F	Sorority House	Retail license for Eugene, OR
	OLCC - Retailer	050-10184421855	Fire Station	Retail license for Portland, OR
	ONI - Retailer	MRL22371	Fire Station	Retail license for Portland, OR
	OLCC - Retailer	050-10184449F91	Main Street	Retail license for Springfield, OR

Holder	License Type	License Number	Description	Summary
Greenpoint Nevada Inc.	Adult-use Cultivation	RC045	Sparks Cultivation	Cultivation - Paused
	Medical Cultivation	C045	Sparks Cultivation	Cultivation - Paused
	Adult-use Production	RP027	Sparks Processing	Processing - Paused
	Medical Processing	P027	Sparks Processing	Processing - Paused

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Commissioner for Taking Affidavits

Ontario Securities Commission | Commission des valeurs mobilières de l'Ontario | P.O. Box 55, 22nd Floor 20 Queen Street West Toronto ON M5H 3S8 | CP 55, 22e étage 20, rue queen ouest Toronto ON M5H 3S8

IN THE MATTER OF

CHALICE BRANDS LTD. (the **Issuer**)

CEASE TRADE O R D E R
Under the securities legislation of Ontario (Legislation)

Background

1. This is the order of the Ontario Securities Commission (the **Decision Maker**).

2. The Issuer has not filed the following periodic disclosure required by the Legislation:

- audited annual financial statements for the year ended December 31, 2021;
- management's discussion and analysis relating to the audited annual financial statements for the year ended December 31, 2021; and
- certification of the foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

3. As a result of this order, if the Issuer is a reporting issuer in a jurisdiction in which Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions* applies, a person or company must not trade in or purchase a security of the issuer in that jurisdiction, except in accordance with the conditions that are contained in this order, if any, for so long as this order remains in effect.

4. Further, this order takes automatic effect in each jurisdiction of Canada that has a statutory reciprocal order provision, subject to the terms of the local securities legislation.

Interpretation

Terms defined in the Legislation, National Instrument 14-101 *Definitions* or National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* have the same meaning if used in this order, unless otherwise defined.

Order

5. The Decision Maker is satisfied that the decision concerning the cease trade meets the test set out in the Legislation to make this decision.

6. It is ordered under the Legislation that trading, whether direct or indirect, cease in respect of each security of the Issuer.

7. Despite this order a beneficial security holder of the Issuer who is not, and was not at the date of this order, an insider or control person of the Issuer, may sell securities of the Issuer acquired before the date of this order if both of the following apply:

(a) the sale is made through a "foreign organized regulated market", as defined in section 1.1 of the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; and

(b) the sale is made through an investment dealer registered in a jurisdiction of Canada in accordance with applicable securities legislation.

DATED at Toronto this 6th day of May, 2022.

Ontario Securities Commission

'Lina Creta'

Lina Creta
Manager
Corporate Finance Branch

THIS IS EXHIBIT "E" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

Consolidated Financial Statements of

CHALICE BRANDS LTD.

For the years ended December 31, 2021 and 2020

(Expressed in U.S. Dollars)

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CHALICE BRANDS LTD.

Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chalice Brands Ltd.

Opinion

We have audited the consolidated financial statements of Chalice Brands Ltd. (or the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and comprehensive loss, changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of Chalice Brands Ltd. as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with *International Financial Reporting Standards*.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Chalice Brands Ltd. in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the Financial Statements, which indicates that the Company has an accumulated deficit as at December 31, 2021 of $167,329,490 and has not generated revenue in excess of expenses. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on Chalice Brands Ltd.'s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Other Matter

The Company's consolidated financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 21, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the Financial Statements does not cover the other information and does not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with *International Financial Reporting Standards*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Chalice Brands Ltd. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Chalice Brands Ltd.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chalice Brands Ltd.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Chalice Brands Ltd. to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Lafley.

M&K CPAS, PLLC

Houston, TX

May 25, 2023

M&K CPAS, PLLC

CHALICE BRANDS LTD.

Consolidated Statements of Financial Position
As of December 31, 2021 and December 31, 2020
(Expressed in U.S. dollars)

		December 31, 2021	December 31, 2020
ASSETS			
CURRENT			
Cash		$ 4,795,535	$ 905,149
Accounts receivable, net	Note 6	1,177,087	108,308
Other receivables	Note 6	-	737,185
Notes receivable		-	919,488
Biological assets	Note 7	612,793	455,045
Inventory	Note 7	3,371,630	2,304,501
Prepaid expenses and deposits		890,554	465,113
Total current assets		10,847,599	5,894,789
Property, plant and equipment, net	Note 8	2,916,221	2,361,357
Other receivables	Note 6	189,257	836,235
Right-of-use assets, net	Note 9	5,232,838	4,132,035
Intangible assets, net	Note 10	10,226,858	10,737,423
Goodwill	Note 10	3,537,228	4,056,172
Total assets		$ 32,950,001	$ 28,018,011
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		$ 4,181,553	$ 3,432,525
Income taxes payable	Note 24	2,648,527	1,003,604
Deferred income tax payable	Note 24	-	55,039
Sales tax payable		961,894	217,789
Current portion of long-term debt	Note 12	27,399	22,171
Current portion of notes payable	Note 12	549,752	119,533
Convertible debentures carried at fair value, current	Note 11	3,087,820	5,575,273
Consideration payable - cash portion	Note 12	798,276	-
Consideration payable - equity portion	Note 12	4,527,000	-
Lease liability	Note 9	963,259	949,496
Total current liabilities		17,745,480	11,375,430
Notes payable	Note 12	1,853,998	-
Deferred tax liability	Note 24	320,708	-
Long-term debt	Note 12	112,748	134,675
Long-term lease liability	Note 9	5,439,599	4,372,395
Warrant liability	Note 13	535,066	-
Convertible debentures carried at fair value	Note 11	2,272,126	-
Consideration payable - cash portion	Note 12	1,567,687	1,824,533
Consideration payable - equity portion	Note 12	-	4,838,780
Total liabilities		29,847,412	22,545,813
EQUITY			
Share capital	Note 14	162,916,916	149,754,502
Warrant reserve	Note 15	223,044	1,079
Share option reserve	Note 16	5,097,547	4,070,474
Contributed surplus		2,329,997	2,329,997
Deficit		(167,402,850)	(150,683,854)
Equity attributable to shareholders of the Company		3,164,654	5,472,198
Equity attributable to noncontrolling interests		(62,065)	-
Total equity		3,102,589	5,472,198
Total liabilities and equity		$ 32,950,001	$ 28,018,011

Going concern (Note 2)
See accompanying notes to these consolidated financial statements.

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CHALICE BRANDS LTD.

Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in U.S. dollars)

		For the years ended December 31,			
			2021		2020
Revenues					
Product sales	Note 22	$	25,958,526	$	20,611,519
Royalty and other revenue	Note 22		2,550,469		1,297,637
Total Revenue			28,508,995		21,909,156
Inventory expensed to cost of sales	Note 7,22		17,400,699		14,895,074
Gross margin, excluding fair value items			11,108,296		7,014,082
			39%		32%
Fair value changes in biological assets included in inventory sold	Note 7,22		931,345		(96,689)
(Gain) loss on changes in fair value of biological assets	Note 7,22		(1,392,627)		353,059
Gross profit			11,569,578		6,757,712
			40.6%		30.8%
Expenses					
General and administration			12,115,303		8,751,850
Share-based compensation	Note 16		1,515,621		637,669
Sales and marketing			1,740,780		1,942,066
Depreciation and amortization	Note 8,10		1,007,232		1,011,315
Total expenses			16,378,936		12,342,900
Loss before items noted below			(4,809,358)		(5,585,188)
Interest expense	Note 9,11,12		1,351,367		2,282,335
Transaction costs			733,192		61,164
Loss on disposal of assets	Note 8		6,233		293,171
Impairment charges	Note 10		13,643,929		-
Other loss (gain)			113,988		(70,784)
Loss on change in fair value of convertible debentures	Note 11		288,495		922,137
Gain on change in fair value of warrant liabilities	Note 13,15		(5,495,683)		-
Gain on change in fair value of derivative liabilities	Note 11		-		-
Gain on debt extinguishment	Note 11		(416,686)		-
Loss before income taxes			(15,034,193)		(9,073,211)
Current income tax expense	Note 24		1,931,713		955,599
Net loss			(16,965,906)		(10,028,810)
Comprehensive Loss attributable to:					
Owners of the Company			(16,913,221)		
Non-controlling interest			(52,685)	$	-
Total Comprehensive loss		$	(16,965,906)	$	(10,028,810)
Basic and diluted loss per share from continuing operations		$	(0.30)	$	(0.26)
Weighted average number of common shares outstanding			57,274,872		37,990,606

See accompanying notes to these consolidated financial statements.

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CHALICE BRANDS LTD.

Consolidated Statements of Changes in Shareholders' Equity
As of December 31, 2021 and December 31, 2020
(Expressed in U.S. dollars)

	Share Capital	Warrant Reserve	Stock compensation reserve	Contributed surplus	Deficit	Total equity
Balance, January 1, 2020	$ 147,763,499	$ 1,980,217	$ 4,181,350	$ 59,940	$ (143,383,806)	$ 10,601,200
Issuance of common shares (Note 14)	1,991,003	-	-	-	-	1,991,003
Consideration payable restructuring (Note 12)	-	-	-	2,270,057	-	2,270,057
Share-based compensation (Note 16)	-	-	637,669	-	-	637,669
Issuance of warrants (Note 15)	-	1,079	-	-	-	1,079
Expiry of warrants and stock options (Note 15, 16)	-	(1,980,217)	(748,545)	-	2,728,762	-
Net loss and comprehensive loss for the year	-	-	-	-	(10,028,810)	(10,028,810)
Balance at December 31, 2020	$ 149,754,502	$ 1,079	$ 4,070,474	$ 2,329,997	$ (150,683,854)	$ 5,472,198

	Share Capital	Warrant Reserve	Convertible debenture equity reserve	Stock compensation reserve	Contributed surplus	Deficit	Non-controlling interest ("NCI")	Total equity
Balance, January 1, 2021	$ 149,754,502	$ 1,079	$ -	$ 4,070,474	$ 2,329,997	$ (150,683,854)	$ -	5,472,198
Issuance of common shares (Note 14)	10,074,377	-	-	-	-	-	-	10,074,377
Debenture conversions (Note 11)	2,866,798	-	-	-	-	-	-	2,866,798
Equity reserve on conversion feature of debentures	-	-	-	-	-	-	-	-
Issuance of warrants (Note 15)	-	255,549	-	(328,233)	-	-	-	(72,684)
Share-based compensation (Note 16)	221,239	-	-	1,515,621	-	-	-	1,736,860
Warrants exercised	-	-	-	-	-	-	-	-
Expiry of warrants and stock options (Note 15, 16)	-	(33,584)	-	(160,315)	-	194,225	-	326
Acquisition of a subsidiary with NCI (Note 23)	-	-	-	-	-	-	(9,380)	(9,380)
Net loss and comprehensive loss for the year	-	-	-	-	-	(16,913,221)	(52,685)	(16,965,906)
Balance at December 31, 2021	$ 162,916,916	$ 223,044	$ -	$ 5,097,547	$ 2,329,997	$ (167,402,850)	$ (62,065)	$ 3,102,589

See accompanying notes to these consolidated financial statements.

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CHALICE BRANDS LTD.

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in U.S. dollars)

		For the years ended December 31,	
		2021	2020
Cash (used in) provided by:			
OPERATING ACTIVITIES			
Net loss		$ (16,965,906)	$ (10,028,810)
Depreciation of property, plant and equipment	Note 8	1,010,969	1,251,262
Amortization of intangible assets	Note 10	177,814	-
Lease amortization	Note 9	781,310	766,542
Loss on disposal of assets		3,337	293,171
Reserve for obsolete inventory	Note 7	236,115	(112,157)
Non-cash interest and accretion expense	Note 11	1,351,367	2,282,335
Bad debt expense	Note 6	815,362	84,864
Share-based compensation	Note 16	1,515,621	637,669
Transaction costs		733,192	61,164
Gain on debt extinguishment	Note 11	(537,841)	-
Gain on fair value adjustment to warrant liabilities	Note 13	(5,512,653)	
Loss on fair value adjustment to convertible debentures	Note 11	288,495	922,137
(Gain) loss on fair value of biological assets	Note 7	(461,282)	256,370
Impairment of goodwill and intangible assets	Note 10	13,643,929	-
Other non-cash transactions		(97,336)	174,753
Changes in working capital items			
Accounts receivable	Note 6	(1,151,298)	(25,994)
Other receivables	Note 6	(112,263)	(737,185)
Inventory	Note 7	(266,023)	37,466
Prepaid expenses and deposits		(389,228)	(47,434)
Accounts payable and accrued liabilities		(638,212)	1,812,982
Income tax payable	Note 24	1,910,592	883,825
Sales tax payable		744,105	30,269
Cash used in operating activities		(2,919,834)	(1,456,771)
INVESTING ACTITIVES			
Purchase of property, plant and equipment	Note 8	(779,458)	(168,750)
Acquisitions, net of cash acquired	Note 23	(6,543,561)	-
Cash used in investing activities		(7,323,019)	(168,750)
FINANCING ACTIVITIES			
Issuance of common shares	Note 14	12,162,342	-
Payment of share issuance costs	Note 14	(434,755)	-
Payment of lease liabilities	Note 9	(1,420,890)	(764,068)
Proceeds from notes receivable		919,488	-
Convertible debentures	Note 11	3,240,387	-
Repayment of long-term debt	Note 12	-	(116,464)
Payments of interest portion of consideration payable	Note 12	(333,333)	(120,000)
Cash provided by (used) in financing activities		14,133,239	(1,000,532)
Increase in cash during the period		3,890,386	(2,626,053)
Cash, beginning of period		905,149	3,531,202
Cash, end of period		$ 4,795,535	$ 905,149

See accompanying notes to these consolidated financial statements.

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CHALICE BRANDS LTD.

Notes to the Consolidated Financial Statements
(Expressed in U.S. dollars, unless otherwise stated)
For the years ended December 31, 2021 and 2020

1. Incorporation and operations

Chalice Brands Ltd. ("Chalice" or the "Company") is a publicly traded corporation, incorporated in Canada, operating primarily in the Oregon and California markets. The Company's shares are listed on the Canadian Securities Exchange under the trading symbol "CHAL" as well as the OTCQB under the trading symbol "CHALF."

The Company is in the business of producing, distributing and retailing cannabis products within the Oregon adult-use regulated market and licensing its brands in the California and Washington adult-use regulated markets, primarily through its main operating subsidiaries, Greenpoint Oregon, Inc., CFA Retail LLC and SMS Ventures LLC.

As of May 25, 2021, the Company's share consolidation became effective. The Company's common shares have been consolidated on a basis of 23 pre-consolidation shares to 1 post-consolidation share. At the beginning of trading on May 25, 2021, the Company had 59,081,260 common shares outstanding. All shares in these consolidated financial statements reflect post-consolidation share amounts.

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2. Going concern and COVID-19

The 2020 outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and has impacted worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: required compliance with enhanced federal employee benefits regulations, intermittent supply chain disruptions and cash management challenges. The extent to which these events may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the United States ("U.S.") and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine the ultimate financial impacts at this time.

The Company has been incurring operating losses and cash flow deficits since its inception. The cannabis industry in Oregon and nationwide has been experiencing broad market challenges due to the inflationary environment, continued protraction of expected federal regulatory reforms and commodity price volatility. These headwinds have weakened the Company's results throughout 2022. The Company has made significant reductions in headcount and inventory procurement and has renegotiated or paused certain ongoing contractual obligations such as lease payments, earn-out payments, and debt service in an effort to continue to navigate this period of depressed revenues; however, working capital deficits persist and some obligations are in default.

The Company may need to raise additional funds to cover revenue shortfalls. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under acceptable terms.

2. Going concern and COVID-19 (continued)

In July 2022, the Company began to reduce its payments due to the former owners of Chalice Farms under its earn-out obligations. No formal notice of default has been issued. Management and the debt holders communicate regularly to work through a plan to resolve these obligations.

Historically the Company has exercised its option to pay interest in kind on its convertible debentures by issuing common shares based on the terms outlined in its indenture; however, the Company was unable to issue shares due to its cease trade order and determined it could not pay these interest payments in cash due. A special meeting was held on November 16, 2022, at which the holders of its convertible debentures issued pursuant to an indenture dated as of November 18, 2018, agreed to waive default and to extend the maturity date of the debentures to November 16, 2024, in addition to extending the due date for interest payments to June 30, 2023. A resolution was passed on January 23, 2023, in which the holders of convertible debentures issued pursuant to indenture dated November 23, 2021, agreed to waive the interest payment defaults for interest not paid that was due on June 30, 2022, and December 31, 2022.

These circumstances indicate the existence of material uncertainty regarding the appropriateness of the use of the accounting principles applicable to a going concern. The accompanying consolidated financial statements have been prepared on a going concern basis that assumed the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future and does not reflect the adjustments to assets and liabilities that would be necessary if it were unable to obtain adequate financing. Such adjustments could be material.

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3. Statement of compliance

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards ("IFRS")* as issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

These consolidated financial statements have been approved by the Company's Board of Directors on May 25, 2023.

4. Significant accounting policies

Basis of presentation

These consolidated financial statements are presented in U.S. dollars, the Company's presentation currency. The functional currency of the Company's subsidiaries is U.S. dollars. The parent company's functional currency is the Canadian dollar. All amounts presented are in U.S. dollars unless otherwise noted.

The consolidated financial statements have been prepared using the accrual basis except for cash flow information. The accounting policies set out below have been applied consistently to all periods. Certain prior period amounts have been reclassified to be consistent with current period presentation.

CHALICE BRANDS LTD.

Notes to the Consolidated Financial Statements
(Expressed in U.S. dollars, unless otherwise stated)
For the years ended December 31, 2021 and 2020

4. Significant accounting policies (continued)

Basis of consolidation

These consolidated financial statements as of December 31, 2021 and 2020 comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries as defined by *IFRS 10, "Consolidated Financial Statements"*. Control is achieved when the Company:

- has power over the investee
- is exposed or has right to variable returns from its involvements with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the three elements of control listed above.

Non-controlling interests in the net assets are identified separately from the Company's deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the noncontrolling interest's share of changes in equity or deficiency since the date of acquisition.

The Company consolidates the financial statements of the following entities:

Subsidiary	Place of incorporation	2021 Effective ownership %	2020 Effective ownership %	Principal activity
Greenpoint Holdings Delaware, Inc.	Oregon	100%	100%	Holding company in the U.S. and parent of all the entities below except for CBN Holdings, Inc., which is owned directly by the Company
Greenpoint Oregon, Inc.	Oregon	100%	100%	Cannabis production, distribution, and sales
CFA Retail LLC	Oregon	100%	100%	Retail Cannabis sales
Greenpoint CBD LLC	Nevada	100%	100%	Industrial hemp processing
Greenpoint Real Estate LLC	Oregon	100%	100%	Ownership, administration, and leasing of real estate
GL Management Inc.	Nevada	100%	100%	Ownership and administration of intellectual property
Greenpoint Equipment Leasing, LLC	Oregon	100%	100%	Ownership and leasing of capital equipment
Greenpoint Nevada Inc.	Nevada	100%	100%	Cannabis production, distribution, and sales
Greenpoint Workforce, Inc.	Oregon	100%	100%	Payroll and benefits services to operating subsidiaries in the U.S.
CF Greenpoint CA, Inc.	California	100%	100%	Management of non-retail operations in California
CF U.S. Franchising Company	Oregon	100%	100%	Management of franchising activities in the U.S.
Fifth and Root, Inc.	California	80%	0%	Sales of CBD skincare products
SMS Ventures LLC	Oregon	100%	0%	Retail Cannabis sales
CBN Holdings, Inc.	Nevada	100%	0%	Holding company in the U.S.
CF Bliss LLC	Oregon	100%	0%	Holding company in the U.S.

All intercompany transactions and balances with subsidiaries have been eliminated upon consolidation. All entities in the group have the same reporting period.

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CHALICE BRANDS LTD.

Notes to the Consolidated Financial Statements
(Expressed in U.S. dollars, unless otherwise stated)
For the years ended December 31, 2021 and 2020

4. Significant accounting policies (continued)

Foreign currency transactions

For all subsidiaries, the functional currency is the U.S. Dollar. The Company's functional currency is the U.S. dollar. Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statements of operations and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Property, plant, and equipment

Property, plant, and equipment are measured at cost, less accumulated depreciation, and any accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of operations and comprehensive loss.

Expenditures to replace a component of an item of property, plant or equipment that is accounted for separately is capitalized and the existing carrying amount of the component written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in the statement of operations and comprehensive loss as incurred.

Depreciation is charged to the income statement based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life. Depreciation commences when the assets are available for use. The estimated useful lives are as follows, with leasehold improvements being the shorter of the life of the improvement or the remaining life of the lease:

Production equipment	5 - 7 years
Furniture and fixtures	4 - 6 years
Vehicles	5 years
Computer equipment	3 - 5 years
Computer software	3 years
Leasehold improvements	3 - 10 years

Assets for which a management decision has been made to advertise for sale on the open market and are expected to be sold in a twelve-month period are adjusted to fair value less costs to sell and reclassified to current assets.

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4. Significant accounting policies (continued)

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. For indefinite life intangible assets, impairment testing is required to be performed at least annually or more frequently when there are indicators of impairment. The recoverable amount is the greater of value-in-use and fair value less costs of disposal. Determining the value-in-use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). Refer to Note 10 for the results of the Company's annual indefinite life intangible assets.

Leases

Under *IFRS 16 – Leases*, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position. The right-of-use asset is subsequently measured at this cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The Company excludes common area maintenance and sales-based rent from the lease components as these are considered variable costs and accordingly, are expensed as incurred.

Intangible assets other than goodwill

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date (which is regarded as their initial cost).

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. Amortization of intangible assets begins when the asset becomes available for use. Brands, licenses, and customer relationships are amortized over 10 years, which reflect the useful lives of the intangible assets.

At the end of each fiscal year, the Company reviews the intangible assets' estimated useful lives and amortization methods, with the effect of any changes in estimates accounted for on a prospective basis.

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4. Significant accounting policies (continued)

The Company performs annual impairment tests for impairment of intangible assets with indefinite lives in the fourth quarter of each fiscal year or when events occur or circumstances change that would, more likely than not, indicate an impairment loss is present. Key assumptions in the impairment assessment include underlying recoverable amounts of respective CGUs, the discount rates applied, future growth rates and forecast cash flows. Refer to Note 10 for the results of the Company's annual indefinite life intangible assets.

Inventories

Inventories for resale and supplies and consumables are measured at the lower of cost and net realizable value with cost determined on an average basis. Net realizable value is the estimated selling price in the normal course of business, less any costs to complete and sell the goods. The cost of inventory includes expenditures incurred in acquiring raw materials, production and conversion costs, depreciation and other costs incurred in bringing them to their existing location and condition. Inventories of harvested work-in-process and finished goods are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biological assets

The Company's biological assets consist of cannabis plants in various stages of growth. Biological assets are valued in accordance with *International Accounting Standard ("IAS") 41 Agriculture* and are presented at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Since actively traded commodity market prices are not available for cannabis plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3). Unrealized fair value changes on growth of biological assets are recorded in a separate line on the face of the consolidated statement of operations. See Note 7 for additional information on biological assets.

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Revenue recognition

IFRS 15 – Revenue from Contracts with Customers utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The *IFRS 15* model contains the following five-step contract-based analysis of transactions guiding revenue recognition:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue comprises the fair value of consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of returns and discounts.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

For product sales of cannabis and cannabis derivative products, the Company transfers control and satisfies its performance obligation when collection has taken place, compliant documentation has been signed and the product was accepted by the buyer.

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4. Significant accounting policies (continued)

The Company provides revenue data by its operating and geographical segments: Oregon and Corporate and Other, which includes corporate costs and revenues from certain agreements. Refer to Note 22 for segment information disclosures.

Income taxes

The Company follows the deferred tax method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Deferred tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Offsetting of deferred tax assets and liabilities occurs when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company's subsidiaries, Greenpoint Holdings Delaware, Inc., Greenpoint Oregon, Inc., Greenpoint Nevada Inc., CFA Retail LLC, Greenpoint Workforce, Inc., SMS Ventures LLC (dba Homegrown Oregon), and CF Bliss LLC are subject to U.S. *Internal Revenue Code ("IRC") §280E*. This section disallows deductions and credits attributable to a trade or business trafficking in controlled substances. Under U.S. tax, marijuana is a Schedule I controlled substance. The Company has taken the position that any costs included in the cost of goods sold should not be treated as amounts subject to *IRC §280E*, as cost of goods sold are specifically excluded from *IRC §280E*.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that does not affect either taxable income or net income before taxes. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Current and deferred tax are recognized in the statement of operations, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accounts receivable

Accounts receivable are measured at amortized cost net of allowance for uncollectible amounts. The Company determines its allowance based on several factors, including length of time an account is past due, the customer's previous loss history, and the ability of the customer to pay its obligation to the Company. The Company writes off receivables when they become uncollectible.

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CHALICE BRANDS LTD.

4. Significant accounting policies (continued)

Financial instruments

The following is the Company's accounting policy for financial instruments under *IFRS 9 – Financial Instruments*:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition.

The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. Other equity instruments are classified on the day of acquisition; the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost. Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Amortized cost is determined using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and allocating interest expense over the relevant period. The Company's accounts receivable, notes receivable, accounts payable and accrued liabilities, long-term debt, and notes payable are classified at amortized cost. Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets and liabilities at FVTPL. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations in the period in which they arise. The Company's convertible debentures, derivative liabilities, and warrants not classified as equity are classified as financial liabilities at FVTPL.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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4. Significant accounting policies (continued)

(iv) Derecognition

Financial assets. The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations.

Convertible debentures

The Company applies the guidance of *IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition* and *Measurement* and *IAS 32: Financial Instruments: Presentation* to evaluate the accounting for the convertible debentures. Convertible notes are typically analysed as giving rise to one of the following three types of financial instruments:

- A compound financial instrument (consisting of liability and equity components)
- A hybrid financial liability (consisting of a host liability and a derivative), or
- A financial liability in its entirety.

A financial instrument is classified as equity if the ‘fixed-for-fixed’ criterion is met: a contract that will be settled by the entity delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash is an equity instrument. The Company’s convertible debentures do not meet the ‘fixed-for-fixed’ criteria and are classified as a hybrid financial liability composed of a host liability and a derivative related to the equity conversion option. The Company has elected to hold its convertible debentures at FVTPL at inception and each measurement period.

Basic and diluted loss per common share

Basic loss per share (“EPS”) is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury method of calculating the weighted average number of common shares outstanding, except that the if-converted method is used in assessing the dilution impact of convertible notes. The treasury method assumes that outstanding stock options and warrants with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period. The if-converted method assumes that all convertible notes have been converted in determining diluted EPS if they are in-the-money except where such conversion would be anti-dilutive (Note 17).

Warrants

Warrants issued that fall within the scope of *IFRS 9 – Financial Instruments* are equity only to the extent they meet the fixed-for-fixed criteria which requires the exercise price be denominated in the same functional currency as that of the issuing entity. If warrants are issued in a currency other than the entity’s functional currency, they are classified as a financial liability and must be measured at FVTPL.

The Company is required to make certain estimates when determining the fair value of warrants. The Company uses the Black-Scholes pricing model to determine the fair value. The Black-Scholes option pricing model requires the input of subjective assumptions, such as stock price volatility (Note 15).

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CHALICE BRANDS LTD.

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4. Significant accounting policies (continued)

Share-based payments

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share-based payments granted to non-employees the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. Consideration paid by employees or nonemployees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital (Note 16).

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs. Acquisition-related costs are expensed as incurred.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustment against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant policy. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. For the purposes of impairment testing, goodwill is allocated to each of the Company's CGUs (or groups of CGUs) that are expected to benefit from the combination.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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5. Critical judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with *IFRS* requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Key Sources of Estimation Uncertainty

Allowance for doubtful accounts

The Company makes an assessment of whether accounts receivable are collectible from customers. Accordingly, the Company establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit-worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected (Note 6).

Useful lives of equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these facts and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets. In addition, the assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets. (Note 8).

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Share-based payment transactions and warrants

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. (Note 13,15,16).

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty. The Company uses consistent valuation methodologies by third party experts to determine the fair value of financial assets and liabilities such as convertible debentures held at fair value. Refer to Note 21 for information on methodology and key assumptions.

5. Critical judgments and key sources of estimation uncertainty (continued)

Valuation of inventory

The valuation of the Company's inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. When determining whether there is excess, slow-moving, or obsolete inventory, the Company utilizes assumptions around future demand and production forecasts, which are then compared to current inventory levels. The Company also makes assumptions around future pricing and considers historical experience and the application of the specific identification method for identifying obsolete inventory. If the assumptions around future demand for our inventory are more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

Fair value and useful lives of intangible assets

Determining the fair value of intangible assets acquired in business combinations and asset purchases requires management to make assumptions and estimates about future events, future cash flows, underlying recoverable value of equity, weighted average cost of capital and other inputs.

The Company uses judgment to determine the useful life of licenses and brands and has determined that a life of 60 months is most appropriate for its licenses and brands. The useful lives of these licenses and brands are reviewed periodically for changes in the estimated useful lives. Refer to Note 10.

Impairment of non-financial assets

Non-financial assets include property, plant, equipment, and intangible assets and goodwill. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate. Refer to Note 10.

Biological assets

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost versus net realizable value. Refer to Note 7.

Going Concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions that raise substantial doubt could affect the Company's ability to continue as a going concern. Further information regarding going concern is outlined in Note 2.

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5. Critical judgments and key sources of estimation uncertainty (continued)

COVID-19

The 2020 outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and has impacted worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus.

As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: required compliance with enhanced federal employee benefits regulations, intermittent supply chain disruptions and cash management challenges. The extent to which these events may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the U.S. and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine the ultimate financial impacts at this time.

Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Refer to Note 24.

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6. Accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Accounts Receivable	$ 1,437,727	$ 293,805
Allowance for doubtful accounts	(260,640)	(185,497)
	$ 1,177,087	$ 108,308

Continuity of allowance for doubtful accounts

	December 31, 2021	December 31, 2020
Beginning balance	$ 185,497	$ 378,094
Increase in provision for doubtful accounts	33,990	22,864
Provision used for write-off of receivables	41,153	(215,461)
	$ 260,640	$ 185,497

All of the Company's accounts receivable have been reviewed for indicators of impairment. Accounts receivable more than 90 days past due totaled $167,252 and $165,764 as of December 31, 2021 and 2020, respectively. Amounts at risk of collection have been provided for in the allowance for doubtful accounts.

Other receivables were $189,257 and $1,573,420 of December 31, 2021 and 2020, respectively. Included in this balance were long-term receivables of $189,257 and $836,235 as of December 31, 2021 and 2020, respectively, representing facility lease deposits and a note receivable from funds advanced via short-term secured promissory notes to Tozmoz, LLC ("Tozmoz"), carrying interest rates ranging from 8-15% and secured primarily by the production equipment owned by Tozmoz.

6. Accounts receivable and other receivables (continued)

Notes receivable offset by inventory related deposits totaling $656,718 were forgiven as part of the consideration of the Tozmoz acquisition, which closed in December 2021. See Note 23.

Other receivables totaling $778,950 owed to the Company as a result of contract manufacturer arrangements in California as of December 31, 2020, were written off as bad debt expense entirely as of December 31, 2021.

7. Biological assets and inventory

The Company's biological assets consist of cannabis plants that are cultivated at the Company's own grow facilities. The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on the selling price less any costs to sell up to the point of harvest.

For biological assets that are still growing, the fair value ascribed to them is the fair value less cost to sell at point of harvest, where the cost to sell is estimated based on the percentage of completion for the growing plants.

In determining the fair value of biological assets, management is required to make several estimates with respect to significant unobservable inputs, including the expected yields for the cannabis plants, the selling price of dry cannabis, the stage of plant growth relative to the harvest date, wastage and costs to sell. Estimated yield per plant varies by strain and is obtained through historical growing results or grower estimate if historical results are not available. The Company used 133 grams per plant in the valuation of biological assets as of December 31, 2021 (December 31, 2020 – 136 grams). The listed selling price of dry cannabis varies by strain and is obtained through listed selling prices or estimated selling prices if historical results are not available. The Company used a price of $2.45 per gram of biological assets as of December 31, 2021 (December 31, 2020 - $2.07 per gram). Fair value at the point of harvest is estimated based on the selling price less any costs to sell at harvest.

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The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were key inputs used by management in determining the fair value of biological assets:

- Selling price per gram – calculated as the weighted average selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices. As of December 31, 2021, and December 31, 2020, these prices represented the ultimate selling prices to wholesale buyers.
- Stage of growth – represents the weighted average number of weeks out of the 15-week growing cycle that biological assets have reached as of the measurement date.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant.
- Wastage – represents the weighted average percentage of biological assets which are expected to be destroyed due to failure to mature into cannabis plants that can be harvested.

As of December 31, 2021, on average, the biological assets were 56% complete as to the next expected harvest date (December 30, 2020 – 45%).

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7. Biological assets and inventory (continued)

The following tables quantifies averages for each significant unobservable input and also provides the impact a 10% increase or decrease that each input would have on the fair value of biological assets:

		Effect on Fair Value as at December 31, 2021	
Significant Inputs and Assumptions	December 31, 2021	Decrease 10%	Increase 10%
Selling price per gram	$ 2.45	$ (76,640)	$ 76,640
Stage of growth	7 weeks	$ (19,451)	$ 19,451
Estimated yield per plant	133 grams	$ (62,617)	$ 62,617
Wastage	23%	$ 12,541	$ (12,541)

		Effect on Fair Value as at December 31, 2020	
Significant Inputs and Assumptions	December 31, 2020	Decrease 10%	Increase 10%
Selling price per gram	$ 2.07	$ (45,286)	$ 45,286
Stage of growth	6 weeks	$ (56,151)	$ 56,151
Estimated yield per plant	136 grams	$ (45,505)	$ 45,505
Wastage	1%	$ (471)	$ 471

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During the years ended December 31, 2021 and 2020, the Company recognized a gain of $1,392,627 and a loss of $353,059, respectively, on the change in fair market value of biological assets.

This gain or loss was calculated using a periodic change in value based on plant count and estimated value of the various products from the plants.

The Company's biological assets as of December 31, 2021 and 2020 are comprised of:

Biological assets		
Balance, January 1, 2020	$	88,078
Loss on fair value of biological assets		(353,059)
Increase in biological assets due to capitalized costs		1,313,270
Transfer to finished goods		(593,244)
Balance, December 31, 2020	$	455,045
Gain on fair value of biological assets		1,392,627
Increase in biological assets due to capitalized costs		1,545,972
Transfer to finished goods		(2,780,851)
Balance, December 31, 2021	$	612,793

Inventory consists of cannabis flower, concentrated products such as oils and edibles, packaging, trim, and paraphernalia. Inventory costs are costs incurred to bring inventory to the condition and location of sale and include labor, packaging, transportation, depreciation of equipment, and other related costs.

During the years ended December 31, 2021 and 2020, $938,079 and $1,006,488 of depreciation and lease amortization was allocated to inventory, respectively. Any costs incurred to bring inventory to the condition and location of sale are included in the cost of inventory. Inventory expensed to cost of sales for the years ended December 31, 2021 and 2020 was $17,400,699 and $14,895,074, respectively.

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7. Biological assets and inventory (continued)

The Company's inventory as of December 31, 2021 and 2020 consists of:

	December 31, 2021	December 31, 2020
Raw materials	$ 395,123	$ 376,025
Work-in-process	$ 1,079,705	656,459
Finished goods	$ 1,896,802	1,272,017
Balance, December 31, 2021	$ 3,371,630	$ 2,304,501

As of December 31, 2021 and 2020, the Company also recorded a general reserve for excess and obsolete inventory in the amount of $236,115 and $164,347, respectively.

8. Property, plant and equipment

Total depreciation expense for the years ending December 31, 2021 and 2020 was $1,010,969 and $1,251,262, respectively.

	Production equipment	Leasehold improvements	Computer Equipment and Software	Furniture and Fixtures	Vehicles	Total
Cost						
Balance, December 31, 2020	$ 2,507,279	$ 4,174,454	$ 337,053	$ 995,292	$ 217,380	$ 8,231,458
Additions	1,369,808	-	93,686	65,320	131,906	1,660,720
Dispositions	(51,026)	(80,655)	(40,565)	(55,661)	-	(227,907)
Balance, December 31, 2021	$ 3,826,061	$ 4,093,799	$ 390,174	$ 1,004,951	$ 349,286	$ 9,664,271
Accumulated Depreciation						
Balance, December 31, 2020	$ (1,852,820)	$ (2,700,105)	$ (270,863)	$ (899,725)	$ (146,588)	$ (5,870,101)
Expense	(366,802)	(515,823)	(41,118)	(62,667)	(24,559)	(1,010,969)
Dispositions	46,556	-	38,675	47,789	-	133,020
Balance, December 31, 2021	$ (2,173,066)	$ (3,215,928)	$ (273,306)	$ (914,603)	$ (171,147)	$ (6,748,050)
Carrying amount						
At December 31, 2020	$ 654,459	$ 1,474,349	$ 66,190	$ 95,567	$ 70,792	$ 2,361,357
At December 31, 2021	$ 1,652,995	$ 877,871	$ 116,868	$ 90,348	$ 178,139	$ 2,916,221

	Production equipment	Leasehold improvements	Computer Equipment and Software	Furniture and Fixtures	Vehicles	Total
Cost						
Balance, January 1, 2020	$ 2,594,761	$ 4,562,815	$ 311,579	$ 991,435	$ 141,862	$ 8,602,452
Additions	54,273	75,093	25,474	10,062	75,518	240,420
Dispositions	(141,755)	(463,454)	-	(6,205)	-	(611,414)
Balance, December 31, 2020	$ 2,507,279	$ 4,174,454	$ 337,053	$ 995,292	$ 217,380	$ 8,231,458
Accumulated Amortization						
Balance, January 1, 2020	$ (1,503,306)	$ (2,263,650)	$ (212,181)	$ (770,746)	$ (129,080)	$ (4,878,963)
Expense	(439,272)	(602,820)	(58,682)	(132,980)	(17,508)	(1,251,262)
Dispositions	89,758	166,365	-	4,001	-	260,124
Balance, December 31, 2020	$ (1,852,820)	$ (2,700,105)	$ (270,863)	$ (899,725)	$ (146,588)	$ (5,870,101)
Carrying amount						
At December 31, 2019	$ 1,091,455	$ 2,299,165	$ 99,398	$ 220,689	$ 12,782	$ 3,723,489
At December 31, 2020	$ 654,459	$ 1,474,349	$ 66,190	$ 95,567	$ 70,792	$ 2,361,357

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9. Leases

The Company and its subsidiaries have entered into lease agreements for the Company's dispensaries, corporate office, wholesale warehouses, grow facilities, and vehicles.

The following table reflects the continuity of right-of-use for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Right-of-use asset, beginning balance	$ 4,132,035	$ 4,333,064
Additions	1,894,852	773,420
Lease adjustments	(12,739)	(75,064)
Amortization	(781,310)	(766,542)
Right-of-use asset, ending balance	$ 5,232,838	$ 4,132,035

The Company's lease liabilities as of December 31, 2021 are as follows:

	Lease obligations
2022	$ 1,616,045
2023	2,029,763
2024	2,000,566
2025	1,871,124
2026	1,818,207
Thereafter	4,422,623
Total undiscounted lease obligations	$ 13,758,328
Impact of discounting	(7,355,470)
Total lease obligations	$ 6,402,858
Less: current portion of long-term leases	(963,259)
	$ 5,439,599

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Lease liabilities were $6,402,858 as of December 31, 2021 (December 31, 2020 - $5,321,891). These balances include $963,259 of short-term lease liabilities as of December 31, 2021 (December 31, 2020 - $949,496). Interest expense on lease liabilities was $736,335 and $586,402 for the years ended December 31, 2021 and 2020, respectively.

The following table reflects the continuity of lease liabilities for the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Lease liabillity, beginning balance	$ 5,321,891	$ 4,934,044
Additions	1,931,532	773,420
Disposals	-	(132,843)
Lease adjustments	(166,010)	(75,064)
Lease payments	(1,420,890)	(764,068)
Interest	736,335	586,402
Lease liability, ending balance	$ 6,402,858	$ 5,321,891

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10. Intangible assets and goodwill

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

The following table reflects the continuity of intangible assets for the years ended December 31, 2021 and 2020:

Intangible assets

	Licenses	Distributor and Customer relationships	Brands	Total
Cost				
Balance, December 31, 2019	$ 1,955,677	$ -	$ 8,781,746	$ 10,737,423
Balance, December 31, 2020	$ 1,955,677	$ -	$ 8,781,746	$ 10,737,423
Additions:				
Fifth & Root	-	-	-	-
Homegrow n	750,000	-	855,500	1,605,500
Tozmoz	250,000	-	-	250,000
Other	15,300	-	26,000	41,300
Balance, December 31, 2021	$ 2,970,977	$ -	$ 9,663,246	$ 12,634,223
Accumulated Amortization				
Balance, December 31, 2020	$ -	$ -	$ -	-
Additions	(80,704)	-	(97,110)	(177,814)
Balance, December 31, 2021	$ (80,704)	$ -	$ (97,110)	$ (177,814)
Impairment charge	(1,790,409)		(439,141)	(2,229,551)
Activity at December 31, 2021	$ (1,790,409)	$ -	$ (439,141)	$ (2,229,551)
Carrying amount				
At December 31, 2020	$ 1,955,677	$ -	$ 8,781,746	$ 10,737,423
At December 31, 2021	$ 1,099,864	$ -	$ 9,126,995	$ 10,226,858

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The Company completed its acquisitions of Fifth and Root, Inc ("Fifth & Root"), Homegrown, and Tozmoz in fiscal year 2021, each resulting in the identification of intangible assets (Note 23).

The purchase of Homegrown included a brand name intangible asset valued at $855,500 and a license valued at $750,000. As a result of the Company's annual impairment evaluation, a total of $2,229,551 was recorded as impairment charge related to the existing Chalice related intangibles and the intangibles related to Homegrown.

The purchase of Tozmoz included licenses of $250,000.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net intangible and tangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill has an indefinite useful life, is not subject to amortization and is tested annually for any impairment, or more frequently in the case that events or circumstances indicate that they may be impaired.

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10. Intangible assets and goodwill (continued)

The following table reflects the continuity of goodwill as of December 31, 2021 and 2020:

Goodwill

	Chalice	Fifth & Root	Homegrown	Tozmoz	Total
Cost					
Balance, December 31, 2020	$ 4,056,172	$ -	$ -	$ -	$ 4,056,172
Additions		-	8,329,210	847,866	9,177,076
Impairment	(2,054,520)	-	(7,641,500)		(9,696,020)
Balance, December 31, 2021	$ 2,001,652	$ -	$ 687,710	$ 847,866	$ 3,537,228
Cost					
Balance, December 31, 2019	$ 4,056,172	$ -	$ -	$ -	$ 4,056,172
Balance, December 31, 2020	$ 4,056,172	$ -	$ -	$ -	$ 4,056,172

Annual impairment assessment

During 2021 and 2020, the Company tested each group of the Company's CGUs for impairment and estimated the recoverable amount of the each of the Company's 12 retail stores. If the recoverable amount was deemed to be lower than the segment's carrying value, an impairment was recorded. The recoverable amount was estimated based on its value in use, which was determined using a pre-tax discount rate of 22.5% (2020: 15%) and a terminal value growth rate of 3.5% (2020: 5% from 2024).

For the year ended December 31, 2021, the Company recorded $2,054,520 in goodwill impairment related to the acquisition of Chalice, and $7,641,500 in goodwill impairment related to the acquisition of Homegrown. The Company did not capitalize goodwill or intangibles related to Fifth & Root and recorded $2,005,000 in impairment costs related to the acquisition of Fifth & Root.

11. Convertible debentures

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	December 31, 2021	December 31, 2020
Convertible debentures carried at fair value - current	$ 3,087,820	$ 5,575,273
Convertible debentures carried at fair value - non current	2,272,126	-
Carrying amount at end of period	$ 5,359,946	$ 5,575,273

As of December 31, 2021, the Company has unsecured convertible debentures with a carrying value of $5,359,946 (December 31, 2020 - $5,575,273) bearing interest of 10%. As of December 31, 2021, $3,087,810 (principal C$4,115,000) are classified as current with a maturity date of November 16, 2022 and $2,272,126 (principal C$4,025,000) as non-current debt with a maturity date of November 23, 2024.

Interest and expense was $739,176 and $616,998 for the years ended December 31, 2021 and 2020, respectively. Accrued interest of C$411,500 was settled through the issuance of 584,704 shares during the year ended December 31, 2021 (Note 14).

In January 2021, the Company received unanimous approval to amend certain terms of the convertible debentures. The amendments included extending the maturity date from November 16, 2021 to November 16, 2022 and the conversion price of the principal changed from C$0.30 to US$0.06 per common share (US$1.38 post share consolidation). The debenture holders also received a one-time restructuring fee of 2% of the principal amount to be paid in common shares equal to US$1.38 per share (Note 14).

The Company concluded that this debenture modification was significant and accounted for it as an extinguishment and reissuance of the debentures, resulting in a gain on debt extinguishment of $537,841.

During the years ended December 31, 2021 and 2020, the Company converted debentures with a face value of C$3,924,000 and C$100,000, respectively into common shares.

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11. Convertible debentures (continued)

The following table reflects the continuity of its convertible debentures for the years ended December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
Beginning balance at fair value	$	5,575,272	$	4,706,141
Issuance of convertible debentures at fair value	$	2,900,818	$	-
Loss on change in fair value of convertible debentures		288,495		922,137
Gain on debt extinguishment, net of restructuring fee		(537,841)		-
Conversion to common shares		(2,866,798)		(53,006)
Total ending balance at fair value	$	5,359,946	$	5,575,272
Current portion	$	3,087,820	$	5,575,273
Long-term portion	$	2,272,126	$	-

Before and after the modification, the Company accounted for the convertible debentures at fair value through profit and loss from initial recognition to the date of extinguishment. A loss of $288,495 and $922,137 was recorded through a change in fair value of liabilities on the statement of operations for the years ended December 31, 2021 and 2020, respectively.

Pursuant to the November 2021 brokered private placement, the Company issued 4,025 debentures at a par value of C$1,000 for gross proceeds of C$4,025,000. The debentures bear interest at a rate of 10% and convert to common shares at a price of C$1.10 per and mature on November 23, 2024. The conversion option represents an embedded derivative which meets the definition of a financial liability, as the Company's functional currency is different than the underlying currency of the debentures. The Company has elected to hold these debentures at FVTPL.

12. Long-term debt and consideration payable

	December 31, 2021		December 31, 2020	
Consideration payable	$	6,892,963	$	6,663,313
Notes payable		2,403,750		119,533
Long-term debt - vehicle loans		140,147		156,846
Less: current portion		(5,902,427)		(141,704)
Carrying amount of long-term debt	$	3,534,433	$	6,797,988

Consideration payable

Consideration payable represents earn-out payments to three former owners of Chalice, LLC ("Chalice"), as part of the consideration in the July 2017 acquisition of the assets of CFA Products, LLC and the membership interest of CFA Retail LLC.

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12. Long-term debt and consideration payable (continued)

In November 2020, the Company reached an agreement with the former Chalice owners to restructure the consideration payable. Under the new terms, $2,500,000 of the cash consideration was immediately converted into 1,811,594 shares of the Company's common stock. The remaining $2,500,000 of the cash obligation will be paid on an installment plan carrying 6% interest to be paid over 60 months in equal installments of $48,332 per month commencing May 2, 2022. The existing equity component remains unchanged and is due on the original maturity on May 2, 2022. Shares will be calculated based on a 30-day trailing volume weighted average price ("VWAP") and held in escrow to be released over 60 months commencing May 2, 2022. As a condition of the restructuring, the Company agreed to either attain positive cash flow or raise $5,000,000 within 12 months from the execution of the agreement. During the year ended December 31, 2021, the Company closed non-brokered private placements, in excess of $5,000,000 under the terms of the restructuring agreement related to the consideration payable. As of December 31, 2021, the equity portion of the debt was $4,527,000 and the cash portion was $2,365,963.

Consideration payable was $6,892,963 and $6,663,313 as at December 31, 2021 and December 31, 2020, respectively. The Company recognized $437,235 and $1,100,234 in interest and accretion expense for the years ended December 31, 2021 and 2020, respectively.

<u>Notes payable</u>

In conjunction with the acquisition of Homegrown on May 19, 2021, the Company recorded a secured promissory note in the amount of $1,750,000. The note carries interest of 8%, payable over 48 months with interest only the first year, with monthly principal payments and interest payments to start upon the one-year anniversary of closing and continue for 36 months.

In May 2021, the Company executed a secured promissory note in the amount of $315,000 with a local manufacturer for the purchase of production equipment. The Company will make monthly payments over a period of 36 months. In lieu of interest, the Company contemporaneously entered into a 36-month Product Procurement Agreement with the manufacturer.

In fiscal 2020, in connection with its pending acquisition of the assets of Tozmoz, the Company assumed a short-term secured promissory note, and concurrently executed a note receivable from Tozmoz in the same amount. The note payable balance was $119,533 as of December 31, 2020, bearing interest at 15% per annum. The note matured and was paid in full in the second quarter of fiscal 2021.

Effective December 22, 2021, the Company issued a promissory note to the former owners of the assets of Tozmoz LLC in an amount of $400,000 due over 48 months.

<u>Other long-term liabilities</u>

Other long-term liabilities include vehicle loans of $140,147 as of December 31, 2021 (December 31, 2020 - $156,846). The current portion of these liabilities were $27,399 as of December 31, 2021 (December 31, 2020 - $22,171).

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13. Warrant liability

During 2021, the Company issued 14,914,940 warrants in conjunction with three private placements and a convertible debenture offering. During the year ended December 31, 2021, 29,000 warrants were exercised.

	Number of warrants issued		Fair value
Balance, January 1, 2021	-	$	-
Warrants - fair value at issuance - private placement (i)	4,739,410		989,070
Warrants - fair value at issuance - private placement (ii)	6,952,946		4,613,753
Warrants - fair value at issuance - private placement (iii)	3,222,134		444,896
Warrants exercised	(29,000)		(16,970)
Change in fair market value			(5,495,683)
Balance, December 31, 2021	14,885,490	$	535,066

(i) In January 2021, the Company issued 4,739,410 million warrants in connection with its non-brokered private placement. Each warrant is exercisable to acquire one common share at an exercise price of C$1.38 per warrant share for a period of 24 months from the closing. The units have a hold period of four months and one day from the date of issuance.

(ii) In February 2021, the Company issued 6,952,946 million warrants in connection with its second non-brokered private placement. Each warrant is exercisable to acquire one common share at an exercise price of C$2.30 per warrant share for a period of 24 months from the closing. The units have a hold period of four months and one day from the date of issuance. These warrants include an acceleration right where the Company may accelerate the expiry time of the warrants if at any time the VWAP of its common shares is equal to or greater than 130% for a period of ten consecutive trading days on the Canadian Securities Exchange.

(iii) In November 2021, the Company issued 3,222,134 warrants in connection with its brokered private placement. Each warrant is exercisable to acquire one common share at an exercise price of C$1.10 per warrant share for a period of 24 months from the closing. The units have a hold period of four months and one day from the date of issuance.

Per *IAS 9*, the warrants issued under these placements meet the definition of a derivative and must be measured at fair value at each reporting date. At December 31, 2021, a gain of $5,495,683 was recorded in the statement of operations due to significant changes in the Company's share price. The Black-Scholes option pricing model was used at the date of measurement for all three warrant liabilities.

The February 2021 warrants include an acceleration right where the Company may accelerate the expiry time of the warrants if at any time the VWAP of its common shares is equal to or greater than 130% for a period of ten consecutive trading days on the Canadian Securities Exchange. The Company has concluded that the achievement of the 130% is remote, and as such, has elected to omit the provision from the Black-Scholes option pricing model.

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13. Warrant liability (continued)

The warrants were valued using the following assumptions at the respective grant dates:

	December 31, 2021	December 31, 2020
Expected life	2 years	2 years
Risk-free interest rate	0.16% - 0.98%	0.28%
Dividend yield	0.00%	0.00%
Expected volatility	107% - 121%	89.0%
Expected forfeiture rate	0%	0%

Volatility was calculated by using the Company's historical volatility. The expected life in years represents the period of time that the warrants granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the warrants.

As of December 31, 2021, the following warrants were outstanding and exercisable:

Expiry date	Exercise price C$	Number of warrants
June 2022	1.10	10,869
January 2023	1.38	5,226,460
March 2023	2.30	7,096,634
November 2024	1.10	3,536,185
Warrants outstanding December 31, 2021		15,870,148

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14. Share capital

Share capital consists of one class of fully paid ordinary shares, with no par value. The Company is authorized to issue an unlimited number of ordinary shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

As of May 25, 2021, the Company's share consolidation became effective. The Company's common shares have been consolidated on a basis of 23 pre-consolidation shares to 1 post-consolidation share. At the beginning of trading on May 25, 2021 the Company had 59,081,260 common shares outstanding. All shares in these consolidated financial statements reflect post-consolidation share amounts.

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14. Share capital (continued)

The following table reflects the continuity of share capital for the years ended December 31, 2021 and 2020:

	Number of Shares	Amount
Balance, December 31, 2019	$ 37,147,158	$ 147,763,498
Shares issued - interest paid-in-kind	2,830,786	1,153,654
Shares issued - debenture conversion	14,492	53,006
Shares issued - legal settlement	10,869	11,417
Shares issued - debt restructuring	1,811,594	783,100
Share issuance costs	-	(10,173)
Balance, December 31, 2020	$ 41,814,899	$ 149,754,502
Shares issued - consideration payable interest (i)	4,876	2,321
Shares issued - debenture restructuring fee (ii)	92,056	126,116
Shares issued - conversion of debentures (iii)	2,284,200	2,866,798
Shares issued - private placement financing (iv)	4,739,410	1,563,841
Shares issued - management participation (iv)	351,763	221,239
Shares issued - private placement financing (v)	6,952,943	3,732,015
Shares issued - w arrant exercise (vi)	29,000	16,970
Shares issued - acquisition of Fifth and Root (vii)	1,200,000	1,316,480
Shares issued - acquisition of Homegrow n (viii)	1,612,173	2,147,243
Shares issued - debenture interest paid-in-kind (ix)	584,704	327,324
Shares issued - private placement financing (x)	2,419,267	943,288
Shares issued - executive shares pledged as loan collateral (xi)	3,807,328	-
Shares issued - acquisition of Tozmoz (xii)	1,268,116	333,534
Share issuance costs	-	(434,755)
Balance, December 31, 2021	$ 67,160,675	$ 162,916,916

(i) In January 2021, the Company issued 4,876 shares associated with accrued interest on its consideration payable (Note 12)

(ii) As part of its convertible debenture restructuring, the Company issued 92,056 shares as a 2% restructuring fee to its debenture holders (Note 11)

(iii) During the year ended December 31, 2021, the Company issued 2,284,200 shares from the conversion of debentures (Note 11)

(iv) In January 2021, the Company closed on a non-brokered private placement financing and issued 4,739,410 units priced at C$0.69 per unit for gross proceeds of C$3.3 million. Each unit is comprised of one common share of the Company and one common share purchase warrant (Note 11). In connection with the private placement, the Company also issued 351,763 units at C$1.15 per share in lieu of unpaid compensation to certain officers and directors, for a total of $221,239 (Note 18).

(v) In March 2021, the Company closed on a second non-brokered private placement financing and issued 6,952,943 units priced at C$1.50 per unit for aggregate gross proceeds of C$7.2 million. Each unit is comprised of one common share of the Company and one full common share purchase warrant.

(vi) In March 2021, the Company issued 29,000 shares upon a warrant exercise (Note 13).

(vii) In April 2021, the Company issued 1,200,000 shares associated with its acquisition of Fifth and Root (Note 23).

(viii) In May 2021, the Company issued 1,612,173 shares associated with its acquisition of Homegrown (Note 23).

(ix) The Company issued 584,704 shares for the settlement of accrued interest on its outstanding debentures for the year ended December 31, 2021 (Note 11).

(x) In November 2021, the Company closed on a brokered private placement financing and issued 2,419,267 shares units priced at C$0.75 per unit for aggregate gross proceeds of C$1.9 million. Each unit is comprised of one common share of the Company and one-half of one warrant.

(xi) In October 2021 the Company issues 3,807,329 restricted shares which are pledged as loan collateral related to agreements from September 2019 and May of 2021.

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14. Share capital (continued)

(xii) On December 21, 2021 the Company issued 1,268,116 shares to the owners of Tozmoz LLC in connection with the acquisition of the assets of Tozmoz.

As of December 31, 2021 and December 31, 2020, 1,068,735 and 2,764,148 shares were held in escrow, respectively. Per the terms of the Chalice consideration payable agreement (Note 12), these shares are to be released from escrow for sixty consecutive months beginning from date of issuance, unless requested and agreed upon sooner.

15. Warrant reserve

The following table reflects the continuity of the warrant reserve for the years ended December 31, 2021 and 2020:

	Number of warrants issued	Number of warrants issued	Amount	Weighted average exercise price C$	Weighted average remaining life
Balance, December 31, 2019	200,507		$ 1,980,217	$ 0.71	0.46
Warrants issued - promissory note	10,869		1,079	1.10	
Warrants expired	(200,507)		(1,980,217)	0.71	
Balance, December 31, 2020	10,869		$ 1,079	$ 1.10	0.50
Broker Warrants issued - January private placement (i)	164,287		$ 34,285	1.38	
Broker Warrants issued - March private placement (ii)	143,688		$ 70,864	2.30	
Broker Warrants issued - November brokered placement (iii)	314,051		$ 43,407	1.10	
Warrants issued for services (iv)	467,705		$ 106,993	1.84	
Warrants expired	(115,942)		$ (33,584)	1.84	
Balance, December 31, 2021	984,658	-	$ 223,044	$ 1.45	1.49

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(i) The Company issued 164,287 warrants to certain eligible finders associated with its first non-brokered private placement in January 2021 ("Finder's Warrants"). Each finder's warrant entitles the holder to purchase one common share at an exercise price equal to C$1.38 per common share at any time up to 24 months following closing.

(ii) The Company issued 143,688 Finder's Warrants associated with its second non-brokered private placement that closed in March 2021. Each finder's warrant entitles the holder to purchase one common share at an exercise price equal to C$2.30 per common share at any time up to 24 months following closing.

(iii) In addition, the Company issued 314,051 Finder's Warrants associated with its brokered placement that closed in November 2021. Each finder's warrant entitles the holder to purchase one common share at an exercise price equal to C$1.10 per common share at any time up to 24 months following closing.

(iv) The Company issued 467,705 warrants to Directors and Officers during January of 2021 in lieu of unpaid compensation. As of December 31, 2021, 115,942 of these warrants had expired.

The warrants were valued based on the fair value of services received unless the fair value of services received cannot be reliably measured, in which case the warrants are valued at fair value based on the Black-Scholes option pricing model at the date of measurement.

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16. Stock option plan

In March 2021, the Company's Board of Directors adopted a new Stock Incentive Plan. The plan was approved at the Company's annual and special meeting of shareholders on May 10, 2021. The plan provides incentive to its directors, executives, employees, and consultants.

In accordance with terms of the employee share option plan, the exercise price of the granted options shall be determined at the time the option is granted provided that such price shall not be less than the market price of the ordinary shares. The maximum aggregate number of shares to be issued under the plan is not to exceed 15% of the total issued and outstanding shares at the time of the grant. Most options vest evenly over 3 years and have an expiry period of 5-10 years from the grant date. The remaining life of options outstanding ranges from 0.9 years to 8.7 years.

Options in Canadian dollars	
Total number of options at December 31, 2019	2,879,409
Options granted at $1.38	780,434
Options granted at $0.69	117,391
Options expired	(703,139)
Total number of options at December 31, 2020	3,074,095
Options granted at $1.50	1,299,993
Options granted at $1.38	295,434
Options expired	(921,121)
Total number of options at December 31, 2021	3,748,401
Number of exercisable options	2,006,635

The options were valued based on the Black-Scholes model at the date of measurement with the following assumptions:

	2021	**2020**
Expected life	3 years	3 years
Risk-free interest rate	0.23% - 0.98%	0.25%
Dividend yield	0.00%	0.00%
Expected volatility	95.3% - 107%	83.1%
Expected forfeiture rate	0.00%	0.00%

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16. Stock option plan (continued)

	Options outstanding				Options exercisable		
Exercise price	Number outstanding at December 31, 2021	Weighted average remaining contractual life (years)	Weighted average fair value per share	Weighted average exercise price	Number exercisable at December 31, 2021	Weighted average fair value per share	Weighted average exercise price
CDN $	#		$	$	#	$	$
0.69	86,926	8.69	0.01	0.69	86,926	0.01	0.69
1.38	1,596,269	5.74	0.08	1.38	800,633	0.16	1.38
1.50	1,299,993	4.17	0.03	1.5	353,863	0.13	1.5
1.73	73,913	7.47	0.04	1.73	73,913	0.04	1.73
2.65	152,173	2.36	0.06	2.65	152,173	0.06	2.65
4.83	97,826	0.87	0.10	4.83	97,826	0.10	4.83
5.06	260,867	1.49	0.12	5.06	260,867	0.12	5.06
5.98	97,826	1.31	0.14	5.98	97,826	0.14	5.98
6.67	82,608	6.66	0.15	6.67	82,608	0.15	6.67

During the year ended December 31, 2021 and 2020, $1,515,621 and $637,669, respectively, was included in share-based compensation expense in the consolidated statement of operations.

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17. Loss per share

Net loss per common share represents the net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the year.

Diluted net loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For all the years presented, diluted net loss per share equals basic loss per share due to the antidilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	2021	2020
Warrants	15,870,148	10,869
Stock options	3,748,401	1,987,688
Restricted common shares	3,807,328	2,335,793
Convertible debt	7,006,884	1,165,062
Total	30,432,762	5,499,412

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18. Related party transactions

Key management of the Company are its Board of Directors and certain members of executive management. Key management personnel remuneration for the years ended December 31, 2021 and 2020 includes the following expenses:

	For the years ended December 31, 2021	2020
Salaries, commissions, bonuses and benefits	$ 301,172	$ 640,975
Consulting fees	406,412	468,320
Termination benefits	-	60,000
Stock compensation, including w arrants and shares	229,297	575,838
	$ 936,881	$ 1,745,133

In addition, the Company issued the following stock options to executive management and directors in fiscal 2021:

Date	Title	Shares	Exercise Price (C$)
February 2021	CFO	173,913	$ 1.50
February 2021	Directors	869,565	$ 1.50
March 2021	Directors	260,869	$ 1.50
December 2021	Directors	3,563,472	$ 0.36
December 2021	CFO	572,825	$ 0.36
December 2021	CEO	1,500,000	$ 0.36
December 2021	COO	647,825	$ 0.36

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In addition to the amounts above, the Company compensated certain directors and officers in conjunction with a non-brokered private placement offering in January 2021 (Note 14). The directors and officers were issued units comprised of one common share and one common share purchase warrant at a deemed issue price of C$1.15 in satisfaction of unpaid fiscal 2020 compensation totaling C$404,528.

In September 2019, as part of their new roles, John Varghese and Jeff Yapp each subscribed to 1,167,896 restricted common shares at C$1.38 per share, on a non-brokered basis, for a total of 2,335,792 common shares. The issuance of these shares was assisted through an interest-bearing, five-year loan to the executives. Of the total shares, half were immediately vested and the other half vest based on meeting certain Company performance targets. The arrangement was accounted for as stock-based compensation in accordance with *IFRS 2 - Share-based payments*.

In May 2021, this arrangement was extended and modified. In October 2021, the Company issued, on a non-brokered basis, an aggregate of 3,807,328 common shares, at C$1.38 per share, to certain executives and directors, being 1,379,255 to Former Executive Chairman John Varghese, 1,374,906 to CEO Jeff Yapp, and 1,053,167 to Lead Director Rick Miller. The loans are subject to limited recourse. All common shares issued do not have any vesting condition. The modification of vesting conditions related to the original September 2019 share loans resulted in a C$171,095 increase in stock-based compensation in fiscal year 2021. The purpose of the issuances is to provide the executives with a more significant financial stake in the success of the Company. The issuances were approved by the disinterested directors of the Company. The total outstanding value related to the September 2019 and May 2021 share loans is C$5,254,115, as of December 31, 2021.

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19. Capital management

The Company defines capital that it manages as its shareholders' equity and long-term debt. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue shares, acquire debt, or acquire or dispose of assets.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business considering changes in economic conditions and the risk characteristics of the Company's underlying assets.

20. Legal matters

BMF Washington, LLC and Peter Saladino

As disclosed in the December 31, 2020, consolidated financial statements, the Company filed a lawsuit against BMF Washington LLC ("BMF") and Peter Saladino ("Saladino") on January 21, 2020, in Multnomah County (Oregon) Circuit Court, Case No. 20CV03528, seeking to recover $6,916,580 in damages. The Company asserted two claims for breach of contract, arising out of the parties' equipment leasing and intellectual property licensing agreements, seeking damages of $676,580 and $2,080,000, respectively, with alternative claims against both BMF and Saladino (collectively, the "Defendants") for unjust enrichment related to their improper use of the Company's equipment and intellectual property. The Company is also asserting claims against the Defendants for misappropriation of trade secrets under Oregon and Washington law, seeking additional damages of $4,160,000.

In May 2021, the Company signed a settlement agreement (the "Settlement Agreement") with Peter Saladino and settled the lawsuit the Company filed against him. Pursuant to the terms of the Settlement Agreement, Saladino waived his right to pursue counterclaims against the Company stemming from the transaction. The Company and Saladino have also released all claims against each other and mutually agreed that neither party would be pay any monetary consideration to the other. The case has now been dismissed with prejudice.

Sparks, Nevada

On August 11, 2020, the Company received a demand letter from the attorneys for the landlord of the premises that the Company had been leasing in Sparks, Nevada (the "Premises").

On October 6, 2020, the Landlord filed a Summons and Complaint in the Second Judicial District Court for Nevada, Washoe County, alleging breach of contract, breach of covenant of good faith and fair dealing and unjust enrichment. The Landlord seeks damages in excess of $15,000 in an amount to be proved at trial and attorneys' fees. On April 8, 2021, a Discovery Planning Dispute Conference was filed with the Court.

In February 2022, subsequent to the balance sheet date, this matter was settled for $50,000. The case has now been dismissed with prejudice. This amount has been recorded in other expenses in 2021.

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21. Financial instruments and risk management

The Company, as part of its operations, carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

(a) Fair value

The carrying amounts of cash, accounts receivable, other receivables, accounts payable, accrued liabilities, sales tax payable, income tax payable, and interest payable approximate their fair values because of the short-term maturities of these financial instruments.

The following classifies financial assets and liabilities that are recognized on the statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 – Inputs for the asset or liability that are not based on observable market data.

December 31, 2020	Category	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets					
Financial Liabilities					
Consideration payable	Amortized Cost	-	-	6,663,313	6,663,313
Convertible debentures	FVTPL	-	-	5,575,273	5,575,273
December 31, 2021	**Category**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial Assets					
Financial Liabilities					
Consideration payable	Amortized Cost	-	-	6,892,963	6,892,963
Convertible debentures	Amortized Cost	-	-	2,272,126	2,272,126
Convertible debentures	Amortized Cost	-	-	3,087,820	3,087,820

The Company's finance team performs valuations of financial items for financial reporting, including Level 3 fair values, in consultation with third-party valuation specialists for complex valuations.

Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The convertible debentures were valued using a binominal option pricing model to estimate the value of the combined convertible instrument (Note 11). The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

The carrying amounts of cash and accounts receivable on the consolidated statement of financial position represent the Company's maximum credit exposure at December 31, 2021 and 2020.

The Company's principal financial assets are cash held at a highly rated financial institution and accounts receivable, which are subject to credit risk.

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21. Financial instruments and risk management (continued)

The Company's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Company based on its assessment of the current economic environment.

The Company does not have significant exposure to any individual customer and has estimated bad debts of $260,640 and $185,497 as at December 31, 2021 and 2020, respectively (Note 6).

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

(c) Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. To ensure the Company has sufficient liquidity to meet its obligations, the Company intends to issue common shares and debt in the future. The following table summarizes the Company's contractual cash flow for its financial liabilities, including both principal and interest payments:

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at December 31, 2021						
Trade and other payables	$ 4,181,553	$ 4,181,553	$ 4,181,553	$ -	$ -	$ -
Lease liabilities	6,402,858	13,758,328	1,616,045	4,030,329	3,689,331	4,422,623
Other loans and borrowings	2,543,897	2,543,897	577,151	1,966,746	-	-
Convertible debt	5,359,946	7,642,121	3,534,294	4,107,827	-	-
Consideration payable	2,365,963	3,123,590	798,276	2,325,314	-	-
Total	$ 20,854,217	$ 31,249,489	$ 10,707,319	$ 12,430,216	$ 3,689,331	$ 4,422,623

The convertible debt had a maturity date of November 2021 as at December 31, 2020 and is thus classified as a current liability, contractually due within one year. In January 2021, subsequent to year-end, this debt was modified and the maturity date was extended to November 2022.

(d) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currencies. The Company has financial assets and liabilities denominated in Canadian dollars. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of U.S. dollar equivalent of financial assets and liabilities that are denominated in Canadian dollars as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Cash	$ 4,296,783	$ 22,149
Notes receivable	-	919,488
Total assets	$ 4,296,783	$ 941,637
Trade and other payables	234,964	630,671
Convertible debt	5,359,946	5,575,273
Total liabilities	$ 5,594,910	$ 6,205,944

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22. Segment information

Through fiscal year 2020, the Company defined its major operating segments as Oregon, Nevada wholesale, and Other Operations, which includes Corporate and contract manufacturing arrangements in California and Washington. In fiscal year 2021 the Company defined its operating segments as Oregon and Other Operations. The Company's Other segment consists primarily of corporate expenses and Fifth and Root (CBD skincare line), in addition to geographical markets which management does not consider to be at a level of materiality to report as separate segments. The Oregon segment is comprised of wholesale and retail operations.

Throughout 2020, the Nevada wholesale operations were geographically and jurisdictionally distinct and were historically reviewed based on gross margin performance. During fiscal 2020, the Company experienced non-cash losses included in cost of goods sold related to expiring product which cannot be retested, driven by operating obstacles including licensing issues in addition to the impact of COVID-19. The Company will continue to assess the health of this geographic market and evaluate the potential success of operating in the Nevada market. However, due to the factors described above, the Company's operations in Nevada are paused indefinitely and ceased to be an operating segment in fiscal 2021.

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2021	Oregon	Other	Consolidated
Product sales	$ 25,928,444	$ 30,083	$ 25,958,526
Royalty and other revenue	2,351,611	198,858	2,550,469
Total Revenue	28,280,055	228,940	28,508,995
Inventory expensed to cost of sales	17,311,823	42,505	17,400,699
Gross proft, excluding fair value items	10,968,232	186,435	11,108,296
Fair value changes in biological assets included in inventory sold	931,345	-	931,345
Gain on changes in fair value of biological assets	(1,392,627)	-	(1,392,627)
Gross profit (loss)	$ 11,429,514	$ 186,435	$ 11,569,578
Net income (loss) before taxes	$ (14,135,597)	$ (2,085,657)	$ (15,055,780)
Assets	$ 20,882,385	$ 13,230,921	$ 34,113,306
Liabilities	$ 7,917,275	$ 26,196,031	$ 34,113,306

2020	Oregon	Other	Consolidated
Product sales	$ 19,110,751	$ 1,500,768	$ 20,611,519
Royalty and other revenue	1,075,279	222,358	1,297,637
Total Revenue	20,186,030	1,723,126	21,909,156
Inventory expensed to cost of sales	12,667,252	2,227,822	14,895,074
Gross proft, excluding fair value items	7,518,778	(504,696)	7,014,082
Fair value changes in biological assets included in inventory sold	(96,689)	-	(96,689)
Loss on changes in fair value of biological assets	353,059	-	353,059
Gross profit (loss)	$ 7,262,408	$ (504,696)	$ 6,757,712
Net income (loss) before taxes	$ 1,015,722	$ (10,088,933)	$ (9,073,211)
Assets	$ 10,415,841	$ 17,602,170	$ 28,018,011
Liabilities	$ 6,361,156	$ 16,184,657	$ 22,545,813

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23. Business combinations

Fifth and Root, Inc.

On April 8, 2021, the Company acquired an 80% interest in Fifth and Root, Inc., a CBD skincare line based in California. Total consideration was $1,566,480 consisting of $250,000 cash, $1,316,480 in common shares of the Company, and up to 133,333 additional common shares as contingent consideration valued at $78,780 (Note 14). This acquisition is being accounted for using the acquisition method in accordance with *IFRS 3 – Business combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company determined that the acquired company constitutes a business by evaluating the set of assets and activities acquired, noting that specific inputs and substantive processes create the ability to produce outputs.

The net loss from Fifth & Root from the acquisition date to reporting date included in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2021 was $389,515.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill. The purchase price and the preliminary allocation of the purchase price is as follows:

Cash	$	260
Account receivables		1,416
Inventory		11,071
Intangible assets		-
Goodwill		-
Accounts payable and accrued liabilities		(59,647)
Deferred tax liability		-
Total net assets acquired (100%)	$	(46,900)
Net assets attributable to NCI	$	(9,380)
Total net assets acquired (Controlling)	$	(37,520)
Transaction expense		1,604,000
	$	1,566,480
Consideration paid in cash	$	250,000
Consideration paid in shares		1,316,480
Non-Controlling Interest		
Total consideration	$	1,566,480

Goodwill and intangible assets were not recognized from the acquisition of Fifth & Root because the consideration paid for the combination in excess of the tangible assets acquired was determined not to be recoverable based on Fifth & Root's performance throughout 2022.

All acquisition-related costs were accounted for as transaction costs in the periods in which the costs were incurred and the services were received. There were no significant costs incurred relating to the issuance of CHAL common shares.

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23. Business combinations (continued)

SMS Ventures LLC, dba Homegrown Oregon

On May 19, 2021, the Company acquired 100% of the membership interest of Homegrown, a chain of five cannabis retail dispensaries in Oregon. Total consideration was $9,658,229, consisting of $5,880,493 cash, $1,824,336 in common shares of the Company, a promissory note in the amount of $1,750,000, and a variable note in the amount of $203,400. This acquisition is being accounted for using the acquisition method in accordance with *IFRS 3 – Business combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company determined that the acquired company constitutes a business by evaluating the set of assets and activities acquired, noting that specific inputs and substantive processes create the ability to produce outputs.

Total revenue and net income from Homegrown from the acquisition date to reporting date was $5,557,550, and $188,584, respectively. These results were included in the condensed consolidated statement of operations and comprehensive loss for the year ended December 31, 2021.

Cash (Working Capital)	$	272,970
Inventory (Working Capital)		722,616
Accounts payable (Working Capital)		(806,154)
Other current liabilities (Working Capital)		(208,904)
Other current assets		15,713
Fixed assets		75,201
Security deposit		20,500
Lease Asset		1,788,071
Deferred tax liability		(368,423)
Lease Liability		(1,788,071)
Intangible assets		1,605,500
Goodwill		8,329,210
Net assets acquired	$	9,658,229
Consideration paid in cash	$	5,880,493
Consideration paid in shares		1,824,336
Promissory note		1,750,000
Variable note		203,400
Total consideration	$	9,658,229

Goodwill was recognized from the acquisition of Homegrown because the consideration paid for the combination effectively included amounts related to the benefit of expected synergies, revenue growth, and future market development in the growing Oregon adult-use cannabis market. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

All acquisition-related costs were accounted for as transaction costs in the periods in which the costs were incurred and the services were received. There were no significant costs incurred relating to the issuance of CHAL common shares.

Had the Homegrown acquisition been in effect since the beginning of the annual reporting period, revenue would have been higher by approximately $4,100,000 and net income by approximately $400,000.

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23. Business combinations (continued)

Tozmoz

On December 21, 2021, the Company closed the asset acquisition of Tozmoz LLC. Pursuant to the terms of the Asset Purchase Agreement, Chalice purchased substantially all the assets of Tozmoz, including the facility located in Clackamas County, which serves as the headquarters for multiple extraction options. The consideration consisted of 1,268,116 shares of Chalice stock, a 48-month promissory note for $400,000 bearing six percent interest, and forgiveness of a promissory note valued at $656,718. Chalice satisfied certain conditions by way of the previous consulting agreement with Tozmoz, resulting in zero cash due at closing.

The Company determined that the acquired company constitutes a business by evaluating the set of assets and activities acquired, noting that specific inputs and substantive processes create the ability to produce outputs.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill. The purchase price and the preliminary allocation of the purchase price is as follows:

Fixed assets	$	390,277
Intangible assets		250,000
Goodw ill		847,866
Net assets acquired	$	1,488,143
Consideration paid in shares	$	333,534
Forgiveness of promissory note ow ed to Chalice		656,718
Interest income		106,865
Non-negotiable promissory note		391,026
Total consideration	$	1,488,143

Goodwill was recognized from the acquisition of Tozmoz because the consideration paid for the combination effectively included amounts related to the benefit of expected synergies, revenue growth, and future market development in the growing Oregon adult-use cannabis market. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

All acquisition-related costs were accounted for as transaction costs in the periods in which the costs were incurred and the services were received. There were no significant costs incurred relating to the issuance of CHAL common shares.

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23. Business combinations (continued)

Cannabliss Services Agreement

On September 16, 2021, the Company entered into Services Agreements with Acreage Holdings, Inc., to manage four retail stores located in Portland, Eugene, and Springfield, Oregon, branded as Cannabliss & Co ("Cannabliss"). The parties also entered into an asset purchase agreement ("APA") on the same date with the intention of receiving OLCC approval for the transfer of retail licenses in order to close the transaction in 2022.

In consideration for the assets of Cannabliss, the Company will issue a 10-month secured promissory note in the amount of $6,250,000 carrying interest of 6% for the first 6 months and the 10% for the final 4 months of the note term. Upon execution of the Services Agreements, the Company paid a cash deposit of $250,000, which is included in prepaid expenses and deposits as of December 31, 2021.

On July 5, 2022, the Company announced the execution and signing of the amended agreement to acquire Cannabliss & Co. Under the amended terms the purchase price has been reduced by $300,000, an additional $100,000 of cash will be paid upon closing and the remaining $5,850,000 will be paid by way of a 36-month promissory note carrying accrued interest at a rate per annum equal to 12%. Balloon payments of $1,000,000 on the promissory note are due January 1, 2024 and January 1, 2025 with the remaining amounts due payable on January 1, 2026.

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24. Taxation

The Company's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to income (loss) before income taxes as a result of the following:

	December 31,	
	2021	2020
Loss before income taxes	$ (14,649,375)	$ (9,073,211)
Statutory tax rates	26.50%	26.50%
Estimated income taxes (recovery) computed at the statutory rates	(3,882,084)	(2,404,401)
Expenses not deductible in U.S.	4,448,699	357,490
Expenses not deductible in Canada	(1,093,773)	323,635
Change in benefit of future tax assets not recognized in Canada	459,443	461,697
Change in benefit of future tax assets not recognized in U.S.	(265,669)	193,813
Losses not deductible under IRC 280E in U.S.	2,661,244	2,325,985
Effect of foreign tax rates	(190,878)	(37,470)
Adjustments for prior years	142,394	(294,033)
Other	(347,663)	28,882
Income tax expense (recovery)	**$ 1,931,713**	**$ 955,599**

The enacted tax rate in Canada of 26.5% (2020 was 26.5%) and in the United States 28.6% (2020 was 27.1%) where the Company operates is applied in the tax provision calculation.

CHALICE BRANDS LTD.

Notes to the Consolidated Financial Statements
(Expressed in U.S. dollars, unless otherwise stated)
For the years ended December 31, 2021 and 2020

24. Taxation (continued)

Provision for income taxes consists of the following:

	December 31,			
		2021		2020
Current income tax		2,034,468		1,053,502
Deferred income tax		(102,755)		(97,903)
Net tax provision expense	**$**	**1,931,713**	**$**	**955,599**

The following tax assets (liabilities) arising from temporary differences and non-capital losses have not been recognized in the consolidated financial statements:

	December 31,			
		2021		2020
Non-capital losses carried forward	$	12,142,043	$	12,665,239
Capital losses carried forward		1,499,802		1,417,405
Convertible debentures		90,183		(195,766)
Financing fees		77,008		563,287
Reserves		137,204		61,392
Stock based compensation		9,241		9,075
Property, plant and equipment		234,337		(114,910)
Intangible assets		1,154,303		-
Accrued Expenses		133,029		-
Unrealized FMV gain on biological assets		(384,643)		82,205
Valuation allowance		(15,413,214)		(14,542,966)
Net deferred tax (liability) asset	**$**	**(320,708)**	**$**	**(55,039)**

DRAFT

The combined tax rate in the State of Oregon, its municipal governing bodies, and California is 6.1%. In aggregate, the estimated total U.S. federal, state, and local tax rate is approximately 27.1%. As the Company is subject to *IRC §280E – Expenditures in connection with the illegal sale of drugs*, the Company has computed its U.S. tax on the basis of gross receipts less cost of goods sold.

Although other expenses have been incurred to generate the sales revenue, *IRC §280E* denies deductions and credits attributable to a trade or business of trafficking in controlled substances. *IRC §280E* states:

> "No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the *Controlled Substances Act*) which is prohibited by Federal law or the law of any State in which such trade or business is conducted."

Although the production and sale of marijuana and related products for medical purposes is legal in the State of Oregon and California, it is still considered to be illegal from the perspective of Federal law. *Oregon Revised Statutes ("ORS") 317.763* allows Oregon taxpayers filing a corporate excise or income tax return to deduct business expenses otherwise barred by *IRC §280E* if the taxpayer is engaged in marijuana-related activities authorized by *ORS 475B.010* to *ORS 475B.395. California Revenue and Taxation Code §17209* allows for California taxpayers filing a corporate income tax return to deduct business expenses otherwise barred by *IRC §280E* if the taxpayer is engaged in marijuana-related activities authorized by *California Business and Professional Code Division 10,* commencing with tax years beginning January 1, 2020.

24. Taxation (continued)

As of December 31, 2021, the Company has estimated Canadian non-capital losses of $34,098,179. These non-capital losses are available to be carried forward, to be applied against taxable income earned in Canada over the next 20 years and expire between 2035 and 2040. The deferred tax benefit of these tax losses has not been set up as an asset. The Company has estimated U.S. state and local net operating losses of $47,295,275. These non-capital losses are available to be carried forward, to be applied against taxable income in the U.S. over the next 15 years and expire between 2033 and 2036. The deferred tax benefit of these tax losses has not been set up as an asset.

25. Subsequent events

As announced on December 9, 2021, and effective January 1, 2022, the Company entered into a ten-year retail facility lease for its Flagship Chalice Farms Superstore location in Portland between CF Bliss LLC, a wholly owned subsidiary of the Company, and APG McLoughlin a subsidiary of Aventine Property Group.

On April 21, 2022, the Company executed definitive services agreements to acquire two retail stores located in Bend and Corvallis, Oregon from Miracle Greens, Inc. and two outdoor cultivation assets in Grants Pass, Oregon from Totem Farms for total consideration of US$2.63 million. The closing of the transaction is subject to approval by the OLCC and the satisfaction of other closing conditions. On September 9, 2022, the Company announced the termination of the Totem Farms transaction.

On May 2, 2022, the Company issued 15,972,018 shares in settlement of the equity portion and accrued interest on the consideration payable related to the Chalice Farms transaction.

On August 10, 2022, and revised October 28, 2022, the Company announced it had changed auditors. Baker Tilly resigned at the Company's request and the Company appointed M&K LLP as its auditors.

On October 4, 2022, the Company announced the resignation of Interim CFO Richard Lindsay.

See Note 2 – Going Concern and COVID-19 for additional subsequent events related to the Company's debt obligations and Note 23 for additional subsequent events related to Business Combinations.

DRAFT

THIS IS EXHIBIT "F" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

SECURED PROMISSORY NOTE

Principal Loan Amount: $315,000.00 Portland, Oregon

May 25, 2021

FOR VALUE RECEIVED, Golden Leaf Holdings, LTD., a Canadian (Ontario) corporation ("GLH"), and wholly-owned subsidiary Greenpoint Oregon, Inc., an Oregon corporation ("Greenpoint") with its principal place of business located at 13315 NE Airport Way, Suite 700, Portland, OR 97230 and 12310 SE Capps Road, Clackamas, OR (collectively, "Borrower"), promises to pay to the order of Bobsled Extracts, LLC., an Oregon limited liability company with its principal place of business located at 1952 E Ochoco St. Portland OR, 97222 ("Lender"), the principal sum of THREE HUNDRED FIFTEEN THOUSAND and 00/100 DOLLARS ($315,000.00) (the "Loan"). The principal sum will not be subject to accrued interest. In lieu of accrued interest, Greenpoint will contemporaneously with this Secured Promissory Note (this "Note") enter into an agreed upon 36 month term Product Procurement Agreement with Lender, in the form attached hereto as Exhibit A ("Procurement Agreement").

This Note is entered into by Borrower and Lender in connection with the Bill of Sale dated as of the date hereof for the sale of Purchase Assets, as that term is defined in the Bill of Sale.

Borrower and all endorsers, sureties, guarantors and any other persons liable or to become liable with respect to the Loan evidenced by this Note are each included in the term "Obligors" as used in this Note.

This Note is secured by the Collateral defined in the Security Agreement entered into between the Borrower and Lender of even date herewith (the "Security Agreement"). Any capitalized terms used in this Note, if not defined in this Note, will have the meanings assigned to such terms in the Security Agreement.

Payments of principal under this Note shall be payable in lawful money of the United States, in immediately available funds, when due without set-off, counterclaim, deduction or withholding for any reason whatsoever on the dates and in the amounts specified below:

Payments of principal shall be made in Thirty-Six (36) consecutive monthly payments as follows: A payment of principal in the amount of $8,750.00 shall be paid upon signing this Note, and thereafter Thirty-Five (35) consecutive monthly installments of principal in the amount of $8,750.00 commencing on the first day of the calendar month succeeding execution of this Note, and continuing on the first day of each month thereafter until the principal sum has been paid in full.

If any payment falls due on a day other than a Business Day, then such payment shall instead be made on the next succeeding Business Day. "Business Day" means any day excluding Saturday, Sunday, and any day which is a legal holiday under the laws of the State of Oregon or which is a day on which Lender is otherwise closed for transacting business. If Borrower fails to make any payment required by this Note within five (5) days after payment is due, then beginning on the sixth day after payment is due, a late charge equal to $250 per day will be added to the unpaid principal amount and be immediately due. The late charge will apply regardless of whether an Event of Default under this Note or the Security Agreement has occurred or occurs.

All payments to the Lender shall either (a) be made via ACH payment pursuant to an Automatic ACH Debit Agreement, or (b) are payable to the Lender at the following bank account, or such other account as may be determined by Lender from time to time:

ACH Instructions:

Salal Credit Union

Routing: 325081610

Account: 1600000221295

Upon an Event of Default, as defined in the Security Agreement, or at any time thereafter at the option of Lender all principal, interest and any other amounts remaining unpaid hereunder shall immediately become due and payable and Lender shall be entitled to pursue any and all rights and remedies provided by this Note, the Security Agreement and applicable law. Lender may exercise any of the following remedies, which are cumulative and which may be exercised singularly or concurrently: (i) acceleration of the due dates under this Note so that the unpaid principal amount of the Loan is immediately due in its entirety; (ii) any remedy available to Lender under the Security Agreement; and (iii) any remedy available to Lender at law or in equity.

It is the intent of the parties that any money or other property charged, taken or received as interest, a finance charge or fee for the Loan, shall not exceed the limits (if any) imposed or provided by applicable law, and Lender hereby waives any right to demand such excess. In the event that any money or other property charged, taken or received as interest, a finance charge or a fee under this Note exceeds the maximum interest rate permitted by applicable law, then without further agreement or notice the obligation to be fulfilled shall be automatically reduced to such limit and all sums received by Lender in excess of those lawfully collectible as interest shall be (a) applied first to any costs and expenses due Lender, then against the principal of the Loan with the same force and effect as though the payor had specifically designated such extra sums to be so applied to principal and Lender had agreed to accept such extra payment(s) as a premium-free

prepayment or prepayments, and (b) if there are no outstanding obligations under this Note the remaining amount, if any, shall be refunded to Borrower.

The Obligors hereby severally: (a) waive presentment, protest, notice of dishonor, and the filing of any suit against or joinder of any other person; (b) waive any exemption of any property, wherever located, from garnishment, levy, execution, seizure or attachment prior to or in execution of judgment, or sale under execution or other process for the collection of debts; (c) waive any right to plead laches as a defense in any action or proceeding; and (d) agree that until Lender receives all sums due under this Note in immediately available funds, no Obligor shall be released from liability with respect to the Loan unless Lender expressly releases such Obligor in a writing signed by Lender, and Lender's release of any Obligor(s) shall not release any other person liable with respect to the Loan.

This Note shall be governed by, and construed and enforced in accordance with, the laws of the State of Oregon without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Note. . BORROWER ACKNOWLEDGES THAT (A) THE STATE OF OREGON HAS PASSED AMENDMENTS TO THE OREGON CONSTITUTION AND ENACTED CERTAIN LEGISLATION TO GOVERN THE MARIJUANA INDUSTRY AND (B) THE POSSESSION, SALE, MANUFACTURE, AND CULTIVATION OF MARIJUANA IS ILLEGAL UNDER FEDERAL LAW. BORROWWER WAIVES ANY DEFENSES BASED UPON INVALIDITY OF CONTRACTS FOR PUBLIC POLICY REASONS AND/OR THE SUBSTANCE OF THE CONTRACT VIOLATING FEDERAL LAW.

Any provision of this Note which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

If any arbitration, action, suit, or proceeding is instituted to interpret, enforce, or rescind this Note, or otherwise in connection with the subject matter of this Note, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, action, suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court. If an Event of Default under this Note occurs and Lender does not institute any arbitration, action, suit, or proceeding, Borrower will pay to the Lender, upon the Lender's demand, all reasonable costs and expenses, including but not limited to attorney's fees and collection

fees, incurred by the Lender in attempting to collect the indebtedness evidenced by this Note.

If this Note is signed by more than one person, then the term "Borrower" as used in this Note shall refer to all such persons jointly and severally, and all agreements, covenants, waivers, consents, representations, warranties and other provisions in this Note are made by and shall be binding upon each and every undersigned person, jointly and severally. The term "Lender" shall be deemed to include any subsequent holder(s) of this Note.

This Note cannot be changed or modified orally. Lender shall have the right unilaterally to correct patent errors or omissions. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed as of the date first written above.

BORROWER:

Golden Leaf Holdings, LTD.

Signature: ______________________

Print Name: Jeffrey B. Yapp

Title: Manager

Greenpoint Oregon, Inc

Signature: ______________________

Print Name: Jeffrey B. Yapp

Title: Manager

LENDER:

Bobsled Extracts, LLC

Signature: ______________________

Print Name: Stephen Sweeney

Title: Manager

THIS IS EXHIBIT "G" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

SECURITY AGREEMENT

BETWEEN: Golden Leaf Holdings, Ltd., a Canadian (Ontario) corporation, 13315 NE Airport Way, Suite 700, Portland, Oregon, 97230 and Greenpoint Oregon, Inc., an Oregon corporation, 12310 SE Capps Road, Clackamas, OR (the "Debtor");

AND: Bobsled Extracts, LLC, and Oregon limited liability company, 1952 SE Ochoco St, Portland OR 97222 (the "Secured Party");

EFFECTIVE DATE: May 25, 2021.

RECITALS

A. The Secured Party is making a loan to the Debtor pursuant to the terms of a certain Secured Promissory Note dated as of the date hereof and the terms of which are hereby incorporated by this reference as if fully set forth herein (the "Note").

B. The Debtor is purchasing the Collateral (defined below) pursuant to a certain Bill of Sale ("Bill of Sale") dated as of the date hereof. The Secured Party is being granted a security interest, to secure repayment of the Note.

NOW, THEREFORE, in order to secure payment under the Note and the performance and the covenants and conditions contained in the Note, the parties hereby agree as follows:

1. CREATION OF SECURITY INTEREST.

Debtor hereby grants to Secured Party a security interest in the Collateral described in Section 2 as of the Effective Date on the terms and conditions set forth in this Agreement. This security interest shall cease to exist, and this Agreement will be satisfied upon satisfaction of the Loan described in the Note.

2. COLLATERAL.

The property subject to the security interest ("Collateral") is that tangible property listed on Exhibit A to this Security Agreement, as well as:

2.1. All attachments, accessions, tools, parts, supplies, increases, and additions to and all replacements of and substitutions for the Collateral;

2.2. All accounts, contract rights, general intangibles, instruments, monies, payments and all other rights arising out of a sale, lease or other disposition of any of the Collateral;

2.3. All proceeds (including insurance proceeds) from the sale, destruction, loss or other disposition of any of the Collateral; and

2.4. All records and data relating to any of the Collateral, in whatever form, including but not limited to a writing, photograph, microfilm, microfiche, or electric media, together with all of the Debtor's right, title and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

3. SECURED OBLIGATION AND AUTHORIZATION TO FILE FINANCING STATEMENTS

This Agreement is given to secure (1) payment of the principal now or hereafter owed by Debtor to Secured Party, evidenced by the Secured Note (2) performance by Debtor of all of the covenants and conditions contained in the Secured Note and (3) performance by Debtor of all covenants and conditions contained in this Agreement. The Debtor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financings statements and amendments thereto that identify the Collateral and contain any other information required by the Uniform Commercial Code of the State for the sufficiency or filing office acceptance of any financing statement or amendment.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS OF DEBTOR

Debtor represents, warrants and covenants to the Secured Party as follows:

4.1 Primary Purpose. The Collateral is primarily for the Debtor's business or commercial purposes.

4.2 Existence. Greenpoint Oregon, Inc. is a corporation duly incorporated, validly existing and doing business in and under the laws of the state of Oregon.

4.3 Authority. The execution, delivery, and performance of this agreement are within Debtor's power and are not in contravention of any law or of any indenture, agreement, or undertaking to which Debtor is a party or by which it is bound.

4.4 Adverse Liens and Use. Except when Debtor has received the prior written consent of Secured Party, which consent will not be unreasonably withheld, Debtor shall keep the Collateral free from any adverse liens, security interests, or encumbrances, and shall not commit or permit waste or destruction of the Collateral or any portion of it. Debtor will not use or permit anyone to use the Collateral in violation of any statute, ordinance, or state regulation. However, Secured Party

acknowledges that the collateral is used in the processing of cannabis, which although permitted under certain circumstances in the state of Oregon, is presently prohibited by United States Federal law. Except for certificated securities and goods covered by a document, no item of Collateral is in the possession of a person other than Debtor.

4.5 Taxes and Assessments. Debtor will pay or cause to be paid promptly when due all taxes and assessments on the Collateral, this Agreement, or the Secured Note. Debtor, however, may withhold payment of any tax assessment or claim if a good-faith dispute exists as to the obligation to pay.

4.6 First Priority. Upon the execution of this Agreement, the Secured Note and the filing of a form UCC-1 and any other required forms, the Secured Party will have a first priority security interest in the Collateral.

4.7. Further Acts. Debtor covenants that he will take those actions, including but not limited to signing or authorizing the filing of any documents, which may be necessary or appropriate for the Secured Party to perfect its security interest in the Collateral. The insurance policies that provide coverage to Debtor provide adequate insurance coverage for the Collateral for all risks normally insured against by a person carrying on a similar business in a similar location, and for any other risks to which Debtor is normally exposed.

5. DEBTOR'S RIGHT TO POSSESSION; SECURED PARTY'S RIGHT TO PAY CERTAIN OBLIGATIONS

5.1. Debtor may use the Collateral in any lawful manner not inconsistent with this Agreement and the terms of the Secured Note.

5.2. Debtor will not sell, lease, license, distribute, or otherwise dispose of any Collateral.

5.3. Debtor will keep the tangible Collateral in good repair and operating condition, reasonable wear and tear excepted.

5.4. Debtor will promptly notify Secured Party if any of the following occurs: (a) any material adverse change in the business of Debtor; (b) any material loss or damage with respect to any Collateral, whether or not the loss or damage is covered by insurance; (c) any material adverse change in the financial condition of Debtor; or (d) an Event of Default.

5.5. Debtor will promptly notify Secured Party if any person other than Debtor, Secured Party, takes possession of any item of Collateral other than certificated securities and goods covered by a document.

5.6. Debtor will promptly notify Secured Party if any person other than Debtor, Secured Party, takes possession of any item of Collateral other than certificated securities and goods covered by a document.

6. EVENTS OF DEFAULT

Debtor shall be in default under this Agreement when any of the following events or conditions occurs:

6.1 Debtor fails to make any payment required under the Secured Note within ten (10) Business Days after the payment is due.

6.2 Failure of Debtor to comply with any term, obligation, covenant, or condition contained in this Agreement, the Note or Procurement Agreement executed between the parties as of the date hereof.

6.3 Any warranty, representation, or statement made or furnished to Secured Party by or on behalf of Debtor under this Agreement proves to have been false in any material respect when made or furnished.

6.4 Any levy, seizure, attachment, lien, or encumbrance of or on the Collateral which is not discharged by Debtor within 60 days, without the consent of the Secured Party pursuant to Section 4.4.

6.5 Dissolution, termination of existence, insolvency, business failure, discontinuance as a going business (except for labor disputes), appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Debtor, or entry of any judgment that in the opinion of Secured Party would reasonably jeopardize the security interest given by this agreement.

6.6 Commencement of a foreclosure suit by any creditor of Debtor against any of the Collateral. This section shall not apply in the event of a good-faith dispute by Debtor as to the validity or reasonableness of the claim which is the basis of the foreclosure suit.

7. RIGHTS OF SECURED PARTY

7.1 Upon an Event of Default Secured Party may take any of the following remedies: (a) accelerate any of the amounts owed under the Note; (b) any remedy available to Secured Party under the Uniform Commercial Code; (c) any remedy available to Secured Party under any agreement evidencing, guaranteeing, or securing the payment or performance of any of the Loan or any of the obligations of any guarantor of the Loan; or (d) require Debtor or such other party in possession of the Collateral to deliver the Collateral to Secured Party. In this event, Collateral is to be returned in the same condition in which it was received by Debtor. This will be defined as the pumps running as designed and the chillers reaching and maintaining a temperature of -40 degrees Fahrenheit for five (5) consecutive production runs performed to the quality determined by Secured Party.

8. GENERAL

8.1 Secured Party shall not be deemed to have waived any rights under this Agreement or any other writing signed by Debtor unless such waiver is in writing and signed by Secured Party. No delay or omission on the part of Secured Party shall operate as a waiver of such right or any other right. A waiver by any party of a breach of a provision of this Agreement shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Secured Party to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or take action to perform an obligation of Debtor under this Security Agreement after failure of Debtor to perform shall not affect Secured Party's right to declare a default and exercise its remedies under Section 7.

8.2 All Secured Party's rights and remedies, whether evidenced here or by other writing, shall be cumulative and may be exercised singularly or concurrently.

8.3 Any demand on or notice to Debtor that Secured Party may give shall be effective when deposited as registered or certified mail directed to Debtor's address stated in this Agreement. Either party may change the address for notices by written notice to the other party.

8.4 This Agreement and all rights and liabilities under it and in and to any and all obligations secured here and in and to all Collateral shall inure to the benefit of the Secured Party and its successors and assigns, and shall be binding on Debtor and its successors and assigns. The Debtor cannot assign its rights or obligations under this Agreement without the prior written consent of the Secured Party.

8.5 Debtor shall pay to Secured Party on demand, any expenses reasonably incurred and extended by Secured Party in insuring, discharging encumbrances, protecting,

maintaining, and liquidating the Collateral and in collecting or attempting to collect proceeds thereof and in protecting and enforcing the covenants and other rights of Secured Party under this Agreement.

8.6 Should any one or more provisions of this Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

8.7 Debtor agrees to take any further actions, including executing any documentation, which Secured Party believes is necessary or appropriate to attach a security interest to the Collateral in favor of Secured Party and perfect that security interest in the Collateral.

8.8 If any arbitration, action, suit, or proceeding is instituted to interpret, enforce, or rescind this Agreement, or otherwise in connection with the subject matter of this Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney's fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, action, suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

8.9 If an Event of Default occurs and Secured Party does not institute any arbitration, action, suit, or proceeding, Debtor will pay to Secured Party, upon Secured Party's demand, all reasonable costs and expenses, including but not limited to attorney's fees and collection fees, incurred by Secured Party in attempting to exercise Secured Party's remedies under this Agreement.

9. APPLICABLE LAW

The law of the state of Oregon shall apply for the purpose of construing this instrument, determining its validity, and, to the fullest extent permitted by applicable law of any state in which any of the Collateral is located, the rights and remedies of Secured Party in the event of default under this Agreement.

IN WITNESS WHEREOF, the parties have executed this instrument as of the Date first indicated above, to be effective as of the Effective Date.

DEBTOR

Golden Leaf Holdings, Ltd.

By: ______________________

Its: CEO

Greenpoint Oregon, Inc.

By: ______________________

Its: CEO

SECURED PARTY

Bobsled Extracts, LLC

By: ______________________

Its: Manager

Exhibit A

Collateral:

1. Luna Tech IO Machine (serial #KJ02-003-00)
2. HAL Booth (serial #120U04190069)

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THIS IS EXHIBIT "H" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

Lauren B. Bernton
lauren.bernton@tonkon.com
503.802.2144 direct
503.221.1440 main

January 27, 2023

VIA FIRST CLASS

Golden Leaf Holdings Ltd., dba Chalice Brands Ltd.
Attn: Rachel Nicholas
13315 NE Airport Way, Suite 700
Portland, OR 97230

Re: NOTICE OF DEFAULT AND DEMAND FOR PAYMENT

Dear Ms. Nicholas:

This law firm represents Bobsled Extracts LLC ("Bobsled") with respect to all matters arising from the Secured Promissory Note, Procurement Agreement, Bill of Sale, and Security Agreement entered into between the parties on or about May 25, 2021 (collectively, the "Agreement").

As you know, the Agreement requires Golden Leaf Holdings Ltd., dba Chalice Brands Ltd. ("Golden Leaf") to make monthly payments in the amount of $8,750.00 in addition to procurement orders in the amount of $20,000.00 of Bobsled's branded product per month. On September 6, 2022, Golden Leaf began incurring a daily late fee of $250.00 pursuant to the terms of the Agreement. As of today's date, Golden Leaf owes $319,000.00, which represents $120,000.00 of missed retail orders, $38,250.00 for product delivered and not paid for, and $12,000.00 in late fees.

Additionally, as you know, Golden Leaf is in possession of my client's freezer box. He has asked for its return and Golden Leaf has refused. This constitutes unlawful conversion, and Golden Leaf is responsible to my client for interim damages up to and including the fair market value of the freezer.

This letter serves as a demand that Golden Leaf pay $319,000.00 and return the freezer box by 5:00 PM Pacific on the seventh date after the date of this letter. Should Golden Leaf fail to pay that amount within this time, please be advised that Bobsled reserves and may pursue all of its rights and remedies to the fullest extent as provided by law and under the Agreement. This includes, without limitation, the right to repossess the Luna Tech IO Machine and the HAL Booth. Bobsled will also seek pre-judgment and post-judgment interest as well as attorney fees to the fullest extent provided by law and under the Agreement.

You may direct future correspondence to me. Thank you for your prompt attention to this matter.

Sincerely,

Lauren B. Bernton

LBB/bh

039738\00802\14128815v4

THIS IS EXHIBIT "I" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

DocuSign Envelope ID: 218EF905-F067-4AAE-BCF2-444AF88A0A57

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, Golden Leaf Holdings Ltd., a Canadian corporation ("**GLH**") and Greenpoint Holdings Delaware, Inc., a Delaware corporation ("**Greenpoint**") (together, the "**Borrower**"), hereby unconditionally promises to pay to the order of Alicia Smith, Jillian Smith, and Marcena Sorrels as assignee of Sorrels Investments, LLC (together, the **"Lender**") One Million Seven Hundred Fifty Thousand USD ($1,750,000.00), together with all accrued interest thereon as provided in this Secured Promissory Note (the "**Note**"). Borrower and Lender are each referred to as a "**Party**" and together as the "**Parties**."

1. Definitions; Interpretation.

1.1 Capitalized terms used herein shall have the meanings set forth in this Section 1 or as defined within the Note.

"**Affiliate**" as to any Person, means any other Person that, directly or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"**Anti-Corruption Laws**" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower from time to time concerning or relating to bribery or corruption, including the United States Foreign Corrupt Practices Act of 1977.

"**Applicable Rate**" means the interest rate equal to 8.0% per annum.

"**Beneficial Ownership Regulation**" has the meaning set forth Section 11.10.

"**Borrower**" has the meaning set forth in the introductory paragraph.

"**Business Day**" means a day other than a Saturday, Sunday, or other day on which commercial banks in the State of Oregon are authorized or required by law to close.

"**Debt**" of the Borrower, means all (a) indebtedness for borrowed money; (b) obligations for the deferred purchase price of property or services, except trade payables arising in the ordinary course of business; (c) obligations evidenced by notes, bonds, debentures, or other similar instruments; (d) obligations as lessee under capital leases; (e) obligations in respect of any interest rate swaps, currency exchange agreements, commodity swaps, caps, collar agreements, or similar arrangements entered into by the Borrower providing for protection against fluctuations in interest rates, currency exchange rates, or commodity prices, or the exchange of nominal interest obligations, either generally or under specific contingencies; (f) obligations under acceptance facilities and letters of credit; (g) guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to assure a creditor against loss, in each case, in respect of indebtedness set out in

clauses (a) through (f) of a Person other than the Borrower; and (h) indebtedness set out in clauses (a) through (g) of any Person other than Borrower secured by any lien on any asset of the Borrower, whether or not such indebtedness has been assumed by the Borrower, and (i) indebtedness of any partnership, unlimited liability company, or unincorporated joint venture in which the Borrower is a general partner, member, or a joint venturer, respectively (unless such Debt is expressly made non-recourse to the Borrower).

"**Default**" means any of the events specified in Section 8 which constitute an Event of Default or which, upon the giving of notice, the lapse of time, or both, pursuant to Section 8, would, unless cured or waived, become an Event of Default.

"**Default Rate**" means the Applicable Rate plus 5.0%.

"**Event of Default**" has the meaning set forth in Section 9.

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect from time to time.

"**Governmental Authority**" means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government.

"**Law**" as to any Person, means the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law (including common law), statute, ordinance, treaty, rule, regulation, order, decree, judgment, writ, injunction, settlement agreement, requirement or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject. Notwithstanding the foregoing, "Law" shall not include any U.S. federal law, civil, criminal or otherwise, to the extent that such law is directly or indirectly related to the cultivation, harvesting, production, manufacturing, processing, marketing, distribution, sale or possession of cannabis, marijuana or related substances or products containing cannabis, marijuana or related substances (excluding hemp as defined in Section 297A(1) of Subtitle G of the Agricultural Marketing Act of 1946 pursuant to Section 10113 of Public Law 115-224, the Agriculture Improvement Act of 2018 referred to as the "2018 Farm Bill"), including the prohibition on drug trafficking under the Controlled Substances Act (21 U.S.C. § 801, et seq.), the conspiracy statute under 18 U.S.C. § 846, the bar against aiding and abetting the conduct of an offense under 18 U.S.C. § 2, the bar against misprision of a felony (concealing another's felonious conduct) under 18 U.S.C. § 4, the bar against being an accessory after the fact to criminal conduct under 18 U.S.C. § 3, and federal money laundering statutes under 18 U.S.C. §§ 1956, 1957 and 1960. The term "Law" shall not include: (i) 26 U.S.C. §6050I, the regulations promulgated thereunder or related to any Internal Revenue Form 8300; or (ii) Subtitle G of the Agricultural Marketing Act of 1946, as amended, or the regulations promulgated by the U.S. Department of Agriculture, Agricultural Marketing Service on October 31, 2019 referred to as the "Interim Hemp Rule" and set forth at 7 CFR Part 990, and published in the Federal Register on October 31, 2019 at 84 F.R. 58522.

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"**Licenses**" means the Oregon Liquor Control Commission ("**OLCC**") license numbers 1016995D03E, 11016993F313, 10169922BD5, 1016990CA13, and 10169911EE0, issued to Greenpoint pursuant to the Membership Purchase Agreement executed between Borrower and Lender and Greenpoint's completed OLCC applications therefor (each a "**License**" and collectively, the "**Licenses**"), as further referenced in the Security Agreement.

"**Lien**" means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge, or other security interest.

"**Loan**" means the principal amount of One Million Seven Hundred Fifty Thousand USD ($1,750,000.00).

"Material Adverse Change" or "**Material Adverse Event**" means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations and/or condition (financial or otherwise) of the Borrower or Affiliates; (b) the validity or enforceability of the Note or Security Agreement; (c) the perfection or priority of any Lien purported to be created under the Security Agreement; (d) the rights or remedies of the Lender hereunder or under the Security Agreement; (e) the Borrower's ability to perform any of its material obligations hereunder or under the Security Agreement; or (f) any event, occurrence, fact, condition or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to the business, results of operations, condition (financial or otherwise) or assets of Debtor. Any suspension, revocation, cancellation, or non-renewal of any License shall be deemed to be a Material Adverse Change. Notwithstanding the foregoing, a Material Adverse Change shall not be deemed to include events, occurrences, facts, conditions or changes arising out of, relating to, or resulting from: (i) changes generally affecting the economy, financial, or securities markets; (ii) any outbreak or escalation of war or any act of terrorism or national or international political or social conditions, including the engagement in hostilities; (iii) general conditions in the industry in which Debtor operates; (iv) the conditions of any financial, banking or securities markets (including any disruption thereof, any decline in the price of any security or any market index and any changes in interest or exchange rates); (vi) changes in the enforcement and interpretation of laws regulating the production, processing, or distribution of marijuana; (vii) earthquakes, hurricanes, floods or other natural disasters; or (viii) any impact or consequence related to COVID-19 or any laws, regulations, orders, or rules of any governmental entity or body related to COVID-19.

"**Maturity Date**" means the date on which all amounts under this Note shall become due and payable pursuant to Section 2.1.

"**Note**" has the meaning set forth in the introductory paragraph.

"**Lender**" has the meaning set forth in the introductory paragraph.

"**OFAC**" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"**Parties**" has the meaning set forth in the introductory paragraph.

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"**PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. 107-56, signed into law October 26, 2001).

"**Person**" means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority, or other entity.

"**Sanctioned Country**" means, at any time, a country or territory which is itself the subject or target of any comprehensive or country-wide Sanctions.

"**Sanctioned Person**" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by a Sanctions Authority; (b) any Person operating, organized, or resident in a Sanctioned Country, (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b), or (d) any Person that is the subject or target of any Sanctions.

"**Sanctions**" mean all economic or financial sanctions or trade embargoes imposed, administered, or enforced from time to time by a Sanctions Authority.

"**Sanctions Authority**" means the U.S. Department of State, Canada, or other relevant sanctions authority.

"**Security Agreement**" means the Security Agreement, dated as of the date hereof, by and between the Borrower and Lender, with Lender as Secured Party and Borrower as Debtor, encumbering the Collateral (as that term is defined in the Security Agreement). The Security Agreement shall be evidenced by a UCC-1 Financing Statement describing the Collateral, to be filed by Lender in accordance with the terms of the Security Agreement.

1.2 Interpretation. For purposes of this Note (a) the words "include," "includes," and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto," and "hereunder" refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine, and neuter forms. Unless the context otherwise requires, references herein to: (x) Schedules, Exhibits, and Sections mean the Schedules, Exhibits, and Sections of this Note; (y) an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

2. Payment Dates; Optional Prepayments.

2.1 Payment Dates.

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The Loan shall be payable in 48 consecutive monthly installments of beginning on June 1, 2021 and on the first day of every month thereafter as follows, *provided* that all amounts outstanding under this Note, including all accrued and unpaid interest and other amounts payable under the Note, shall be due and payable on June 1, 2025 (the "Maturity Date"), unless otherwise provided herein. The first 12 payments shall be paid in equal installments of interest-only in the amount of $11,666.67 per month; and the remaining thirty-six (36) payments shall be paid in equal installments of principal and interest in the amount of $54,838.64 per month

2.2 Payment Date Extension. If within three years from the execution date of this Note Borrower receives notice from any lawful taxing authority for any notice of examination, notice of assessment, notice of lien or levy, or notice of amounts due to any tax period that pre-dates the closing date ("Notice") of the Membership Interest Purchase Agreement ("Agreement") signed by the Parties conjointly with this Note, the Maturity Date shall extend to six years from the date of execution of the Note and the monthly installment amount shall be recalculated based on the extended payment date. If Borrower does not receive any notice from a lawful taxing authority, or fails to notify Lender of any notice, within three years from the execution date of the Note, the Maturity Date provided for in Section 2.1 of this Note shall remain unchanged for the remaining term of the Note.

2.3 Optional Prepayments. The Borrower may prepay the Loan in whole or in part at any time or from time to time without penalty or premium by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. No prepaid amount may be reborrowed.

2.4 Right of Offset. Pursuant to the Indemnity provisions contained in the Agreement, Borrower shall have the right to offset from the principal due under this Note any imposed tax liability for all SMS Ventures, LLC for tax periods prior to the closing date provided for in the Agreement. Notwithstanding the above, for the tax period 2020, Borrower shall have a right to offset only up to the amount of $243,000.00 ("**Cap**") from the Note principal if Borrower elects, at its sole discretion, to amend the Company tax return(s). The Cap shall not apply to: (i) the 2020 tax period for any tax liability resulting from any notice or audit conducted by any taxing authority; or (ii) any other applicable tax period. Within ten (10) days of receiving any Notice, Borrower shall provide Lender with a copy of the Notice and Lender shall have the right to defend the audit according to the provisions contained in the Agreement. After receipt of a final notice of any tax amount due at the conclusion of any audit process, Lender shall have twenty (20) days to pay all amounts owed. If Lender fails to pay the amounts owed as provided for in the Notice within the twenty day period, Borrower shall have the right make the payment(s) and reduce the principal amount owed under the Note by the same amount.

3. Security Agreement. The Borrower's performance of its obligations hereunder is secured by a first priority security interest in the collateral specified in the Security Agreement with the same date as this Note, with Lender as Secured Party and Borrower as Debtor, encumbering the Collateral (as that term is defined in the Security Agreement). The Security Agreement shall be evidenced by a UCC-1 Financing Statement describing the Collateral, to be filed by Lender in accordance with the terms of the Security Agreement.

4. Interest.

4.1 Interest Rate. Except as otherwise provided herein, the outstanding principal amount of the Loan made hereunder shall bear interest at the Applicable Rate from the date the Loan was made until the Loan is paid in full, whether at maturity, upon acceleration, by prepayment, or otherwise.

4.2 Default Interest. If any amount payable hereunder is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration, or otherwise, such overdue amount shall bear interest at the Default Rate from the date of such non-payment until such amount is paid in full.

4.3 Computation of Interest. All computations of interest shall be made on the basis of 365 or 366 days, as the case may be, and the actual number of days elapsed. Interest shall accrue on the Loan on the day on which the Loan is made.

4.4 Interest Rate Limitation. If at any time and for any reason whatsoever, the interest rate payable on the Loan shall exceed the maximum rate of interest permitted to be charged by the Lender to the Borrower under applicable Law, such interest rate shall be reduced automatically to the maximum rate of interest permitted to be charged under applicable Law.

5. Payment Mechanics.

5.1 Manner of Payments. All payments of interest and principal shall be *received* in lawful money of the United States of America no later than 2:00 PM Pacific Time on the date on which such payment is due by cashier's check, certified check, or by wire transfer of immediately available funds to the Lender's account at a bank specified by the Lender in writing to the Borrower from time to time.

5.2 Application of Payments. All payments made under this Note shall be applied *first* to the payment of any fees or charges outstanding hereunder, *second* to accrued interest, and *third* to the payment of the principal amount outstanding under the Note.

5.3 Business Day Convention. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.

5.4 Rescission of Payments. If at any time any payment made by the Borrower under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of the Borrower or otherwise, the Borrower's obligation to make such payment shall be reinstated as though such payment had not been made.

6. Representations and Warranties. The Borrower hereby represents and warrants to the Lender on the date hereof as follows:

6.1 Existence; Power and Authority; Compliance with Laws. Borrower (a) is each a corporation duly incorporated, validly existing, and in good standing under the laws of the state of its jurisdiction of organization, (b) has the requisite power and authority, and the legal right, to own, lease, and operate its properties and assets and to conduct its business as it is now being conducted, to execute and deliver this Note and the Security Agreement, and to perform its

obligations hereunder and thereunder, and (c) is in compliance with all Laws except to the extent that the failure to comply therewith could not, reasonably be expected to have a Material Adverse Effect.

6.2 Authorization; Execution and Delivery. The execution and delivery of this Note and the Security Agreement by the Borrower and the performance of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action in accordance with all applicable Laws. The Borrower has duly executed and delivered this Note and the Security Agreement.

6.3 No Approvals. No consent or authorization of, filing with, notice to, or other act by, or in respect of, any Governmental Authority or any other Person is required in order for the Borrower to execute, deliver, or perform any of its obligations under this Note or the Security Agreement.

6.4 No Violations. The execution and delivery of this Note and the Security Agreement and the consummation by the Borrower of the transactions contemplated hereby and thereby do not and will not (a) violate any Law applicable to the Borrower or by which any of its properties or assets may be bound; or (b) constitute a default under any material agreement or contract by which the Borrower may be bound.

6.5 Enforceability. The Note and the Security Agreement are valid, legal, and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.6 No Litigation. No action, suit, litigation, investigation, or proceeding of, or before, any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its property or assets (a) with respect to the Note, the Security Agreement, or any of the transactions contemplated hereby or thereby or (b) that could be expected to materially adversely affect the Borrower's financial condition or the ability of the Borrower to perform its obligations under the Note or the Security Agreement.

6.7 PATRIOT Act; Anti-Money Laundering. The Borrower is, and to the knowledge of the Borrower, its directors, officers, employees, and agents are, in compliance in all material respects with the PATRIOT Act, and any other applicable terrorism and money laundering laws, rules, regulations, and orders.

6.8 Anti-Corruption Laws and Sanctions.

(a) The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance in all material respects by the Borrower and its directors, officers, employees, and agents with Anti-Corruption Laws and applicable Sanctions and the Borrower is, and to the knowledge of the Borrower, its directors, officers, employees, and agents are, in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects.

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(b) The Borrower is not, and no director, officer of the Borrower, or any agent of the Borrower that will act in any capacity in connection with or benefit from the Loan, is a Sanctioned Person.

(c) No use of proceeds of the Loan or other transaction contemplated by this Note will violate any Anti-Corruption Law or applicable Sanctions.

7. Affirmative Covenants. Until all amounts outstanding under this Note have been paid in full, the Borrower shall:

7.1 Maintenance of Existence. (a) Preserve, renew, and maintain in full force and effect its corporate or organizational existence and (b) take all reasonable action to maintain all rights, privileges, permits, and licenses necessary or desirable in the normal conduct of its business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.2 Compliance. (a) Comply with all Laws applicable to it and its business and its obligations under its material contracts and agreements, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect and (b) maintain in effect and enforce policies and procedures designed to achieve compliance in all material respects by the Borrower and its directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions. For the avoidance of doubt, Compliance with all Laws includes maintaining, renewing, and operating the Licenses; any suspension, revocation, cancellation, or non-renewal of any License shall be a breach of Borrower's covenants and a default under this Note.

7.3 Payment Obligations. Pay, discharge, or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings, and reserves in conformity with GAAP with respect thereto have been provided on its books.

7.4 Notice of Events of Default. As soon as possible and in any event within two (2) Business Days after it becomes aware that an Event of Default has occurred, notify the Lender in writing of the nature and extent of such Event of Default and the action, if any, it has taken or proposes to take with respect to such Event of Default.

7.5 Further Assurances. Upon the request of the Lender, promptly and in any event within seven (7) Business Days execute and deliver such further instruments and do or cause to be done such further acts as may be necessary or advisable to carry out the intent and purposes of this Note and the Security Agreement.

8. Events of Default. The occurrence and continuance of any of the following shall constitute an Event of Default hereunder:

8.1 Failure to Pay. The Borrower fails to pay (a) any principal amount of the Loan when due or (b) interest or any other amount when due and such failure continues for ten (10) days.

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8.2 Breach of Representations and Warranties. Any representation or warranty made by the Borrower to the Lender herein or in the Security Agreement is incorrect in any material respect on the date as of which such representation or warranty was made.

8.3 Breach of Covenants.

The Borrower fails to observe or perform (a) any covenant, condition, or agreement contained herein or (b) any other covenant, obligation, condition, or agreement contained in this Note or the Security Agreement, other than those specified in clause (a) and Section 8.1, and such failure continues for 20 days.

8.4 Cross-Defaults. The Borrower fails to pay when due any of its Debt (other than Debt arising under this Note), or any interest or premium thereon, when due and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt.

8.5 Bankruptcy.

(a) The Borrower commences any case, proceeding, or other action (i) under any existing or future Law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition, or other relief with respect to it or its debts or (ii) seeking appointment of a receiver, trustee, custodian, conservator, or other similar official for it or for all or any substantial part of its assets, or the Borrower makes a general assignment for the benefit of its creditors;

(b) There is commenced against the Borrower any case, proceeding, or other action of a nature referred to in Section 8.5(a) which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged, or unbonded for a period of 60 days;

(c) There is commenced against the Borrower any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which has not been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof;

(d) The Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in Section 8.5(a), Section 8.5(b), or Section 8.5(c) above; or

(e) The Borrower is generally not, or shall be unable to, or admits in writing its inability to, pay its debts as they become due.

8.6 Judgments. One or more judgments or decrees shall be entered against the Borrower and all of such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof.

9. Remedies. Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Lender may, at its option, by written notice to the Borrower (a) declare the entire principal amount of the Loan, together with all accrued interest thereon and all other amounts payable under this Note, immediately due and payable; and/or (b) exercise any or all of its rights, powers or remedies under the Security Agreement or applicable Law; *provided, however*, that if an Event of Default described in Section 8.5 shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable without any notice, declaration, or other act on the part of the Lender.

10. Miscellaneous.

10.1 Notices.

(a) All notices, requests, or other communications required or permitted to be delivered hereunder shall be delivered in writing, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

(i) If to the Borrower:

Jeffrey Yapp and Andrew Marchington
13315 NE Airport Way, Suite 700
Portland, Oregon 97230
Email: andrew.marchington@goldenleafholdings.com

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

Cosgrave Vergeer Kester LLP
Attention: Jake Cormier and Jay Richardson
900Fifth Avenue, 24th Floor
Portland, Oregon 9720
Email: jcormier@cosgravelaw.com

(ii) If to the Lender:

Alicia Smith and Jillian Smith
11505 Sombrero Dr
Austin, TX 78748
Email: goddesandshe@gmail.com
Email: jillsorrels@gmail.com

Marcena Sorrels
628 Crosswater Lane
Dripping Springs, TX 78620
Email: mmsorrels@hotmail.com

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

Lotus Law Group, LLC
Attention: Allison Bizzano
2 Centerpointe Dr, Ste 345
Lake Oswego, OR 97035
Email: allison@lotuslawgroup.com

(b) Notices if (i) mailed by certified or registered mail, return receipt requested or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by email shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient or other written acknowledgment).

10.2 Expenses. The Borrower shall reimburse the Lender on demand for all reasonable out-of-pocket costs, expenses, and fees (including reasonable expenses and fees of its attorneys, including deposition costs) incurred by the Lender in connection with the transactions contemplated and the enforcement of the Lender's rights hereunder and thereunder.

10.3 Governing Law. This Note, the Security Agreement, and any claim, controversy, dispute, or cause of action (whether in contract or tort or otherwise) based upon, arising out of, or relating to this Note, the Security Agreement, and the transactions contemplated hereby and thereby shall be governed by the laws of the State of Oregon.

10.4 Submission to Jurisdiction; Arbitration. Any dispute or claim that arises out of or that relates to this Agreement, or to the interpretation or breach thereof, or to the existence, validity, or scope of this Agreement shall be resolved by binding arbitration in accordance with the then effective arbitration rules of (and by filing a claim with) Arbitration Service of Portland, Inc. or the American Arbitration Association, whichever organization is selected by the party who first initiates arbitration by filing a claim in accordance with the filing rules of the organization selected, and judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof. The parties acknowledge that mediation usually helps parties to settle their dispute. Therefore, any party may propose mediation whenever appropriate through either of the organizations named above or any other mediation process or mediator as the parties may agree upon, however mediation shall not be required in order to initiate an action or arbitration. In the event suit, action or appeal is brought, or an arbitration proceeding is initiated, to enforce or interpret any of the provisions of this Agreement, or that arise out of or relate to this Agreement, the prevailing party shall be entitled to reasonable attorney fees and costs (including, but not limited to, deposition costs and expert fees and costs) in connection therewith. The determination of who is the prevailing party and the amount of reasonable attorney fees to be paid to the prevailing party shall be decided by the arbitrator(s) pursuant to Oregon Rule of Procedure 68 (with respect to attorney fees incurred prior to and during the arbitration proceedings) and by the court or courts, including any appellate court, in which such matter is tried, heard, or decided, including a court that hears a request to compel or enjoin arbitration or to stay litigation or that hears any exceptions or objections to, or requests to modify, correct, or vacate, an arbitration award submitted to it for confirmation as a judgment (with respect to attorney fees incurred in such court proceedings).

10.5 Waiver of Jury Trial. THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR

INDIRECTLY RELATING TO THIS NOTE, THE SECURITY AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY.

10.6 Integration. This Note and the Security Agreement constitutes the entire contract between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto.

10.7 Successors and Assigns. This Note may be assigned or transferred by the Lender to any Person. The Borrower may not assign or transfer this Note or any of its rights hereunder without the prior written consent of the Lender, the consent of which may be withheld in Lender's sole and absolute discretion. This Note shall inure to the benefit of, and be binding upon, the Parties and their permitted assigns.

10.8 Waiver of Notice. The Borrower hereby waives demand for payment, presentment for payment, protest, notice of payment, notice of dishonor, notice of nonpayment, notice of acceleration of maturity, and diligence in taking any action to collect sums owing hereunder.

10.9 PATRIOT Act. The Lender hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act and 31 C.F.R. § 1010.230 (the "**Beneficial Ownership Regulation**"), it is required to obtain, verify, and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the PATRIOT Act and the Beneficial Ownership Regulation, and the Borrower agrees to provide such information from time to time to the Lender.

10.10 Amendments and Waivers. No term of this Note may be waived, modified, or amended except by an instrument in writing signed by both of the Parties. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

10.11 Headings. The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand, or limit any of the terms or provisions hereof.

10.12 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising on the part of the Lender, of any right, remedy, power, or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege. The rights, remedies, powers, and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers, and privileges provided by law.

10.13 Electronic Execution. The words "execution," "signed," "signature," and words of similar import in the Note shall be deemed to include electronic or digital signatures or electronic records, each of which shall be of the same effect, validity, and enforceability as manually executed signatures or a paper-based record-keeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 U.S.C. §§ 7001 to 7031), the Uniform Electronic Transactions Act (UETA), or any state law based on the UETA.

10.14 Severability. If any term or provision of this Note or the Security Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Note or the Security Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

IN WITNESS WHEREOF, the Borrower has executed this Note as of May 19, 2021.

GOLDEN LEAF HOLDINGS, LTD.

DocuSigned by:
By Jeffrey Yapp
9898BABE9A87413...
Name: Jeffrey Yapp
Title: CEO

DocuSigned by:
Jillian Smith
638AE6A608F24A9...
Jillian Smith

DocuSigned by:
Alicia Smith
76E16D264EE2413...
Alicia Smith

DocuSigned by:
Marcena Sorrels
43F158A6BA5A413...
Marcena Sorrels

GREENPOINT HOLDINGS DELAWARE, INC.

DocuSigned by:
By Jeffrey Yapp
9898BABE9A87413...
Name: Jeffrey Yapp
Title: CEO

THIS IS EXHIBIT "J" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

SECURITY AGREEMENT

This Security Agreement ("**Agreement**") is by and among Greenpoint Holdings Delaware Inc., a Delaware corporation, and Golden Leaf Holdings Ltd., a Canadian corporation (collectively, "**Debtor**") and Alicia Smith, Jillian Smith, and Marcena Sorrels, as individuals (together, "**Secured Party**"). Debtor and Lender are each referred to as a "**Party**" **and** together as the "**Parties**."

WHEREAS, in connection with the execution of a Membership Interest Purchase Agreement ("**MPA**") between Greenpoint Holdings Delaware Inc., a Delaware corporation, and Golden Leaf Holdings Ltd., a Canadian corporation, as Buyer (together, "**Buyer**"); Jillian Smith, Alicia Smith, and Sorrels Investments, LLC as Members ("**Members**"); and SMS Ventures, LLC, an Oregon limited liability company as Company, Secured Party has made a loan to the Borrower in the principal amount of One Million Seven Hundred Fifty Thousand USD ($1,750,000.00), as evidenced by that certain Secured Promissory Note of even date herewith (as amended, supplemented, or otherwise modified from time to time, the "**Note**") made payable by the Borrower and payable to the order of the Secured Party.

SECTION 1. DEFINITIONS

1.1 Capitalized Terms. Unless defined elsewhere in this Agreement, capitalized terms used in this Agreement will have the meanings ascribed to them in this Section. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the MPA and Note.

1.2 UCC Terms. Unless the context clearly indicates otherwise, terms used in this Agreement that are not capitalized but that are defined in the Uniform Commercial Code will have the meanings ascribed to them in the Uniform Commercial Code. The term "instrument" will have the meaning ascribed to it in ORS Chapter 79 rather than ORS Chapter 73.

1.3 Definitions:

"**Collateral**" means the following assets of Debtor:

(a) the Oregon Liquor Control Commission ("**OLCC**") license numbers 1016995D03E, 11016993F313, 10169922BD5, 1016990CA13, and 10169911EE0, issued to Debtor pursuant to the MPA and Debtor's completed OLCC applications therefor (each a "**License**" and collectively, the "**Licenses**");

(b) all of the inventory and finished goods in the possession, custody, or control of Debtor arising from, derived from, and/or related to the Licenses (together, "**Inventory**"), located on the Premises (as defined herein);

(c) all proceeds of/from any of the Inventory, including money and deposit accounts;

(d) books of account and records relating to the Licenses and Inventory; and

(e) contracts rights or rights to the payment of money, insurance claims, and proceeds relating to or from the Licenses and Inventory.

"Affiliate" as to any Person, means any other Person that, directly or indirectly through one or more intermediaries, is in control of, is controlled by, or is under common control with, such

Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"**Encumbrance**" means any lien, mortgage, pledge, security interest, or other encumbrance.

"**Event of Default**" means any event specified in Section 7.1.

"**Law**" means the certificate of incorporation and bylaws or other organizational or governing documents of such Person, and any law (including common law), statute, ordinance, treaty, rule, regulation, order, decree, judgment, writ, injunction, settlement agreement, requirement or determination of an arbitrator or a court or other governmental authority, body, or agency, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject. Notwithstanding the foregoing, "Law" shall not include any U.S. federal law, civil, criminal or otherwise, to the extent that such law is directly or indirectly related to the cultivation, harvesting, production, manufacturing, processing, marketing, distribution, sale or possession of cannabis, marijuana or related substances or products containing cannabis, marijuana or related substances (excluding hemp as defined in Section 297A(1) of Subtitle G of the Agricultural Marketing Act of 1946 pursuant to Section 10113 of Public Law 115-224, the Agriculture Improvement Act of 2018 referred to as the "2018 Farm Bill"), including the prohibition on drug trafficking under the Controlled Substances Act (21 U.S.C. § 801, et seq.), the conspiracy statute under 18 U.S.C. § 846, the bar against aiding and abetting the conduct of an offense under 18 U.S.C. § 2, the bar against misprision of a felony (concealing another's felonious conduct) under 18 U.S.C. § 4, the bar against being an accessory after the fact to criminal conduct under 18 U.S.C. § 3, and federal money laundering statutes under 18 U.S.C. §§ 1956, 1957 and 1960. The term "Law" shall not include: (i) 26 U.S.C. §6050I, the regulations promulgated thereunder or related to any Internal Revenue Form 8300; or (ii) Subtitle G of the Agricultural Marketing Act of 1946, as amended, or the regulations promulgated by the U.S. Department of Agriculture, Agricultural Marketing Service on October 31, 2019 referred to as the "Interim Hemp Rule" and set forth at 7 CFR Part 990, and published in the Federal Register on October 31, 2019 at 84 F.R. 58522.

"Material Adverse Change" or "**Material Adverse Event**" means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations and/or condition (financial or otherwise) of Debtor or Debtor's Affiliates; (b) the validity or enforceability of the Note or this Agreement; (c) the perfection or priority of any lien purported to be created under this Agreement; (d) the rights or remedies of the Secured Party under the Note or this Agreement; (e) Debtor's ability to perform any of its material obligations under the Note this Agreement; or (f) any event, occurrence, fact, condition or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to the business, results of operations, condition (financial or otherwise) or assets of Debtor. Any suspension, revocation, cancellation, or non-renewal of any License shall be deemed to be a Material Adverse Change. Notwithstanding the foregoing, a Material Adverse Change shall not be deemed to include events, occurrences, facts, conditions or changes arising out of, relating to, or resulting from: (i) changes generally affecting the economy, financial, or securities markets; (ii) any outbreak or escalation of war or any act of terrorism or national or international political or social conditions, including the engagement in hostilities; (iii) general conditions in the industry in which Debtor operates;

(iv) the conditions of any financial, banking or securities markets (including any disruption thereof, any decline in the price of any security or any market index and any changes in interest or exchange rates); (vi) changes in the enforcement and interpretation of laws regulating the production, processing, or distribution of marijuana; (vii) earthquakes, hurricanes, floods or other natural disasters; or (viii) any impact or consequence related to COVID-19 or any laws, regulations, orders, or rules of any governmental entity or body related to COVID-19.

"**Obligations**" means all present and future obligations of any kind owed by Debtor to Secured Party, including but not limited to all of Debtor's obligations arising out of:

(a) the MPA;

(b) the Note; and

(c) this Agreement.

"**Permitted Encumbrances**" means:

(a) encumbrances in favor of Secured Party;

(b) encumbrances arising by operation of law for taxes, assessments, or government charges not yet due;

(c) statutory Encumbrances for services or materials arising in the ordinary course of Debtor's business for which payment is not yet due; and

(d) nonconsensual Encumbrances incurred or deposits made in the ordinary course of Debtor's business for workers' compensation and unemployment insurance.

"Person" means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, governmental body or agency, or other entity.

"Premises" means and includes, but is not limited to the real property commonly known as:

a) 921 SE 9th Ave, Albany, OR 97322;

b) 6330 SW Beaverton Hillsdale Hwy, Portland OR 97221;

c) 1077 Edgewater Street NW, Salem OR 97304;

d) 1803 Lansing Ave NE, Salem OR 97301;

e) 2820 Liberty Street NE, Salem OR 97301; and/or

f) Any other real property upon which any of the Licenses is operated or any part of the Collateral is located.

SECTION 2. SECURITY INTEREST

2.1 **Grant**. As security for the full and prompt payment and performance of the Obligations, Debtor grants Secured Party a first position security interest in the Collateral.

2.2 **Perfection**.

(a) Debtor authorizes Secured Party to file all financing statements that Secured Party deems reasonably necessary to perfect and continue Secured Party's security interest in the Collateral. Debtor authorizes Secured Party to indicate on each financing statement that the financing statement covers the Collateral as described herein.

(b) Debtor will assist Secured Party in taking possession of the Collateral including, but not limited to, cooperation with OLCC pursuant to Oregon Administrative Rule ("**OAR**") 845-025-1260 *et al*.

(c) Upon the occurrence of an Event of Default and the expiration of any applicable cure period, Debtor shall permit unrestricted legal access to the Premises of each License to Secured Party and Secured Party's agents and representatives. A fully executed copy of this Agreement, along with proof of Debtor's default hereunder, shall conclusively establish Secured Party's legal access to such Premises for purposes of OAR 845-025-1260(1)(b)(C) under Debtor's respective leases for the Premises.

(d) If any Collateral is in the possession of a person other than Debtor or Secured Party, Debtor will assist and cooperate with Secured Party in obtaining from the Person a bailee acknowledgment of security interest, in form and substance reasonably satisfactory to Secured Party within five (5) days of Secured Party's request.

(e) Debtor will imprint each of Debtor's chattel paper and instruments relating to any Collateral with a legend indicating that the chattel paper or instrument has been assigned to Secured Party.

(f) Upon Secured Party's request, Debtor will take any other actions that Secured Party deems reasonably necessary to perfect and continue Secured Party's security interest in the Collateral.

2.3 **Termination**. Upon Debtor's request after the full payment and performance of the Obligations, Secured Party will take all actions that Debtor deems reasonably necessary to terminate Secured Party's security interest in the Collateral within 10 days of Debtor's request.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF DEBTOR

Debtor represents and warrants to Secured Party as follows:

3.1 **Authority**. Debtor has full power and authority to sign and deliver this Agreement and to perform all of Debtor's obligations under this Agreement.

3.2 **Binding Obligation**. This Agreement is the legal, valid, and binding obligation of Debtor, enforceable against Debtor in accordance with its terms, except as enforceability may be

limited by bankruptcy, insolvency, or other similar laws of general application or by general principles of equity.

3.3 **No Conflicts**. The signing and delivery of this Agreement by Debtor and the performance by Debtor of all of Debtor's obligations under this Agreement will not:

(a) conflict with Debtor's Articles of Incorporation or Bylaws;

(b) breach any agreement to which Debtor is a party, or give any person the right to accelerate any obligation of Debtor;

(c) violate any Law, judgment, or order to which Debtor is subject; or

(d) with the exception of OLCC approval as may be required with respect to the Licenses, require the consent, authorization, or approval of any person including, but not limited to, any governmental body or agency.

3.4 **Ownership**. Debtor has good title to the Collateral, free from all Encumbrances except Permitted Encumbrances. With the exception of OLCC approval as may be required with respect to the Licenses, Debtor has the right and power to transfer and assign the Collateral to Secured Party, free from any restriction or condition.

3.5 **Possession of Collateral**. Except for certificated securities and goods covered by a document, no item of Collateral is in the possession of a person other than Debtor, Secured Party, or a lessee of the Collateral from Debtor in the ordinary course of Debtor's business.

3.6 **Certificates of Title**. No item of Collateral is covered by a certificate of title.

3.7 **Books and Records**. The books of account and records of Debtor:

(a) are complete and accurate in all material respects;

(b) represent actual, bona fide transactions; and

(c) have been maintained in accordance with sound business practices, including the maintenance of a generally accepted accounting principles.

3.8 **Taxes**. Debtor has filed on a timely basis all tax returns and reports required to be filed by all applicable laws. All of Debtor's filed tax returns are complete and accurate in all material respects. Debtor has paid or made provision for the payment of all taxes that have become due for all periods. No taxing authority has asserted or informed Debtor that it intends to assert any deficiency in the payment of any taxes by Debtor. Debtor is not the beneficiary of any extension of time within which to file a tax return.

3.9 **No Material Adverse Change**. Debtor has no knowledge of any facts or circumstances that will or may likely result in a Material Adverse Change in the financial condition of Debtor.

3.10 **Insurance**. The insurance policies that provide coverage to Debtor provide adequate insurance coverage for the Collateral for all risks normally insured against by a person

carrying on a similar business in a similar location, and for any other risks to which Debtor is normally exposed. Each insurance policy that covers any Collateral names Secured Party as a loss payee, including but not limited to Debtor's general liability policy covering each License, and provides that the policy may not be amended or cancelled without 30 days' prior written notice to Secured Party. Debtor shall deliver a copy of each policy to Secured Party.

SECTION 4. COVENANTS OF DEBTOR

Debtor covenants to Secured Party that Debtor will perform the following obligations and observe the following conditions until the Obligations are fully paid and performed:

4.1 **Ownership**. Debtor will keep the Collateral free from all Encumbrances except Permitted Encumbrances. Debtor will not permit any person to restrict or condition Debtor's right and power to transfer and assign the Collateral to Secured Party.

4.2 **Name of Debtor**. Debtor will not change Debtor's legal name.

4.3 **Location of Debtor**. Debtor will maintain its business registrations as now existing and will not change its state of incorporation.

4.4 **No Disposition of Collateral**. Debtor will not sell, lease, license, distribute, or otherwise dispose of any Collateral, except in connection with the disposition of inventory in the ordinary course of Debtor's business.

4.5 **Condition of Collateral**. Debtor will keep the Collateral in marketable condition.

4.6 **Notification**. Debtor will notify Secured Party in writing within three (3) business days if any of the following occurs:

(a) any material change in the business of Debtor;

(b) any material loss or damage with respect to any Collateral, whether or not the loss or damage is covered by insurance;

(c) any change in the location of any Collateral along with the new location of such Collateral;

(d) any notification from OLCC that any License may be cancelled, revoked, or suspended;

(e) any Material Adverse Change in the financial condition of Debtor; or

(f) an Event of Default.

4.7 **Possession of Collateral**. Debtor will notify Secured Party within five (5) days if any person other than Debtor, Secured Party, or a lessee of the Collateral from Debtor in the ordinary course of Debtor's business takes possession of any item of Collateral other than goods covered by a document.

4.8 Financial Statements. Debtor will deliver to Secured Party such financial statements of Debtor that Secured Party may reasonably request from time to time. The financial statements:

(a) will fairly present the financial condition and the results of operations, changes in shareholders' or owners' equity, and cash flow of Debtor as of the dates and as of the periods specified;

(b) will have been prepared in accordance with generally accepted accounting principles;

(c) will reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to the financial statements; and

(d) will have been prepared in accordance with the books of account and records of Debtor.

4.9 Books and Records. Debtor will keep books of account and records that:

(a) are complete and accurate in all material respects;

(b) represent actual, bona fide transactions; and

(c) are maintained in accordance with sound business practices, including the maintenance of an adequate system of internal accounting controls.

4.10 Taxes. Debtor will file on a timely basis all tax returns and reports required to be filed by applicable laws. All of Debtor's filed tax returns will be complete and accurate in all material respects. Debtor will pay or make provision for the payment of all taxes that become due for all periods. Debtor will notify Secured Party within 10 days if any taxing authority asserts – or informs Debtor that it intends to assert – any deficiency in the payment of any taxes by Debtor.

4.11 Insurance. Debtor will have and maintain at all times adequate insurance coverage for the Collateral for all risks normally insured against by a person or entity carrying on a similar business in a similar location, and for any other risks to which Debtor is normally exposed, including but not limited to a hazard insurance policy. In no way shall the amount of insurance be less than the replacement cost of the Collateral. Each insurance policy that covers any Collateral will name Secured Party as a loss payee and will provide that it shall not be amended or cancelled without 30 days' prior written notice to Secured Party. Debtor shall deliver a copy of each new and renewal policy issued for the Collateral to Secured Party within 10 days. Debtor hereby assigns to the Secured Party all rights to any proceeds of any insurance procured under this Section, and authorizes the Secured Party to receive such payments and execute any and all documents required to receive such payments. If Debtor fails to provide for the insurance as set out in this Section, the Secured Party, in addition to any remedies as set out in this Agreement, may procure the requisite insurance on the Collateral on its own behalf and charge Debtor with any and all costs of such procurement.

4.12 Organizational Documents. Debtor will not amend its Articles of Incorporation or Bylaws.

4.13 **Dissolution**. Debtor will not dissolve, and will not wind up or liquidate its business and affairs.

4.14 **Sales and Reorganizations**. Debtor will not enter into any transaction involving the sale of substantially all of Debtor's assets, or the reorganization, recapitalization, consolidation, conversion, or merger of Debtor.

4.15 **Distributions**. Debtor will not make any distributions to its shareholders, members, or other equity owners.

4.16 **Rent**. Debtor will timely pay all rent payments of any kind with respect to the Premises and any real property upon which any part of the Collateral is located.

SECTION 5. PAYMENT OF TAXES AND OTHER CHARGES BY SECURED PARTY

Whenever Debtor fails to pay when due any taxes, assessments, insurance premiums, or other charges necessary to be paid for the protection of Secured Party's rights under this Agreement, Secured Party may pay the same. Such payments will be added to the Obligations, and will bear interest at the same rate as specified in the Note.

SECURED PARTY'S WARNING TO DEBTOR

Unless you [Debtor] provide us [Secured Party] with evidence of the insurance coverage as required by our contract or loan agreement, we may purchase insurance at your expense to protect our interest. This insurance may, but need not, also protect your interest. If the collateral becomes damaged, the coverage we purchase may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

You are responsible for the cost of any insurance purchased by us. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

The coverage we purchase may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

SECTION 6. RIGHTS AND OBLIGATIONS CONCERNING COLLATERAL

6.1 **Inspection**. Upon Secured Party's request, Debtor will permit Secured Party to inspect and copy Debtor's books of account and records related to the Collateral.

6.2 **Verification**. Upon five (5) days' written notice by Secured Party to Debtor, Secured Party may contact appropriate third parties, including account debtors of Debtor, to verify the completeness and accuracy of any information provided by Debtor to Secured Party regarding the Collateral.

6.3 Collection, Enforcement, and Assembly. Before an Event of Default has occurred, Secured Party may, upon notice to Debtor:

(a) notify an account debtor or other person obligated on Collateral to make payment or otherwise render performance to or for the benefit of Secured Party;

(b) take any proceeds to which Secured Party is entitled under the Uniform Commercial Code; or

(c) enforce the obligations of account debtors or other persons obligated on Collateral and exercise the rights of Debtor with respect to the obligations of the account debtors or other persons obligated on Collateral to make payment or otherwise render performance to Debtor, and with respect to any property that secures the obligations of the account debtors or other persons obligated on the Collateral.

SECTION 7. DEFAULTS AND REMEDIES

7.1 Events of Default. Each of the following events is an Event of Default:

(a) Debtor fails to make any payment Obligation when due;

(b) Debtor fails to perform any non-payment Obligation within 20 days after Secured Party notifies Debtor of the failure to perform the Obligation when due;

(c) Any representation or warranty made by Debtor in this Agreement is found to have been untrue or misleading as of the date of this Agreement;

(d) An Encumbrance other than a Permitted Encumbrance attaches to any Collateral;

(e) Any material loss or damage with respect to the Collateral occurs that is not covered by insurance;

(f) Debtor voluntarily dissolves or ceases to exist, or any final and non-appealable order or judgment is entered against Debtor decreeing its dissolution;

(g) Debtor fails to pay, becomes insolvent or unable to pay, or admits in writing an inability to pay Debtor's debts as they become due, or makes a general assignment for the benefit of creditors;

(h) A proceeding with respect to Debtor is commenced under any applicable law for the benefit of creditors, including but not limited to any bankruptcy or insolvency law, or an order for the appointment of a receiver, liquidator, trustee, custodian, or other officer having similar powers over Debtor or the Collateral is entered;

(i) An Event of Default occurs under:

(1) the Note or any other agreement evidencing, guaranteeing, or securing the payment or performance of any of the Obligations; or

(2) any agreement securing the payment or performance of any of the obligations of any guarantor of the Obligations;

(j) Debtor materially breaches any agreement that is material to Debtor's financial condition, and fails to cure the breach within 20 days after any person notifies Debtor of the breach; and

(k) the occurrence of any event that has or may reasonably be expected to have a Material Adverse Effect on Debtor's financial condition or Debtor's ability to pay and perform the Obligations.

7.2 Remedies. On and after an Event of Default, Secured Party may exercise the following remedies, which are cumulative and which may be exercised singularly or concurrently:

(a) Upon notice to Debtor, the right to accelerate the due dates of the Obligations so that the Obligations are immediately due, payable, and performable in their entirety;

(b) The right to pay and perform any of the Obligations;

(c) Any remedy available to Secured Party under any agreement evidencing, guaranteeing, or securing the payment or performance of any of the Obligations or any of the obligations of any guarantor of the Obligations;

(d) Any remedy available to Secured Party under the Uniform Commercial Code; and

(e) Any other remedy available to Secured Party at law or in equity.

7.3 Additional Rights and Obligations. After an Event of Default:

(a) Within five (5) days of Secured Party's request, Debtor will assemble the tangible Collateral and make it available to Secured Party at a place designated by Secured Party which is compliant with applicable law and reasonably convenient to the Parties;

(b) Within five (5) days of Secured Party's request, Debtor will otherwise assist Secured Party in exercising any remedy available to Secured Party under this Agreement;

(c) Secured Party may use Debtor's copyrights, patents, tradenames, trademarks, trade secrets, and other similar property to prepare, process, and advertise the Collateral for sale, lease, license, or other disposition; and

(d) Secured Party will have no obligation to resort to any Collateral in any particular order or marshal any Collateral in favor of Debtor or any other person.

7.4 Application of Cash Proceeds. After an Event of Default, Secured Party will apply or pay over for application the cash proceeds of collection, enforcement, or disposition of Collateral in the following order to:

(a) The reasonable expenses of collection, enforcement, retaking, holding, preparing for disposition, processing, disposing, and reasonable attorney's fees and legal expenses incurred by Secured Party;

(b) The satisfaction of the Obligations, in such order as Secured Party may determine, to the extent such order is not inconsistent with any agreement evidencing the payment or performance of the Obligations; and

(c) Other persons, including but not limited to Debtor, in accordance with the Uniform Commercial Code.

SECTION 8. RELEASE, INDEMNIFICATION, AND WAIVERS

8.1 **Release and Indemnification**. Debtor releases and will defend and indemnify Secured Party for, from, and against any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including but not limited to reasonable attorney fees, resulting from or arising out of:

(a) any action that Secured Party takes to perfect or continue Secured Party's security interest in the Collateral; and/or

(b) the exercise of any remedy available to Secured Party under this Agreement, without regard to cause or the negligence of Secured Party or any other person.

8.2 **Waiver by Debtor**. Debtor waives demand, presentment for payment, notice of dishonor or nonpayment, protest, notice of protest, and lack of diligence in collection, and agrees that Secured Party may amend any agreement evidencing, guaranteeing, or securing any of the Obligations or extend or postpone the due dates of the Obligations without affecting Debtor's liability.

8.3 **No Waiver by Secured Party**. No waiver will be binding on Secured Party unless it is in writing and signed by Secured Party. Secured Party's waiver of a breach of a provision of this Agreement or any agreement evidencing, guaranteeing, or securing any of the Obligations will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision. Secured Party's failure to exercise any remedy under this Agreement or any agreement evidencing, guaranteeing, or securing any of the Obligations will not be considered a waiver by Secured Party of Secured Party's right to exercise the remedy.

SECTION 9. GENERAL

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

9.2 **No Assignment**. Debtor may not assign or delegate any of Debtor's rights or obligations under this Agreement to any person without the prior written consent of Secured Party, which Secured Party may withhold in Secured Party's sole discretion.

9.3 **Binding Effect**. This Agreement will be binding on the Parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit.

9.4 **Amendment**. This Agreement may be amended only by a written document signed by the party against whom enforcement is sought.

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

(a) must be in writing;

(b) must be delivered to the Parties at the addresses set forth below, or any other address that a party may designate by notice to the other Parties; and

(c) are considered delivered:

(1) upon actual receipt if delivered personally, by fax, or by a nationally recognized overnight delivery service; or

(2) at the end of the third business day after the date of deposit in the United States mail, postage pre-paid, certified, return receipt requested.

To Secured Party:

Alicia and Jill Smith
11505 Sombrero Dr
Austin, TX 78748
Email: goddesandshe@gmail.com
Email: jillsorrels@gmail.com

and

Marcena Sorrels
628 Crosswater Lane
Dripping Springs, TX 78620
Email: mmsorrels@hotmail.com

With a copy to:

Lotus Law Group, LLC
2 Centerpointe Dr Ste 345
Lake Oswego, OR 97035
Attn: Allison Bizzano
Email: allison@lotuslawgroup.com

To Debtor:

Jeffrey Yapp and Andrew Marchington
13315 NE Airport Way Ste 700
Portland, OR 97230
Email:
andrewmarchington@goldenleafholdings.com

With a copy to:

Cosgrave Vergeer Kester LLP
900 SW 5th Ave, 24th Floor
Portland, OR 97204
Attn: Jake Cormier and Jay Richardson
Email: jcormier@cosgravelaw.com

9.6 **Severability**. If a provision of this Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Agreement will not be impaired.

9.7 **Further Assurances**. The Parties will sign other documents and take other actions reasonably necessary to further effect and evidence this Agreement within 10 days' of the Parties' written demand.

9.8 **Attachments**. Any exhibits, schedules, and other attachments referenced in this Agreement are part of this Agreement.

9.9 **Remedies**. The Parties will have all remedies available to them at law or in equity. All available remedies are cumulative and may be exercised singularly or concurrently.

9.10 **Governing Law**. This Agreement is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Agreement.

9.11 **Dispute Resolution**. Any dispute or claim that arises out of or that relates to this Agreement, or to the interpretation or breach thereof, or to the existence, validity, or scope of this Agreement shall be resolved by binding arbitration in accordance with the then effective arbitration rules of (and by filing a claim with) Arbitration Service of Portland, Inc. or the American Arbitration Association, whichever organization is selected by the party who first initiates arbitration by filing a claim in accordance with the filing rules of the organization selected, and judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof. The Parties acknowledge that mediation usually helps parties to settle their dispute. Therefore, any Party may propose mediation whenever appropriate through either of the organizations named above or any other mediation process or mediator as the Parties may agree upon, however mediation shall not be required in order to initiate an action or arbitration. In the event suit, action or appeal is brought, or an arbitration proceeding is initiated, to enforce or interpret any of the provisions of this Agreement, or that arise out of or relate to this Agreement, the prevailing party shall be entitled to reasonable attorney fees and costs (including, but not limited to, deposition costs and expert fees and costs) in connection therewith. The determination of who is the prevailing party and the amount of reasonable attorney fees to be paid to the prevailing party shall be decided by the arbitrator(s) pursuant to Oregon Rule of Procedure 68 (with respect to attorney fees incurred prior to and during the arbitration proceedings) and by the court or courts, including any appellate court, in which such matter is tried, heard, or decided, including a court that hears a request to compel or enjoin arbitration or to stay litigation or that hears any exceptions or objections to, or requests to modify, correct, or vacate, an arbitration award submitted to it for confirmation as a judgment (with respect to attorney fees incurred in such court proceedings).

9.12 **Attorney Fees**. If any arbitration, action, suit, or proceeding is instituted to interpret, enforce, or rescind this Agreement, or otherwise in connection with the subject matter of this Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party's reasonable attorney fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements specified in ORCP 68 A(2) (including depositions and expert fees and costs), incurred in connection with the arbitration, action,

suit, or proceeding, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

9.13 **Costs and Expenses**. If an Event of Default occurs and Secured Party does not institute any arbitration, action, suit, or proceeding, Debtor will pay to Secured Party, within 30 days of Secured Party's demand, all reasonable costs and expenses, including but not limited to attorney fees and collection fees, incurred by Secured Party in attempting to exercise Secured Party's remedies under this Agreement.

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

9.15 **Signatures**. This Agreement may be signed in counterparts. The words "execution," "signed," "signature," and words of similar import in this Agreement shall be deemed to include electronic or digital signatures or electronic records, each of which shall be of the same effect, validity, and enforceability as manually executed signatures or a paper-based record-keeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 U.S.C. §§ 7001 to 7031), the Uniform Electronic Transactions Act (UETA), or any state law based on the UETA.

Dated Effective: May 19, 2021

Debtor:

Greenpoint Holdings Delaware Inc.

DocuSigned by:
Jeffrey Yapp
9898BABE9A87413...

By: Jeffrey Yapp
Its: CEO

Golden Leaf Holdings Ltd.

DocuSigned by:
Jeffrey Yapp
9898BABE9A87413...

By: Jeffrey Yapp
Its: CEO

Secured Party:

Jillian Smith
DocuSigned by:
Jillian Smith
638AE6A608F24A9...

Alicia Smith

DocuSigned by:

Alicia Smith

76E16D264EE2413...

Marcena Sorrels

DocuSigned by:

Marcena Sorrels

43F158A6BA5A413...

THIS IS EXHIBIT "K" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

SECOND CHALICE TRANSITION AGREEMENT

BETWEEN: William Simpson ("**Simpson**");

AND: Mike Genovese ("**Genovese**");

AND: Gary Zipfel ("**Zipfel**");

AND: CFA Productions LLC, an Oregon limited liability company ("**Productions**");

AND: Chalice LLC, an Oregon limited liability company ("**Chalice**");

AND: CFA Acquisition Company, an Oregon corporation ("**CFA Acquisition**");

AND: Golden Leaf Holdings, Ltd., A Canadian (Ontario) corporation ("**GLH**");

AND: Greenpoint Holdings Delaware, Inc., a Delaware corporation and wholly-owned subsidiary of GLH ("**Delaware**").

DATED: November_18_, 2020.

RECITALS.

A. Simpson, Genovese and Zipfel were the sole members in Chalice (collectively, the "**Members**" or "**Owners**").

B. Chalice owned all of the outstanding membership interests of Productions and CFA Retail, LLC, an Oregon limited liability company ("**Retail**").

C. Pursuant to an Asset Purchase Agreement dated July 7, 2017 and the terms of which are hereby incorporated by this reference as if fully set forth herein (the "**APA**"), CFA Acquisition purchased substantially all of the assets of Productions.

D. Pursuant to the terms of a Membership Interest Purchase Agreement dated July 7, 2017 and the terms of which are hereby incorporated by this reference as if fully set forth herein (the "**MIPA**"), Delaware purchased all of the outstanding membership interests of Retail, from Chalice.

E. In connection with the acquisitions described in the APA and MIPA, certain earn - out payments totaling USD$9,527,350 were required to be paid to Chalice and Productions, of which no less than USD$5,000,000 (the "**Minimum Cash Payment**") was payable by wire transfer, with the balance of USD$4,527,350 payable in the stock of GLH (the "**Stock Earn-Out Payment**"). The Minimum Cash Payment and the Stock Earn-Out Payment are collectively referred to as the '**Earn-Out Payments**".

F. GLH, Chalice and Productions agreed to amend and defer the Earn-Out Payments obligation, pursuant to the terms and conditions of a Transition Agreement dated July 29, 2019 and effective July 31, 2019, 2019 ("**2019 Agreement**").

G. Due to current conditions and considerations GLH, Chalice and Productions agree to modify and supersede certain terms of the 2019 Agreement to restructure debts and payments pursuant to the terms and conditions contained in this Second Transition Agreement ("**Agreement**").

H. Simpson, Genovese, Zipfel, Productions, Chalice, CFA Acquisition, GLH and Delaware may also be referred to in this Agreement individually as a "**Party**" and collectively, the "**Parties**").

AGREEMENT.

NOW, THEREFORE, in consideration of the mutual promises of the Parties and for other valuable consideration, the Parties agree as follows:

1. **Recitals**. The Recitals above are hereby incorporated by this reference as if fully set forth herein.

2. **Earn-Out Payments**. The terms of the 2019 Agreement notwithstanding, GLH shall pay the Earn-Out Payments to the Members in accordance with the terms and provisions set forth herein as follows:

2.1. Total Debt. The Parties agree that the total outstanding balance of Earn-Out Payments due and owing as of the date hereof ("**Outstanding Balance**") is (A) USD $9,527,000.00, consisting of the Minimum Cash Payment and Stock Earn-Out Payments as set forth in the Recitals to this Agreement plus (B) accrued interest on the Outstanding Balance (calculated through December 31, 2020) and payments missed prior to the date hereof in an aggregate amount equal to $454,773 (the "**Unpaid Interest**"). The Parties agree that effective immediately USD$2,500,000.00 of the Minimum Cash Payment be and hereby is converted to shares of GLH common stock at USD$.06 per share or 41,666,666.67 shares (the "**Conversion Shares**"). As a result of such conversion, the Outstanding Balance shall be comprised of USD$2,500,000 cash (the "**Cash Portion**"), the Conversion Shares and USD$4,527,000 payable in GLH shares at VWAP for the thirty (30) trading-day period prior to May 2, 2022 (the "**Payment Date**"). As used herein, the term "**VWAP**" shall be calculated as the sum of the daily trading volume multiplied by closing price of GLH common shares for each of the 30 trading days ending 5 trading days prior to applicable measurement date ("**VWAP Period**") divided by the total shares traded during the VWAP period on OTCQB exchange. The Outstanding Balance will be paid as follows:

2.1.1 Within five (5) days following the execution of this Agreement by the Parties, GLH shall deposit the Conversion Shares into an escrow account reasonably acceptable to the Owners (the "**Escrow Account**"). Beginning on May 3, 2022 (the "**Initial Release Date**") and for sixty (60) consecutive months thereafter, the Conversion Shares shall be released from the Escrow Account to the Owners in such proportion as set forth

on Exhibit A hereto in equal monthly installments of 694,444 shares (provided, that if the Owners request that all or any portion of the Conversion Shares be released sooner (or in such other proportion as is set forth on Exhibit A), the escrow agent shall provide for such release of said shares of common stock upon delivery of written instructions therefor by the Owners).

2.1.2 The Unpaid Interest shall be converted to shares on December 31, 2020 based on the thirty day VWAP as provided herein. The shares shall be placed in escrow and paid out in sixty (60) equal installments beginning on the Payment Date.

2.1.3 On the Payment Date, GLH will issue to the Owners shares of GLH common stock valued at USD$4,527,000 based on the thirty (30) day VWAP ending on such date. GLH shall deposit the shares in the Escrow Account and such shares shall be released to the Owners beginning on the Initial Release Date in sixty equal monthly installments in such proportion as set forth on Exhibit A hereto (provided, that if the Owners request that all or any portion of such shares be released sooner (or in such other proportion as set forth on Exhibit A), the escrow agent shall provide for such release of said shares upon delivery of written instructions therefor by the Owners).

2.2 Interest. The Outstanding Balance shall bear simple interest at a fixed annual rate of six percent (6%), with such interest accruing from the date hereof. GLH shall pay to the Owners USD$47,635.00 per month begin January 2, 2021 (in such proportion as set forth on Exhibit A hereto (or such other proportion as set forth in writing by the Owners to GLH)) as follows:

2.2.1 USD$20,000.00 cash payments made no later than the 2nd of each month until the Payment Date; and

2.2.2 The remaining USD$27,635.00 per month will be paid in GLH shares with a value calculated as of December 31, 2021 based upon the trailing 30 day VWAP at that date. The shares shall be placed in the Escrow Account on January 1, 2022 and be released to the Owners in sixty (60) consecutive equal monthly installments starting on the Initial Release Date (in such proportion as set forth on Exhibit A hereto (provided, that if the Owners request that all or any portion of such shares be released sooner (or in such other proportion as set forth on Exhibit A), the escrow agreement shall provide for such release of said shares upon delivery of written instructions therefor by the Owners)).

2.3 Cash Portion Security. The Cash Portion shall be paid in sixty (60) consecutive monthly principal and interest payments of USD$48,332 beginning on the Payment Date and the last monthly payment due on April 2, 2027. In the event GLH is unable to pay or in the event GLH declares bankruptcy, the Owners shall have as security for the outstanding balance of the Cash Portion, assets of a certain Chalice store or stores designated by the GLH valued to the amount of the then outstanding balance of Cash Portion owed by GLH. In the event GLH completes an equity offering or debt financing (or any combination thereof) of at least USD $25,000,000, then the entire then-remaining principal and interest payments shall immediately become due and payable.

2.4 Payment Application. Unless specifically provided otherwise in this Agreement, all payments provided for in this Agreement shall first be credited towards accrued interest, then outstanding principal on (i) the Minimum Cash Payment, and if any excess, then to (ii) the Stock Earn-Out Payment;

2.5 **Removal of Guaranty**. GLH hereby represents and warrants that any Owner that was a guarantor of any lease or financing of GLH or Chalice prior to the date hereof has been removed as a guarantor thereof and is no longer liable thereunder.

3. Penalty. GLH shall have twelve (12) months (the "**Term**") from the date of execution of this Agreement to meet one of the two following requirements (the "**Requirement**"):

3.1 GLH shall be cash flow positive prior to the end of the Term, as reasonably determined in accordance with past practice. For the avoidance of doubt, in the event that GLH is delinquent on any cash payment required to be made hereunder or required to be made to any employees or leaseholders during the Term, then GLH shall be deemed to not be cash flow positive prior to the end of the Term. In the event the Parties cannot reasonably determine whether GLH is cash flow positive, (and Section 3.2 does not apply), GLH shall hire an independent accounting firm to make such determination.

3.2 GLH shall have completed an equity offering of a minimum of USD$5,000,000.00 by the end of the Term. No debt offering (including convertible debt) shall count towards meeting this Requirement.

3.3 If GLH is unable to meet at least one of the Requirements then an additional 62,500,000 shares of GLH common stock shall be placed in the Escrow Account on the business day immediately following the last day of the Term and be released to the Owners in sixty (60) consecutive equal monthly installments starting on the Initial Release Date. Upon sixty (60) days written notice, Owners may request that all or any portion of such shares be released sooner.

4. Other Provisions of APA, MIPA and 2019 Agreement. Other than the revisions provided for in this Agreement, all other provisions of the APA, MIPA and the 2019 Agreement remain in full force and effect pursuant to the terms of each respective document, including exhibits and schedules.

5. Waiver. By signing this agreement, the Parties stipulate and agree that GLH is not in breach of any of its payment obligations under the 2019 Agreement and the Parties waive any and all potential claims that any Party may assert that against GLH that is in default thereunder.

6, Governing Law. The rights and obligations of the Parties under this Agreement shall in all respects be governed by Oregon law. Every provision is intended to be severable. If any provision or part thereof is deemed unenforceable by a court of competent jurisdiction, the court shall enforce all remaining provisions or parts thereof to the fullest extent permissible by law.

7. Venue. The Parties agree that should any dispute arise out of this Agreement, the issue shall be submitted to arbitration in Multnomah County, Oregon, before one arbitrator pursuant to

the then current employment rules of the American Arbitration Association. Each Party shall pay its own costs and attorneys' fees related to any arbitration.

8. **Attorneys' Fees**. In any dispute resolution proceeding between the Parties relating to this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees and costs from the other party.

9. **Integration Clause.** The Parties acknowledges that this Agreement contains the entire agreement between them relating to the subject matter of this Agreement. There have been no other oral or written representations or commitments by any Party other than those referred to in this Agreement. No modification or waiver of any of the provisions or any future representation, promise or addition shall be binding upon the Parties unless made in writing and signed by both Parties.

SIMPSON

William Simpson

GENOVESE

Mike Genovese

ZIPFEL

Gary Zipfel

CHALICE
Chalice, LLC

By:
Its: Member

GLH

GOLDEN LEAF HOLDINGS LTD.

By:
Its: Executive Chairman

DELAWARE
Greenpoint Holdings Delaware, Inc.

By:
Its: President

CFA ACQUISITIONS
CFA Acquisition Company

By:
Its:

PRODUCTIONS
CFA Productions, LLC

By:

THIS IS EXHIBIT "L" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

GOLDEN LEAF HOLDINGS LTD.

as the Corporation

and

CAPITAL TRANSFER AGENCY, ULC.

as the Trustee

DEBENTURE INDENTURE

Dated as of November 16, 2018

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THIS INDENTURE made as of the 16th day of November, 2018.

BETWEEN:

GOLDEN LEAF HOLDINGS LTD., a corporation incorporated under the laws of the Province of Ontario, as issuer (the "**Corporation**")

AND

CAPITAL TRANSFER AGENCY ULC., company existing under the laws of Canada and authorized to carry on business in all provinces of Canada (hereinafter referred to as the "**Debenture Trustee**")

WITNESSETH THAT:

WHEREAS the Corporation wishes to create and issue the Debentures in the manner and subject to the terms and conditions of this Indenture;

NOW THEREFORE THIS INDENTURE WITNESSES that in consideration of the respective covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Corporation and the Trustee covenant and agree, for the benefit of each other and for the equal and rateable benefit of the holders, as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

(a) "**this Indenture**", "**hereto**", "**herein**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;

(b) "**Additional Amounts**" has the meaning ascribed thereto in Section 2.3(d);

(c) **Applicable Period**" means any period announced by the Board of Directors as a period of time for which a cash dividend or distribution will be declared and paid by the Corporation to the holders of all or substantially all of the outstanding Common Shares;

(d) "**Applicable Securities Legislation**" means applicable securities laws (including rules, regulations, policies and instruments) in each of the provinces of Canada;

(e) "**Auditors of the Corporation**" means an independent firm of chartered accountants duly appointed as auditors of the Corporation;

(f) "**Authenticated**" means (a) with respect to the issuance of a Certificated Debenture, one which has been duly signed by the Corporation and authenticated by manual signature of an authorized officer of the Trustee, (b) with respect to the issuance of an Uncertificated Debenture, one in respect of which the Trustee has completed all Internal Procedures such that the particulars of such Uncertificated Debenture as required by Section 2.5 are entered in the records of the Trustee, and "**Authenticate**", "**Authenticating**" and "**Authentication**" have corresponding meanings;

(g) “**Beneficial Holder**” means any person who holds a beneficial interest in a Uncertificated Debentures as shown on a list maintained by the Depository or a Depository Participant;

(h) “**Board of Directors**” means the board of directors of the Corporation or any committee thereof;

(i) “**Business Day**” means any day other than a Saturday, Sunday or any statutory holiday in Toronto, Ontario;

(j) “**Canadian Private Placement Legend**” has the meaning ascribed thereto in Section 2.13(a);

(k) “**Canadian Taxes**” means any and all taxes duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Province of Ontario, or Canada, or any political subdivision or authority thereof or therein having power to tax;

(l) “**CDS**” means CDS Clearing and Depository Services Inc. and its successors in interest;

(m) “**Certificated Debenture**” means a Debenture evidenced by a writing or writings substantially in the form of Schedule “A” hereto with respect to the Debentures and as specified in or pursuant to the documentation establishing the same pursuant to Article 2;

(n) “**Change of Control**” means the occurrence of any of the following after the date hereof:

(i) the acquisition by any Person or groups of Persons acting jointly or in concert, directly or indirectly, in a single transaction or a series of related transactions, of Common Shares giving such Person beneficial ownership, voting control or direction over 50% or more of the aggregate voting rights attached to the Common Shares of the Corporation;

(ii) the amalgamation or merger of the Corporation with or into any other Person, or any merger of another Person into the Corporation; or

(iii) the sale or other transfer or disposition, directly or indirectly, of all or substantially all, in a single transaction or a series of related transactions, of all or substantially all of the assets of the Corporation and its Subsidiaries, taken as a whole;

provided, however that a Change of Control shall not include the acquisition of Common Shares, in addition to any Common Shares owned immediately prior to the Effective Time, pursuant to a sale, merger, amalgamation, reorganization, or any amalgamation or merger or sale or other similar transaction if the previous holders of the Common Shares hold at least 50% of the aggregate voting rights in such merged, amalgamated, reorganized, acquiring or other continuing entity;

(o) “**Change of Control Conversion Amount**” has the meaning ascribed thereto in Section 2.3(i)(i)(B);

(p) “**Change of Control Notice**” has the meaning ascribed thereto in Section 2.3(i)(i);

(q) “**Change of Control Purchase Date**” has the meaning ascribed thereto in Section 2.3(i)(ii);

(r) “**Change of Control Purchase Offer**” has the meaning ascribed thereto in Section 2.3(i)(i);

(s) “**Common Shares**” means common shares in the capital of the Corporation, as such common shares are constituted on the date of execution and delivery of this Indenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger,

sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 6.5, "**Common Shares**" shall thereafter mean the shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up;

(t) "**Conversion Price**" means $0.30 per Common Share, subject to adjustment in accordance with the provisions of Article 6;

(u) "**Counsel**" means a barrister or solicitor or firm of barristers or solicitors retained by the Trustee or retained or employed by the Corporation and reasonably acceptable to the Trustee;

(v) "**CSE**" means the Canadian Securities Exchange;

(w) "**Current Market Price**" means, generally, the VWAP of the Common Shares on the CSE for the 20 consecutive trading days ending five trading days preceding the applicable date. If the Common Shares are no longer listed on the CSE, reference shall be made for the purpose of the above calculation to the principal securities exchange or market on which the Common Shares are listed or quoted or if no such prices are available "Current Market Price" shall be the fair value of a Common Share as reasonably determined by the Board of Directors;

(x) "**Date of Conversion**" has the meaning ascribed thereto in Section 6.4(b);

(y) **"Debentures"** means the debentures designated as "Unsecured Subordinated Convertible Debentures" due November 16, 2021 issued under this Indenture and Authenticated pursuant to this Indenture and described in Section 2.3;

(z) "**Debenture Liabilities**" has the meaning ascribed thereto in Section 5.1;

(aa) "**Debentureholders**" or "**holders**" means the Persons for the time being entered in the register for Debentures as registered holders of Debentures or any transferees of such Persons by endorsement or delivery;

(bb) "**Defeased Debentures**" has the meaning ascribed thereto in Section 9.6(b);

(cc) "**Depository**" means, with respect to the Debentures issued as Uncertificated Debentures, the person designated as depository by the Corporation pursuant to Section 3.1 until a successor depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depository" shall mean each Person who is then a depository hereunder, and if at any time there is more than one such Person, "Depository" as used with respect to the Debentures shall mean each depository with respect to the Uncertificated Debentures;

(dd) "**Depository Participant**" means a broker, dealer, bank, other financial institution or other Person for whom, from time to time, a Depository effects book entry for any Uncertificated Debentures deposited with the Depository;

(ee) "**Effective Date**" means the effective date of the Change of Control;

(ff) "**Event of Default**" has the meaning ascribed thereto in Section 8.1;

(gg) "**Excluded Holder**" has the meaning ascribed thereto in Section 2.3(d).

(hh) "**Excluded Taxes**" means, with respect to any recipient of any payment to be made by or on account of any obligation of the Corporation hereunder, the following taxes, including interest, penalties or other additions thereto:

(i) income, capital or franchise taxes imposed on (or measured by) its gross or net income by the jurisdiction under the laws of which such recipient is organized or otherwise resident for tax purposes or in which its principal office is located or in which it is otherwise deemed to be engaged in or carrying on a trade or business for tax purposes, or, in the case of any holder, in which its applicable lending office is located, in each case including any political subdivision thereof, and

(ii) any branch profits taxes or any similar tax imposed by any jurisdiction described in clause (i) above,

(ii) "**Extraordinary Resolution**" has the meaning ascribed thereto in Section 12.12;

(jj) "**GLH**" or the "**Corporation**" means Golden Leaf Holdings Ltd. and includes any successor to or of GLH which shall have complied with the provisions of Article 10;

(kk) "**Government Obligations**" means securities issued or guaranteed by the Government of Canada or any province thereof;

(ll) "**Guarantees**" means any guarantee, undertaking to assume, endorse, contingently agree to purchase, or to provide funds for the payment of, or otherwise become liable in respect of, any indebtedness, liability or obligation of any Person;

(mm) "**IFRS**" means, at any given date, International Financial Reporting Standards, which include standards and interpretations adopted by the International Accounting Standards Board, applied on a consistent basis;

(nn) "**Indemnified Taxes**" means all Canadian Taxes other than Excluded Taxes;

(oo) "**Interest Obligation**" means the obligation of the Corporation to pay interest on the Debentures, as and when the same becomes due;

(pp) "**Interest Payment Date**" the date on which interest on Debentures shall become due and payable and with respect to the Debentures means the dates set forth in Section2.3(b);

(qq) "**Internal Procedures**" the minimum number of the Trustee's internal procedures customary at such time for the making of any one or more entries to, changes in or deletions of any one or more entries in the records of the Trustee (including without limitation, original issuance or registration of transfer of ownership) to be complete under the operating procedures followed at the time by the Trustee;

(rr) "**Issue Date**" means the date of issuance of any Debentures under this Indenture;

(ss) "**Material Subsidiary**" means Golden Leaf Holdings Inc., Greenpoint Canada, Inc., Greenpoint Holdings Delaware, Inc., GL Management, Inc., Greenpoint Oregon, Inc., Left Coast Connections, Inc., Greenpoint Real Estate, LLC, Greenpoint Equipment Leasing, LLC., CFA Productions Inc., Greenpoint Nevada, Inc., CFA Retail, LLC, Greenpoint Workforce, Inc., and Medical Marihuana Group Corporation;

(tt) "**Maturity Account**" means an account or accounts required to be established by the Corporation (and which shall be maintained by and subject to the control of the Trustee) for the Debentures issued pursuant to and in accordance with this Indenture;

(uu) “**Maturity Date**” means November 16, 2021;

(vv) “**NCI”** means the non-certificated inventory system operated by CDS;

(ww) “**NCI Letter of Instruction**” means the Non-Certificated Inventory system letter of instruction provided by CDS to the Trustee in connection with the conversion of the Debentures;

(xx) “**Offer Price**” has the meaning ascribed thereto in Section 2.3(i)(i)(A);

(yy) “**Offeror’s Notice**” has the meaning ascribed thereto in Section 11.3;

(zz) “**Offering**” means the private placement of up to 15,000 Debentures in the aggregate principal amount of up to $15,000,000;

(aaa) “**Officers’ Certificate**” means a certificate of the Corporation signed by any two authorized officers or directors of the Corporation, in their capacities as officers or directors of the Corporation, and not in their personal capacities;

(bbb) “**Person**” includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof (and for the purposes of the definition of “Change of Control”, in addition to the foregoing, “Person” shall include any syndicate or group that would be deemed to be a “Person” under the *Securities Act* (Ontario));

(ccc) “**Privacy Laws**” has the meaning ascribed thereto in Section 14.19;

(ddd) “**Redemption Date**” has the meaning ascribed thereto in Section 4.2;

(eee) “**Redemption Notice**” has the meaning ascribed thereto in Section 4.2;

(fff) “**Redemption Price**” means, in respect of a Debenture, the principal amount plus accrued and unpaid interest up to (but excluding) the Redemption Date fixed for such Debenture, payable on the Redemption Date, which principal amount shall be payable by the issuance of Common Shares at the Conversion Price as provided for in Section 4.5 and which interest amount shall be payable in cash (subject to Section 5.4(c));

(ggg) “**Regulation S**” means Regulation S adopted by the United States Securities and Exchange Commission under the 1933 Act;

(hhh) “**Restricted Certificated Debenture**” means a Certificated Debenture that bears the U.S. Legend;

(iii) “**Senior Indebtedness**” means all secured obligations, liabilities and indebtedness of the Corporation and its subsidiaries, including, without limitation, the 2017 Debentures;

(jjj) “**Subsidiary**” has the meaning ascribed thereto in the *Securities Act* (Ontario);

(kkk) “**Successor Debentures**” has the meaning ascribed thereto in Section 2.3(i)**;**

(lll) “**Successor Entity”** has the meaning ascribed thereto in Section 10.1(a)(i);

(mmm) “**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time;

(nnn) “**Time of Expiry**” means the time of expiry of certain rights with respect to the conversion of Debentures under Article 6;

(ooo) "**Total Offer Price**" has the meaning ascribed thereto in Section 2.3(i)(i)(A);

(ppp) "**trading day**" means, with respect to the CSE or other market for securities, any day on which such exchange or market is open for trading or quotation;

(qqq) "**Trustee**" means Capital Transfer Agency, or its successor or successors for the time being as trustee hereunder;

(rrr) "**Uncertificated Debenture**" means any Debenture which is issued under NCI and which is not evidenced by a Certificated Debenture;

(sss) **"Unclaimed Funds Return Date**" has the meaning ascribed thereto in Section 2.3(i)(viii);

(ttt) "**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

(uuu) "**Unrestricted Certificated Debenture**" means a Certificated Debenture that does not bear the U.S. Legend;

(vvv) "**U.S. Legend**" has the meaning ascribed thereto in Section 2.12(a);

(www) "**VWAP**" means, for the Common Shares, the per Common Share volume-weighted average price on the CSE (or if the Common Shares are no longer traded on the CSE, on such other exchange as the Common Shares are then traded) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day; provided, however, that if such volume-weighted average price is unavailable, "VWAP" means the average of the market value of one Common Share on such trading day as determined by a nationally-recognised investment bank selected by the Corporation for this purpose, using a volume-weighted method and converted, if necessary, into Canadian dollars at the relevant exchange rate). In each case, the "VWAP" will be determined without regard to after-hours trading or any other trading outside of the primary trading session;

(xxx) "**Written Direction of the Corporation**" means an instrument in writing signed by any one officer or director of the Corporation;

(yyy) "**1933 Act**" means the *United States Securities Act of 1933*, as amended;

(zzz) "**2017 Debentures**" means the 10% senior secured convertible debentures of the Corporation issued on November 2, 2017; and

(aaaa) "**90% Redemption Right**" has the meaning ascribed thereto in Section 2.3(i)(iii).

1.2 Meaning of "Outstanding"

Every Debenture Authenticated and delivered by the Trustee hereunder shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Trustee for cancellation, conversion or redemption or monies and/or Common Shares, as the case may be, for the payment thereof shall have been set aside under Section 9.2, provided that:

(a) Debentures which have been partially purchased or converted shall be deemed to be outstanding only to the extent of the unpurchased or unconverted part of the principal amount thereof;

(b) when a new Debenture has been issued in substitution for a Debenture which has been lost, stolen or destroyed, only one of such Debentures shall be counted for the purpose of determining the aggregate principal amount of Debentures outstanding; and

(c) for the purposes of any provision of this Indenture entitling holders of outstanding Debentures to vote, sign consents, requisitions or other instruments or take any other action under this Indenture, or to constitute a quorum of any meeting of Debentureholders, Debentures owned directly or indirectly, legally or equitably, by the Corporation shall be disregarded except that:

(i) for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, requisition or other instrument or action, or on the holders of Debentures present or represented at any meeting of Debentureholders, only the Debentures which the Trustee knows are so owned shall be so disregarded; and

(ii) Debentures so owned which have been pledged in good faith other than to the Corporation shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debentures, sign consents, requisitions or other instruments or take such other actions in his discretion free from the control of the Corporation or a Subsidiary of the Corporation.

1.3 Interpretation:

In this Indenture:

(a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;

(b) all references to Articles and Schedules refer, unless otherwise specified, to articles of and schedules to this Indenture;

(c) all references to Sections refer, unless otherwise specified, to Sections, subsections or clauses of this Indenture;

(d) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them;

(e) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time;

(f) unless otherwise indicated, reference to a statute shall be deemed to be a reference to such statute as amended, re-enacted or replaced from time to time; and

(g) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated by including the day on which the period commences and excluding the day on which the period ends.

1.4 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Debentures.

1.5 Time of Essence

Time shall be of the essence of this Indenture.

1.6 Monetary References

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

1.7 Invalidity, Etc.

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.8 Language

Each of the parties hereto hereby acknowledges that it has consented to and requested that this Indenture and all documents relating thereto, including, without limiting the generality of the foregoing, the form of Debenture attached hereto as Schedule “A”, be drawn up in the English language only. *Chacune des parties aux présentes reconnaît avoir accepté et demandé que cette acte de fiducie et tous les documents y reliés, y compris le modèle de débenture joint aux présentes à titre d’Annexe « A », soient rédigés en anglais seulement.*

1.9 Successors and Assigns

All covenants and agreements of the Corporation in this Indenture and the Debentures shall bind its successors and assigns, whether so expressed or not. All covenants and agreements of the Trustee in this Indenture shall bind its successors.

1.10 Severability

In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, such provision shall be deemed to be severed herefrom or therefrom and the validity, legality and enforceability of the remaining provisions shall not in any way be affected, prejudiced or impaired thereby.

1.11 Entire Agreement

This Indenture and all supplemental indentures and Schedules hereto and thereto, and the Debentures issued hereunder and thereunder, together constitute the entire agreement between the parties hereto with respect to the indebtedness created hereunder and thereunder and under the Debentures and supersedes as of the date hereof all prior memoranda, agreements, negotiations, discussions and term sheets, whether oral or written, with respect to the indebtedness created hereunder or thereunder and under the Debentures.

1.12 Benefits of Indenture

Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent, the holders of Debentures, the Senior Creditors (to the extent provided in Article 5 only), and (to the extent provided in Section 8.11) the holders of Common Shares, any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.13 Applicable Law and Attornment

This Indenture, any supplemental indenture and the Debentures shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts. With respect to any suit, action or proceedings relating to this Indenture, any supplemental indenture or any Debenture, the Corporation, the Trustee and each holder irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario seated in Toronto, Ontario. The parties hereto hereby waive any right they may have to require a trial by jury of any proceeding commenced in connection herewith.

1.14 Currency of Payment

All cash payments to be made under this Indenture shall be made in Canadian dollars.

1.15 Non-Business Days

Whenever any payment to be made hereunder shall be due, any period of time would begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such payment shall be made, such period of time shall begin or end, such calculation shall be made and such other action shall be taken, as the case may be, unless otherwise specifically provided herein, on or as of the next succeeding Business Day without any additional interest, cost or charge to the Corporation.

1.16 Accounting Terms

Except as hereinafter provided or as otherwise indicated in this Indenture, all calculations required or permitted to be made hereunder pursuant to the terms of this Indenture shall be made in accordance with IFRS. For greater certainty, IFRS shall include any accounting standards that may from time to time be approved for general application by the Canadian Institute of Chartered Accountants in respect of publicly accountable enterprises.

1.17 Calculations

The Corporation shall be responsible for making all calculations called for hereunder including, without limitation, calculations of Current Market Price. The Corporation shall make such calculations in good faith and, absent manifest error, the Corporation’s calculations shall be final and binding on holders and the Trustee. The Corporation will provide a schedule of its calculations to the Trustee and the Trustee shall be entitled to rely conclusively on the accuracy of such calculations without independent verification.

1.18 Schedules

The following Schedules are incorporated into and form part of this Indenture:

Schedule “A” - Form of Debenture
Schedule “B” - Form of Redemption Notice
Schedule “C” - Form of Notice of Conversion
Schedule “D” - Form of Notice of Change of Control
Schedule “E” - Form of Certificate of Transfer
Schedule “F” - Form of Certificate of Exchange
Schedule “G” – U.S. Common Share Legends

In the event of any inconsistency between the provisions of any Section of this Indenture and the provisions of the Schedules which form a part hereof, the provisions of this Indenture shall prevail to the extent of the inconsistency.

ARTICLE 2
THE DEBENTURES

2.1 Limit of Issue and Designation of Debentures

The Debentures authorized to be issued hereunder are limited to $15,000,000 aggregate principal amount issued on the date of this Indenture, and shall be designated as “Unsecured Subordinated Convertible Debentures due November 16, 2021”.

2.2 Form of Debentures

(a) The Debentures may be issued as either Certificated Debentures or Uncertificated Debentures.

(b) The Certificated Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another. Certificated Debentures representing the Debentures will be registered in the names of each holders thereof as provided in Section 3.1. A Certificated Debenture may be exchanged, or transferred to and registered in the name of a person other than the registered holder thereof, as provided in Section 3.1.

(c) With respect to any Debentures issued as Uncertificated Debentures, the Beneficial Holder thereof will not receive Certificated Debentures representing its interest in Debentures, provided that Uncertificated Debentures may be exchanged for Certificated Debentures, or transferred to and registered in the name of a Person other than the Depository for such Uncertificated Debentures or a nominee thereof, as provided in Section 3.4.

(d) All Debentures issued to the Depositary may be issued as Certificated Debentures or Uncertificated Debentures, such Uncertificated Debentures being evidenced by a book position on the register of Debentureholders to be maintained by the Trustee in accordance with Section 3.1.

2.3 Terms of Debentures

(a) The Debentures shall bear interest at the rate of 12% per annum from the Issue Date until December 31, 2019, after which the Debentures shall bear interest at a rate of 10% per annum, in accordance with Section 2.9.

(b) Interest shall be payable in equal (with the exception of the first interest payment, which will include interest from and including the Issue Date of the Debentures as set forth below) semi-annual payments, in arrears, on June 30 and December 31 in each year, the first such payment to fall due on December 31, 2019 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) to fall due on the Maturity Date, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. For certainty, the first interest payment will include interest accrued from and including the Issue Date of the Debentures to, but excluding, December 31, 2019, which will be equal to $139.73 for each $1,000 principal amount of Debentures.

(c) For certainty, Debentureholders that redeem any Debentures before December 31, 2019 shall forego any accrued interest thereon and be entitled to redeem only the then-outstanding principal amount of the Debentures.

(d) Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day. The record dates for the payment of interest on the Debentures will be June 15 and December 15 in each year (or the first Business Day prior to such date if such date is not a Business Day). If the Corporation is required to withhold or deduct any

Indemnified Taxes from an amount payable by it in respect of any Debentures, then, notwithstanding any other term of this Indenture (i) the Corporation will pay on behalf of each holder such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by each holder after such withholding or deduction (and after deducting any Indemnified Taxes on such Additional Amounts) will not be less than the amount the holder would have received if such Indemnified Taxes had not been withheld or deducted, (ii) the Corporation shall make such deductions and (iii) the Corporation shall pay the full amount deducted to the relevant governmental authority in accordance with applicable law. Notwithstanding the foregoing, no Additional Amounts will be payable to a holder (an "**Excluded Holder**") in respect of a particular payment made to such holder under or with respect to particular Debentures for Indemnified Taxes: (A) if such holder is subject to such Indemnified Taxes by reason of its being connected with Canada or any province or territory thereof otherwise than by the mere acquisition, holding or disposition of such particular Debentures or the receipt of payments thereunder or enforcement of rights thereunder; (B) if such holder waives its right to receive Additional Amounts; (C) if the Corporation does not deal at arm's length, within the meaning of the Tax Act, with such holder at the time of such particular payment; (D) if the Corporation does not deal at arm's length, within the meaning of the Tax Act, with another person to whom the Corporation has an obligation to pay an amount in respect of such particular Debentures; (E) if such holder is, or does not deal at arm's length (within the meaning of the Tax Act) with, a "specified shareholder" of the Corporation for purposes of the thin capitalization rules in the Tax Act and such particular payment is not deductible to the Corporation as interest pursuant to such rules; (F) to the extent the Indemnified Taxes giving rise to such Additional Amounts would not have been imposed but for the failure of the holder or other beneficial owner of the Debentures to duly and timely comply with a timely written request of the Corporation to the holder or other beneficial owner, to the extent the holder or other beneficial owner is legally entitled to do so, to provide information, documents, certification or other evidence as may be required by applicable law for exemption from, or reduction in the rate of deduction or withholding of Canadian Taxes; (G) where the holder of the Debenture is a fiduciary, a partnership or not the beneficial owner of any payment on an Debenture, if and to the extent that, as a result of an applicable tax treaty, no Additional Amounts would have been payable had the beneficiary, partner or beneficial owner owned the Debenture directly (but only if there is no material cost or expense associated with transferring such Debenture to such beneficiary, partner or beneficial owner and no restriction on such transfer that is outside the control of such beneficiary, partner or beneficial owner); (H) for or on account of any tax, duty, assessment or other governmental charge that is payable otherwise than by withholding from payments under or with respect to the Debenture (other than taxes payable pursuant to Regulation 803 of the Tax Act, or any similar successor provision); or (I) any combination of the foregoing numbered clauses of this proviso.

(e) The Debentures will be redeemable in accordance with the terms of this Section 2.3 and Article 4, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as outlined herein. Beginning on the date that is four months and one day following the Issue Date and any time prior to the Maturity Date, provided that the daily VWAP of the Common Shares for 10 consecutive trading days equals or exceeds $0.45, the principal amount of the outstanding Debentures may be mandatorily converted by way of redemption at the option of the Corporation on notice as provided for in Section 4.2 at a Redemption Price equal to the principal amount plus accrued and unpaid interest thereon up to (but excluding) the Redemption Date payable by issuing such number of Common Shares as is obtained by dividing the aggregate principal amount by the Conversion Price for the Debentures, with any payment of any accrued but unpaid interest to be paid in cash (subject to Section 5.4(c)) in accordance with Section 2.14. The Redemption Notice for the Debentures shall be substantially in the form of Schedule "B". When the Corporation determines the actual number of Common Shares to be issued pursuant to the redemption, it will issue a press release on a national newswire disclosing such actual number of Common Shares.

(f) The Debentures will not be guaranteed, will be unsecured and will be subordinated and junior in right of payment only to the Senior Indebtedness of the Corporation in accordance with the provisions of Article 5. In accordance with Section 2.9(a), the Debentures will rank *pari passu* with all other Debentures issued under this Indenture and, except as prescribed by law or as may by its terms rank junior in right of payment to the Debentures, with all other existing unsecured indebtedness of the Corporation to the extent subordinated on the same basis.

(g) Upon and subject to the provisions and conditions of Article 6 and Section 3.9, the holder of each Debenture shall have the right at such holder's option, at any time prior to the close of business on the earlier of (i) the Business Day immediately preceding the Maturity Date of the Debentures; or (ii) if the Debentures are called for redemption by notice to the holders of Debentures in accordance with Sections 2.3(e) and 4.2, on the Business Day immediately preceding the date specified by the Corporation for redemption of the Debentures; (the earlier of which will be a "**Time of Expiry**" for the purposes of Article 6 in respect of the Debentures), to convert any part, being $1,000 or an integral multiple thereof, of the principal amount of a Debenture into Common Shares at the Conversion Price in effect on the Date of Conversion.

The Conversion Price in effect on the date hereof for each Common Share to be issued upon the conversion of Debentures shall be equal to $0.30 such that approximately 3,333 Common Shares shall be issued for each $1,000 principal amount of Debentures so converted. Except as provided below, no adjustment in the number of Common Shares to be issued upon conversion will be made for dividends or distributions on Common Shares issuable upon conversion, the record date for the payment of which precedes the date upon which the holder becomes a holder of Common Shares in accordance with Article 6. No fractional Common Shares will be issued, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number and holders will receive a cash payment (subject to Section 5.4(c)) in satisfaction of any fractional interest based on the Current Market Price as of the Date of Conversion. The Conversion Price applicable to, and the Common Shares, securities or other property receivable on the conversion of, the Debentures is subject to adjustment pursuant to the provisions of Section 2.3(i) and Section 6.5.

Holders converting Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest (as modified by Article 6) in respect of the Debentures surrendered for conversion up to but excluding the Date of Conversion from, and including, the most recent Interest Payment Date in accordance with Section 6.4(e), subject to Section 2.3(b).

Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the person or persons entitled to receive Common Shares in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

A Debenture in respect of which a holder has accepted a notice in respect of a Change of Control Purchase Offer pursuant to the provisions of Section 2.3(i) may be surrendered for conversion only if such notice is withdrawn in accordance with this Indenture.

(h) The Debentures shall be issued in denominations of $1,000 and integral multiples of $1,000. Each Certificated Debenture representing Debentures shall be issued in substantially the form set out in Schedule "A", with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the Board of Directors executing such Debenture in accordance with Section 2.4, as conclusively evidenced by their execution of a Certificated Debenture representing Debentures. Each Certificated Debenture

representing Debentures shall additionally bear such distinguishing letters and numbers as the Trustee shall approve. Notwithstanding the foregoing, an Debenture may be in such other form or forms as may, from time to time, be, approved by a resolution of the Board of Directors, or as specified in an Officers' Certificate. The Certificated Debentures representing Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.

(i) Within 30 days following the occurrence of a Change of Control, and subject to the provisions and conditions of this Section 2.3(i), the Corporation shall make an offer in writing to holders of Debentures to, at the Debentureholders' election, either: (i) purchase the Debentures at 100% of the principal amount thereof plus accrued and unpaid interest or (ii) subject to Section 2.3(i)(iii), if the Change of Control results in a Successor Entity, convert all or such portion of the Debentures of such Debentureholders into debentures of the Successor Entity (the "**Successor Debentures**") in an aggregate principal amount equal to the Change of Control Conversion Amount. The terms and conditions of such obligation are set forth below:

(i) Within 30 days following the occurrence of a Change of Control, the Corporation shall deliver to the Trustee, and the Trustee shall promptly deliver to the holders of the Debentures, a notice stating that there has been a Change of Control and specifying the date on which such Change of Control occurred and the circumstances or events giving rise to such Change of Control (a "**Change of Control Notice**") together with an offer in writing (the "**Change of Control Purchase Offer**") to:

(A) purchase, on the Change of Control Purchase Date (as defined below), all (or any portion actually tendered to such offer) of the Debentures then outstanding from the holders thereof made in accordance with the requirements of Applicable Securities Legislation at a price per Debenture equal to 100% of the principal amount thereof (the "**Offer Price**") plus accrued and unpaid interest on such Debentures up to, but excluding, the Change of Control Purchase Date (collectively, the "**Total Offer Price**"); or

(B) convert their Debentures, in whole or in part, and receive Successor Debentures in an aggregate principal amount equal to the Change of Control Conversion Amount. The "**Change of Control Conversion Amount**" shall be equal to 101% of the aggregate principal amount of the Debentures then outstanding and held by such Debentureholder electing to convert such Debentures into Successor Debentures.

The Change of Control Notice for the Debentures shall be substantially in the form of Schedule "D".

(ii) If the Change of Control Purchase Date is after a record date for the payment of interest on the Debentures but on or prior to an Interest Payment Date, then the interest payable on such date will be paid to the holder of record of the Debentures on the relevant record date. The "**Change of Control Purchase Date**" shall be the date that is 30 Business Days after the date that the Change of Control Notice and Change of Control Purchase Offer are delivered to holders of Debentures.

(iii) If 90% or more in aggregate principal amount of Debentures outstanding on the date the Corporation provides the Change of Control Notice and the Change of Control Purchase Offer to holders of the Debentures have been tendered for purchase pursuant to the Change of Control Purchase Offer on the expiration thereof, the Corporation has the right (but not the obligation) upon written notice provided to the Trustee within 10 days following the expiration of the Change of Control Purchase Offer, to redeem all the Debentures remaining outstanding on the expiration of the Change of Control Purchase Offer at the Total Offer Price as at the Change of Control Purchase Date (the "**90%**

Redemption Right"). For greater clarity, if the 90% Redemption Right is obtained by the Corporation, the Change of Control Purchase Offer shall not include any option to receive any Successor Debentures.

(iv) Upon receipt of notice that the Corporation has exercised or is exercising the 90% Redemption Right and is acquiring the remaining Debentures, the Trustee shall promptly provide written notice, in a form provided by the Corporation, to each Debentureholder that did not previously accept the Offer that:

(A) the Corporation has exercised the 90% Redemption Right and is purchasing all outstanding Debentures effective on the expiry of the Change of Control Purchase Offer at the Total Offer Price, and shall include a calculation of the amount payable to such holder as payment of the Total Offer Price as at the Change of Control Purchase Date;

(B) each such holder must transfer their Debentures to the Corporation on the same terms as those holders that accepted the Change of Control Purchase Offer and must send their respective Debentures, duly endorsed for transfer, to the Trustee within 10 days after the sending of such notice; and

(C) the rights of such holder under the terms of the Debentures and this Indenture cease effective as of the date of expiry of the Change of Control Purchase Offer provided the Corporation has, on or before the time of notifying the Trustee of the exercise of the 90% Redemption Right, paid the Total Offer Price to, or to the order of, the Trustee and thereafter the Debentures shall not be considered to be outstanding and the holder shall not have any right except to receive such holder's Total Offer Price upon surrender and delivery of such holder's Debentures in accordance with the Indenture.

(v) The Corporation shall, on or before 11:00 a.m., Toronto time, on the Business Day immediately prior to the Change of Control Purchase Date, deposit with the Trustee or any paying agent to the order of the Trustee, such sums of money as may be sufficient to pay the Total Offer Price of the Debentures to be purchased or redeemed by the Corporation on the Change of Control Purchase Date (less any tax required by law to be deducted in respect of accrued and unpaid interest). The Corporation shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such purchase. Every such deposit shall be irrevocable. From the sums so deposited, the Trustee shall pay or cause to be paid to the holders of such Debentures, the Total Offer Price to which they are entitled (less any tax required by law to be deducted in respect of accrued and unpaid interest) on the Corporation's purchase.

(vi) In the event that one or more of such Debentures being purchased in accordance with this Section 2.3(i) becomes subject to purchase in part only, upon surrender of such Debentures for payment of the Total Offer Price, the Corporation shall execute and the Trustee shall Authenticate and deliver without charge to the holder thereof or upon the holder's order, one or more new Debentures for the portion of the principal amount of the Debentures not purchased.

(vii) Debentures for which holders have accepted the Change of Control Purchase Offer and Debentures which the Corporation has elected to redeem in accordance with this Section 2.3(i) shall become due and payable at the Total Offer Price on the Change of Control Purchase Date, in the same manner and with the same effect as if it were the date of maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after the Change of Control Purchase Date, if the money necessary to purchase or redeem, the Debentures shall have been deposited as

provided in this Section 2.3(i) and affidavits or other proofs satisfactory to the Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest on the Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

(viii) In case the holder of any Debenture to be purchased or exchanged in accordance with this Section 2.3(i) shall fail on or before the Change of Control Purchase Date to so surrender such holder's Debenture or shall not within such time accept payment of the monies payable, to take delivery of certificates representing Successor Debentures, or give such receipt therefor, if any, as the Trustee may require, such monies may be set aside in trust, or such certificates may be held in trust, without interest, either in the deposit department of the Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum or the Successor Debentures so set aside and the Debentureholder shall have no other right except to receive payment of the monies so paid and deposited, or take delivery of the certificates representing Successor Debentures so deposited, or both, upon surrender and delivery of such holder's Debenture. In the event that any money or certificates representing Successor Debentures required to be deposited hereunder with the Trustee or any depository or paying agent on account of principal, premium, if any, or interest, if any, on Debentures issued hereunder shall remain so deposited for a period of six years from the Change of Control Purchase Date, then, subject to any applicable law regarding unclaimed property, such monies, or certificates representing Successor Debentures, together with any accumulated interest thereon, or any distributions paid thereon, shall, upon written request of the Corporation, at the end of such period be paid over or delivered over by the Trustee or such depository or paying agent to the Corporation and the Trustee shall not be responsible to Debentureholders for any amounts owing to them.

(ix) Subject to the provisions above related to Debentures purchased in part, all Debentures redeemed and paid under this Section 2.3(i) shall be deemed cancelled and of no further effect with no further act on the part of the Corporation or the Trustee and shall forthwith be delivered to the Trustee and no Debentures shall be issued in substitution for those redeemed.

(x) Except as otherwise provided in this Section 2.3(i), all other provisions of this Indenture applicable to a conversion of Debentures shall apply to a conversion of Debentures as a result of a Change of Control.

(j) The Trustee shall be provided with the documents and instruments with respect to the Debentures prior to the issuance of the Debentures.

(k) Notwithstanding any of the foregoing, the Corporation, the Trustee or their agents shall withhold or deduct, and remit to the relevant governmental authority within the time and in the manner required by law, any amount required by law to be withheld or remitted from any payment or delivery to a holder of any Debentures contemplated herein. The Corporation will provide the Trustee and/or the relevant holders, as applicable, with copies of receipts or other communications relating to the remittance or such withheld amount or the filing of such forms with such government authority, or agency promptly after receipt hereof.

2.4 Execution of Certificated Debentures

(a) All Certificated Debentures shall be signed (either manually or by facsimile signature) by any one authorized director or officer of the Corporation holding office at the time of signing. A facsimile signature upon a Certificated Debenture shall for all purposes of this Indenture be deemed to be the signature of the person whose signature it purports to be. Notwithstanding that any person whose signature, either manual or in facsimile, appears on a Certificated Debenture

as a director or officer may no longer hold such office at the date of the Certificated Debenture or at the date of the certification and delivery thereof, such Certificated Debenture shall be valid and binding upon the Corporation and the registered holders thereof entitled to the benefits of this Indenture. In addition, any Uncertificated Debenture shall, subject to Section 2.5, be valid and binding upon the Corporation and the registered holder thereof will be entitled to the benefits of this Indenture.

2.5 Uncertificated Debentures

(a) Subject to the provisions hereof, at the Corporation's option, Debentures may be issued and registered in the name of CDS or its nominee as an Uncertificated Debenture and:

(i) the deposit of which may be confirmed electronically by the Trustee to a particular Depositary Participant through CDS; and

(ii) the Debentures shall be identified by either CUSIP – 38109WAB5, ISIN – CA38109WAB50.

(b) If the Corporation issues Debentures, Beneficial Holders of such Debentures shall not receive Debenture Certificates in definitive form and shall not be considered owners or holders thereof under this Indenture or any supplemental indenture. Beneficial interests in Debentures registered and deposited with CDS will be represented only through the NCI. Transfers of Debentures registered and deposited with CDS between Depositary Participants shall occur in accordance with the rules and procedures of CDS. Neither the Corporation nor the Trustee shall have any responsibility or liability for any aspects of the records relating to or payments made by CDS or its nominee, on account of the beneficial interests in Debentures registered and deposited with CDS. Nothing herein shall prevent the Beneficial Holders of Uncertificated Debentures from voting such Debentures using duly executed proxies or voting instruction forms.

(c) All references herein to actions by, notices given or payments made to, Debentures shall, where Debentures are held through CDS, refer to actions taken by, or notices given or payments made to, CDS upon instruction from the Depositary Participants in accordance with its rules and procedures in the case of actions by CDS. For the purposes of any provision hereof requiring or permitting actions with the consent of or the direction of Debentureholders evidencing a specified percentage of the aggregate Debentures outstanding, such direction or consent may be given by Beneficial Holders acting through CDS and the Depositary Participants owning Debentures evidencing the requisite percentage of the Debentures. The rights of a Beneficial Holder whose Debentures are held established by law and agreements between such holders and CDS and the Depositary Participants upon instructions from the Depositary Participants. Each Trustee and the Corporation may deal with CDS for all purposes (including the making of payments) as the authorized representative of the respective Debentures or Debenture holders and such dealing with CDS shall constitute satisfaction or performance, as applicable, of their respective obligations hereunder.

(d) For so long as Debentures are held through CDS, if any notice or other communication is required to be given to Debentureholders, the Trustee will give such notices and communications to CDS.

(e) If CDS resigns or is removed from its responsibility as Depository and the Trustee is unable or does not wish to locate a qualified successor, CDS shall provide the Trustee with instructions for registration of Debentures in the names and in the amounts specified by CDS, and the Corporation shall issue and the Trustee shall certify and deliver the aggregate number of Debentures then outstanding in the form of Certificated Debentures representing such Debentures.

(f) The rights of Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI shall be limited to those established by Applicable Law and agreements between the Depository and the Depositary Participants and between such Depositary Participants and the Beneficial Holders who hold securities entitlements in respect of the Debentures through the Non-Certificated Inventory System administered by CDS, and such rights must be exercised through a Depositary Participant in accordance with the rules and procedures of the Depository.

(g) Notwithstanding anything herein to the contrary, none of the Corporation nor the Trustee nor any agent thereof shall have any responsibility or liability for:

(i) the electronic records maintained by the Depository relating to any ownership interests or other interests in the Debentures or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any Person in any Debenture represented by an electronic position in the NCI (other than the Depository or its nominee);

(ii) for maintaining, supervising or reviewing any records of the Depository or any Depositary Participant relating to any such interest; or

(iii) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Depositary Participant.

(h) The Corporation may terminate the application of this Section 2.5 in its sole discretion in which case all Debentures shall be evidenced by Certificated Debenture registered in the name of a Person other than the Depository.

2.6 Authentication

(a) Only such Debentures as shall have been Authenticated shall be enforceable against the Corporation and entitled to the benefits of this Indenture at any time or be valid or obligatory for any purpose.

(b) Authentication by Trustee of any Certificated Debenture executed by the Corporation shall be conclusive evidence that the Holder is entitled to the benefits of this Indenture.

(c) No Debenture (which for greater certainty shall include any Debenture issued through the NCI) shall be issued or, if issued, shall be valid for any purpose, enforceable against the Corporation or entitle the registered holder to the benefit hereof or thereof until it has been Authenticated. Such Authentication shall be conclusive evidence that such Debenture is a valid and binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture. The Authentication by the Trustee of any such Debenture hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of such Debenture or its issuance (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or any of them or the proceeds thereof.

2.7 Interim Debentures or Certificated Debentures

Pending the delivery of Certificated Debentures to the Trustee, the Corporation may issue and the Trustee certify in lieu thereof interim Debentures in such forms and in such denominations and signed in such manner as provided herein, entitling the holders thereof to Certificated Debentures when the same are ready for delivery; or the Corporation may execute and the Trustee certify a temporary Debenture for the whole principal amount of Debentures then authorized to be issued hereunder and

deliver the same to the Trustee and thereupon the Trustee may issue its own interim certificates in such form and in such amounts, not exceeding in the aggregate the principal amount of the temporary Debenture so delivered to it, as the Corporation and the Trustee may approve entitling the holders thereof to Certificated Debentures when the same are ready for delivery; and, when so issued and Authenticated, such interim or temporary Debentures or interim certificates shall, for all purposes but without duplication, rank in respect of this Indenture equally with Debentures duly issued hereunder and, pending the exchange thereof for Certificated Debentures, the holders of the interim or temporary Debentures or interim certificates shall be deemed without duplication to be Debentureholders and entitled to the benefit of this Indenture to the same extent and in the same manner as though the said exchange had actually been made. Forthwith after the Corporation shall have delivered the Certificated Debentures to the Trustee, the Trustee shall cancel such temporary Debentures, if any, and shall call in for exchange all interim Debentures or certificates that shall have been issued and forthwith after such exchange shall cancel the same. No charge shall be made by the Corporation or the Trustee to the holders of such interim or temporary Debentures or interim certificates for the exchange thereof. All interest paid upon interim or temporary Debentures or interim certificates shall be noted thereon as a condition precedent to such payment unless paid by cheque to the registered holders thereof.

2.8 Mutilation, Loss, Theft or Destruction

In case any of the Certificated Debentures issued hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation, in its discretion, may issue, and thereupon the Trustee shall certify and deliver, a new Certificated Debenture upon surrender and cancellation of the mutilated Certificated Debenture, or in the case of a lost, stolen or destroyed Certificated Debenture, in lieu of and in substitution for the same, and the substituted Debenture shall be in a form approved by the Trustee and shall be entitled to the benefits of this Indenture and rank equally in accordance with its terms with all other Debentures issued or to be issued hereunder. In case of loss, theft or destruction the applicant for a substituted Certificated Debenture shall furnish to the Corporation and to the Trustee such evidence of the loss, theft or destruction of the Certificated Debenture as shall be satisfactory to them in their discretion and shall also furnish an indemnity and surety bond satisfactory to them in their discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Certificated Debenture.

2.9 Concerning Interest

(a) All Debentures issued hereunder, whether originally or upon exchange or in substitution for previously issued Debentures which are interest bearing, shall bear interest (i) from and including their Issue Date, or (ii) from and including the last Interest Payment Date to which interest shall have been paid or made available for payment on the outstanding Debentures, whichever shall be the later.

(b) Interest for any period shall be computed on the basis of a year of 365 days and the actual number of days elapsed in such period. For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed on the basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

2.10 Debentures to Rank *Pari Passu*

The Debentures will be direct unsecured obligations of the Corporation. Each Debenture will rank *pari passu* with each other Debenture (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present subordinated and unsecured indebtedness of the Corporation, other than the Senior Indebtedness.

2.11 Payments of Amounts Due on Maturity

Except as may otherwise be provided herein, payments of amounts due upon maturity of the Debentures will be made in the following manner. The Corporation will establish and maintain with the Trustee a Maturity Account for the Debentures. Each such Maturity Account shall be maintained by and be subject to the control of the Trustee for the purposes of this Indenture. On or before 10:00 a.m. (Toronto time) on the Business Day immediately prior to each Maturity Date for Debentures outstanding from time to time under this Indenture, the Corporation will deliver to the Trustee by wire transfer for deposit in the applicable Maturity Account in an amount sufficient to pay the cash amount payable (subject to Section 5.4(c)) in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted). The Trustee, on behalf of the Corporation, will pay to each holder entitled to receive payment the principal amount of and premium (if any) and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Trustee designated for such purpose from time to time by the Corporation and the Trustee. The delivery of such funds to the Trustee for deposit to the applicable Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled.

2.12 U.S. Legend on the Debentures

(a) The Debentures and the Common Shares issuable upon conversion or redemption thereof, or in lieu of cash as interest thereon, have not been and will not be registered under the 1933 Act. If issued as Certificated Debentures, all Debentures originally issued and sold in the United States in reliance on an exemption from registration under Section 4(a)(2) of the 1933 Act shall bear a legend in substantially the following form (the "**U.S. Legend**"), unless the Corporation determines otherwise in compliance with applicable law:

THE SECURITIES REPRESENTED HEREBY, AND ANY SECURITIES FOR WHICH THEY MAY BE CONVERTED OR EXCHANGED, HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE *UNITED STATES SECURITIES ACT OF 1933*, AS AMENDED, (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED, SOLD, EXCHANGED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE BENEFIT OF ANY NATIONAL, CITIZEN OR RESIDENT OF THE UNITED STATES, ANY CORPORATION, PARTNERSHIP OR OTHER ENTITY CREATED OR ORGANIZED IN OR UNDER THE LAWS OF THE UNITED STATES, EXCEPT: (A) TO GOLDEN LEAF HOLDINGS LTD. (THE "CORPORATION"), (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT AND WITH APPLICABLE STATE SECURITIES LAWS, OR (C) WITH THE PRIOR WRITTEN CONSENT OF THE CORPORATION, UPON THE CORPORATION RECEIVING AN OPINION OF COUNSEL FOR THE HOLDER (OR SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE CORPORATION) DEMONSTRATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS IN COMPLIANCE WITH SECTION 4(a)(7) UNDER THE SECURITIES ACT OR WITH RULES 144 OR 144A THEREUNDER AND WITH APPLICABLE STATE SECURITIES LAWS.

DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

If any of the Debentures are being sold under clause (B) of the first legend above at a time when the Corporation is a "Foreign Issuer", as defined in Regulation S under the 1933 Act, the legend may be removed from such Debentures by providing a declaration to the registrar and transfer

agent of the Corporation in such form as the Corporation may reasonably prescribe from time to time.

2.13 Canadian Private Placement Legend.

(a) The Debentures and the Common Shares issuable upon conversion or redemption thereof, or in lieu of cash as interest thereon, have not been qualified for sale to the public under Applicable Securities Legislation. If issued as Certificated Debentures, the Debentures and, if issued before March 17, 2019, the Common Shares issuable upon conversion or redemption of the Debentures, or in lieu of cash as interest on the Debentures, shall bear a legend in the following form (the "**Canadian Private Placement Legend**") unless, in any such case, the Corporation determines that such legend is not required by Applicable Securities Legislation in order to permit the holder to freely trade such Debentures:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE ***[INSERT DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE]***.

2.14 Payment of Interest

The following provisions shall apply to the Debentures, except as otherwise provided in Section 2.3(a) and Section 2.3(b) or specified in a resolution of the Board of Directors, an Officers' Certificate or a supplemental indenture:

(a) Subject to Section 5.4(c), as interest becomes due on each Debenture (except, subject to certain exceptions set forth herein including in Section 2.3, on conversion or on redemption, when interest may at the option of the Corporation be paid upon surrender of such Debenture), the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest (less any tax required to be withheld therefrom) to the order of the registered holder of such Debenture appearing on the registers maintained by the Trustee at the close of business on the record date set forth for the Debentures in respect of the applicable Interest Payment Date and addressed to the holder at the holder's last address appearing on the register, unless such holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three days prior to each date on which interest becomes due and if payment is made by other means (such as electronic transfer of funds, provided the Trustee must receive confirmation of receipt of funds prior to being able to wire funds to holders), such payment shall be made in a manner whereby the holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee, acting reasonably, with the same effect as though payment had been made in the manner provided above. On or prior to 11:00 a.m. Eastern time on the Business Day prior to the earlier of: (i) any Interest Payment Date, or (ii) the day cheques are required to be mailed in accordance with this Section 2.14, the Corporation shall deposit with the Trustee money sufficient to pay the full amount due on the relevant Interest Payment Date.

(b) Subject to Section 5.4(c), all payments of interest in cash on the Uncertificated Debentures shall be made by electronic funds transfer or certified cheque made payable to the Depository or its nominee on the day interest is payable for subsequent payment to Beneficial Holders of the applicable Uncertificated Debentures, unless the Corporation and the Depository otherwise agree.

2.15 Records of Payment

(a) The Trustee shall maintain accounts and records evidencing each payment of principal of and interest on the Debentures, which accounts and records shall constitute, in the absence of manifest error, prima facie evidence thereof.

(b) None of the Corporation, the Trustee or any agent of the Trustee for any Debenture issued as an Uncertificated Debenture will be liable or responsible to any person for any aspect of the records related to or payments made on account of beneficial interests in any Uncertificated Debenture or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

ARTICLE 3
REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP

3.1 Registration

(a) With respect to the Debentures, the Corporation shall cause to be kept by and at the principal office of the Trustee in Toronto, Ontario and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the names and addresses of the holders of Debentures and particulars of the Debentures held by them respectively and of all transfers of Debentures. Such registration shall be noted on any Certificated Debentures by the Trustee or other registrar unless a new Certificated Debenture shall be issued upon such transfer.

3.2 Transfers

(a) No transfer of any Debenture shall be valid unless entered on the register referred to in Section 3.1(a), upon surrender of any Certificated Debentures together with a duly executed form of transfer acceptable to the Trustee, or in the case of Uncertificated Debentures in accordance with the procedures prescribed by the Depositary under the NCI and, if applicable, upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe. In the case of Certificated Debentures, the Trustee shall rely on the Form of Certificate of Transfer signed by the transferor without further enquiry. Transfers within the systems of CDS are not the responsibility of the Trustee and will not be noted on the register maintained by the Trustee, provided however that the full position of Debentures held by or through CDS shall at all times appear on the register.

3.3 Certificated Debentures; Transfers and Exchanges

(a) Any Certificated Debenture issued to a transferee upon transfers contemplated by this section 3.3 shall bear the appropriate legends, as required by applicable Securities Laws, as set forth in Subsections 2.12 and 2.13.

(b) The Trustee shall not register a transfer of a Certificated Debenture unless the transferor has provided the Trustee with the Debenture and the Form of Certificate of Transfer, in the form included in Schedule “E”, stating that the transfer is being made, and the offer of the securities being transferred was made pursuant to, and in compliance with, Rule 144, Rule 144A or Rule 904 of Regulation S or an exemption from registration under the 1933 Act. Notwithstanding the

forgoing, the Trustee shall not register any transfer being made under Regulation S if the Trustee has reason to believe that the transferee is a person in the United States or a U.S. Person or is acquiring the Debentures evidenced thereby for the account or benefit of a person in the United States or a U.S. Person.

(c) Notwithstanding any other provisions of this Indenture or the Debentures, transfers and exchanges of Certificated Debentures shall be made in accordance with this subsection 3.3(c).

(i) *Transfer of Restricted Certificated Debenture for Restricted Certificated Debenture.* A Restricted Certificated Debenture may be transferred to a Person who takes delivery thereof in the form of a Restricted Certificated Debenture if the Trustee receives a certificate to the effect set forth in Schedule “E” hereto, including the certifications in item (1) or 3(b) thereof.

(ii) *Transfer and Exchange of Restricted Certificated Debentures for Unrestricted Certificated Debentures.* A Restricted Certificated Debenture may be exchanged by the holder thereof for an Unrestricted Certificated Debenture or transferred to a Person who takes delivery thereof in the form of an Unrestricted Certificated Debenture if the Trustee receives the following:

(A) if the holder of such Restricted Certificated Debenture proposes to exchange such Debenture for an Unrestricted Certificated Debenture, a certificate from such holder in the form of Schedule “F” hereto, including the certifications in item (1)(b) thereof; or

(B) if the holder of such Restricted Certificated Debenture proposes to transfer such Debenture to a Person who shall take delivery thereof in the form of an Unrestricted Certificated Debenture, a certificate from such holder in the form of Schedule “E” hereto, including the certifications in item (2) or (3)(a) thereof;

and, in each such case set forth in this subsection 3.3(c)(ii), if the Corporation so requests, an opinion of counsel in form reasonably acceptable to the Corporation to the effect that such transfer or exchange is exempt from registration under the 1933 Act.

(d) Notwithstanding any other provisions of this Indenture or any Debenture, transfers and exchanges of beneficial interests in a Certificated Debenture shall be made in accordance with this subsection 3.3(d).

(i) *Transfer and Exchange of Beneficial Interests in the Certificated Debenture for Beneficial Interests in a Debenture which Bears neither the Canadian Private Placement Legend nor the U.S. Legend*. A beneficial interest in the Certificated Debenture may be exchanged by any holder thereof for a beneficial interest in a Debenture which bears neither the Canadian Private Placement Legend nor the U.S. Legend or transferred to a Person who takes delivery thereof in the form of a beneficial interest in a Debenture which bears neither the Canadian Private Placement Legend nor the U.S. Legend if the Trustee receives a certificate in form and substance satisfactory to the Corporation confirming that such exchange or transfer, as the case may be, is in compliance with all Applicable Securities Legislation.

3.4 Uncertificated Debentures; Transfers and Exchanges

(a) Notwithstanding any other provision of this Indenture, Uncertificated Debentures may be transferred in the following circumstances and Certificated Debentures may be issued to Beneficial Holders in the following circumstances or as otherwise specified in a resolution of the Board of Directors, Officers’ Certificate, or supplemental indenture:

(i) Uncertificated Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;

(ii) Uncertificated Debentures may be transferred at any time after the Depository for such Uncertificated Debentures (i) has notified the Trustee, or the Corporation has notified the Trustee, that it is unwilling or unable to continue as Depository for such Uncertificated Debentures, or (ii) ceases to be eligible to be a Depository, provided that at the time of such transfer the Corporation has not appointed a successor Depository for such Uncertificated Debentures;

(iii) Uncertificated Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the NCI in respect of such Uncertificated Debentures and has communicated such determination to the Trustee in writing;

(iv) Uncertificated Debentures may be transferred at any time after an Event of Default has occurred and is continuing with respect to the Debentures issued as Uncertificated Debentures, provided that Beneficial Holders representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures advise the Depository in writing, through the Depository Participants, that the continuation of the NCI of Debentures is no longer in their best interest and also provided that at the time of such transfer the Trustee has not waived the Event of Default pursuant to Section 8.3;

(v) Uncertificated Debentures may be transferred or exchanged for Certificated Debentures at any time after a Depository has determined, in its sole discretion, that such transfer or exchange is required to effect conversion and/or redemption rights in accordance with the terms hereof and has communicated such determination to the Trustee in writing;

(vi) Uncertificated Debentures may be transferred if required by applicable law;

(vii) Uncertificated Debentures may be transferred at any time after the NCI ceases to exist; or

(viii) if requested by a Beneficial Holder and provided that such transfer or exchange for Certificated Debentures is permitted by applicable law and conducted in accordance with any procedures required under the NCI,

following which Certificated Debentures shall be issued to the beneficial owners of such Debentures or their nominees, as directed by the Holder. The Corporation shall provide an Officer's Certificate giving notice to the Trustee of the occurrence of any event outlined in this Section 3.4(a).

(b) With respect to the Uncertificated Debentures, unless and until Certificated Debentures have been issued to Beneficial Holders pursuant to subsection 3.4(a), Section 2.5 shall continue to apply.

3.5 Transferee Entitled to Registration

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

3.6 No Notice of Trusts

Neither the Corporation nor the Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

3.7 Registers Open for Inspection

The registers referred to in Section 3.1(a) shall be open for inspection by the Corporation, the Trustee or any Debentureholder. Every registrar, including the Trustee, shall from time to time when requested so to do by the Corporation or by the Trustee, in writing, furnish the Corporation or the Trustee, as the case may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount of the Debentures held by each such holder, provided the Trustee shall be entitled to charge a reasonable fee to provide such a list.

3.8 Exchanges of Debentures

(a) Subject to Sections 3.1, 3.2, 3.3 and 3.9, Certificated Debentures in any authorized form or denomination, may be exchanged for Certificated Debentures in any other authorized form or denomination, of the same date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Certificated Debentures so exchanged.

(b) In respect of exchanges of Certificated Debentures permitted by Section 3.8(a), Certificated Debentures may be exchanged only at the principal office of the Trustee in the city of Toronto, Ontario or at such other place or places, if any, as may be specified from time to time be designated by the Corporation with the approval of the Trustee. Any Certificated Debentures tendered for exchange shall be surrendered to the Trustee. The Corporation shall execute and the Trustee shall Authenticate all Certificated Debentures necessary to carry out exchanges as aforesaid. All Certificated Debentures surrendered for exchange shall be cancelled.

(c) Debentures issued in exchange for Debentures which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

(d) Transfers of beneficial ownership of any Uncertificated Debenture through the NCI will be effected only (i) with respect to the interest of a Depositary Participant, through records maintained by the Depositary or its nominee for such Debentures, and (ii) with respect to the interest of any person other than a Participant through records maintained by Depositary Participants.

3.9 Closing of Registers

(a) Neither the Corporation nor the Trustee nor any registrar shall be required to:

(i) make transfers or exchanges of or convert any Debentures on any Interest Payment Date for such Debentures or during the five preceding Business Days;

(ii) make transfers or exchanges of, or convert any Debentures on the Redemption Date or during the five preceding Business Days; or

(iii) make exchanges of any Debentures which have been selected or called for redemption unless upon due presentation thereof for redemption such Debentures shall not be redeemed.

(b) Subject to any restriction herein provided, the Corporation with the approval of the Trustee may at any time close any register for the Debentures, other than those kept at the principal office of the Trustee in Toronto, Ontario, and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

3.10 Charges for Registration, Transfer and Exchange

For each Debenture exchanged, registered, transferred or discharged from registration, the Trustee or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued (such amounts to be agreed upon from time to time by the Trustee and the Corporation), and payment of such charges and reimbursement of the Trustee or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration as a condition precedent thereto. Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder:

(a) for any exchange, registration, transfer or discharge from registration of any Debenture applied for within a period of two months from the date of the first delivery of Debentures;

(b) for any exchange of any interim or temporary Debenture or interim certificate that has been issued under Section 2.7 for a Certificated Debenture; or

(c) for any exchange of Uncertificated Debentures as contemplated in Section 3.4

3.11 Ownership of Debentures

(a) Unless otherwise required by law, the Person in whose name any registered Debenture is registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered holder.

(b) The registered holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the original or any intermediate holder thereof and all Persons may act accordingly and the receipt of any such registered holder for any such principal, premium or interest shall be a good discharge to the Trustee, any registrar and to the Corporation for the same and none shall be bound to inquire into the title of any such registered holder.

(c) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof shall be paid to the order of all such holders, and the receipt of any one of such holders therefor shall be a valid discharge, to the Trustee, any registrar and to the Corporation.

(d) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may, upon the delivery of such reasonable requirements as the Trustee may prescribe, be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Trustee and any registrar and to the Corporation.

ARTICLE 4
REDEMPTION AND PURCHASE OF DEBENTURES

4.1 Applicability of Article

Subject to regulatory approval, Section 2.3(i) and Article 5, the Corporation shall have the right as set out in Section 2.3(e) to mandatorily convert, by way of redemption, all of the principal amount of the outstanding Debentures before the Maturity Date in accordance with the procedures set out in this Article 4.

4.2 Notice of Redemption

Notice of redemption (the "**Redemption Notice**") of any Debentures shall be given to the holders of the Debentures not more than 60 days nor less than 30 days prior to the date fixed for redemption (the "**Redemption Date**") in the manner provided in Section 13.2. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the Redemption Price and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date.

4.3 Debentures Due on Redemption Dates

Notice having been given as aforesaid, all the Debentures so called for redemption shall thereupon be and become due and payable at the Redemption Price, including accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after such Redemption Date, if the Common Shares to be issued to redeem such Debentures shall have been deposited as provided in Section 4.4 and affidavits or other proof satisfactory to the Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest upon the Debentures shall cease to accrue. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

4.4 Deposit of Common Shares

Redemption of Debentures shall be provided for by the Corporation depositing with the Trustee or any paying agent to the order of the Trustee, on or before 10:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date specified in such notice, certificates representing such Common Shares as may be sufficient to pay the Redemption Price in respect of the principal amount of the Debentures so called for redemption, plus such sums of money (subject to Section 5.4(c)) as may be sufficient to pay all accrued and unpaid interest thereon up to but excluding the Redemption Date. The Corporation shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such redemption. Every such deposit shall be irrevocable. From the sums so deposited, or certificates so deposited, or both, the Trustee shall pay or cause to be paid, or issue or cause to be issued, to the holders of such Debentures so called for redemption, upon surrender of such Debentures, the principal, premium (if any) and interest (if any) to which they are respectively entitled on redemption.

4.5 Repayment of Redemption Price

(a) The Corporation shall pay the Redemption Price in respect of the aggregate principal amount of the Debentures being redeemed by way of the issuance of the relevant number of Common Shares as set out in Section 2.3(e) on the Redemption Date and in respect of accrued but unpaid interest up to but excluding the Redemption Date, (subject to Section 5.4(c)) in cash.

(b) The Corporation's ability to redeem the Debentures shall be conditional upon the following conditions being met on the Business Day preceding the Redemption Date:

(i) the issuance of the Common Shares on redemption shall be made in accordance with Applicable Securities Legislation;

(ii) such additional Common Shares shall be listed on each stock exchange on which the Common Shares are then listed, the CSE or national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association;

(iii) the Corporation shall be a reporting issuer in good standing under Applicable Securities Legislation where the distribution of such Common Shares occurs;

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

(v) the Trustee shall have received an Officers' Certificate stating that conditions (i), (ii), (iii) and (iv) above have been satisfied and setting forth the number of Common Shares to be delivered for each $1,000 principal amount of Debentures; and

(vi) the Trustee shall have received an opinion of Counsel to the effect that such Common Shares have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Redemption Price, will be validly issued as fully paid and non-assessable, that conditions (i) and (ii) above have been satisfied and that, relying exclusively on defaulting reporting issuer lists maintained by the relevant securities authorities, condition (iii) above is satisfied, except that the opinion in respect of condition (iii) need not be expressed with respect to those provinces where lists are not maintained.

If the foregoing conditions are not satisfied prior to the close of business on the Business Day preceding the Redemption Date, the Corporation shall not be permitted to redeem the Debentures on the Redemption Date, but shall be permitted to provide notice of a new Redemption Date unless the Debentureholder waives the conditions which are not satisfied. When the Corporation determines the actual number of Common Shares to be issued pursuant to the redemption, it will issue a press release on a national newswire disclosing such actual number of Common Shares.

(c) The Corporation shall on or before 10:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date make the delivery to the Trustee for delivery to and on account of the holders, of certificates representing the Common Shares to which such holders are entitled.

(d) No fractional Common Shares shall be delivered upon redemption of the Debentures and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number but, in lieu thereof, the Corporation shall pay to the Trustee for the account of the holders, at the time contemplated in Section 4.5(c), the cash portion thereof (subject to Section 5.4(c)). A holder shall be treated as the shareholder of record of the Common Shares issued on redemption effective immediately after the close of business on the Redemption Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including distributions and dividends in kind) thereon and arising thereafter, and in the event that the Trustee receives the same, it shall hold the same in trust for the benefit of such holder.

(e) The Corporation shall at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue and delivery upon redemption as provided herein, and shall issue to Debentureholders to whom Common Shares will be issued pursuant to redemption, such number of Common Shares as shall be

issuable in such event. All Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

(f) The Corporation shall comply with all Applicable Securities Legislation regulating the issue and delivery of Common Shares upon redemption and shall cause to be listed and posted for trading such Common Shares on each stock exchange on which the Common Shares are then listed.

(g) The Corporation shall from time to time promptly pay, or make provision satisfactory for the payment of, all taxes and charges which may be imposed by the laws of Canada or any province thereof (except income tax, withholding tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to holders upon redemption pursuant to the terms of the Debentures and of this Indenture.

(h) Each certificate representing Common Shares issued in payment of the Redemption Price of Debentures bearing the U.S. Legend, as well as all certificates issued in exchange for or in substitution of the foregoing securities, shall bear the U.S. Legend; provided that if the Common Shares are being sold in compliance with the requirements of Rule 904 of Regulation S, and provided that the Corporation is a "foreign issuer" within the meaning of Regulation S at the time of sale, the U.S. Legend may be removed by providing a declaration to the Trustee, as registrar and transfer agent for the Common Shares, substantially as set forth in Schedule "E" hereto (or as the Corporation or the Trustee may prescribe from time to time), together with any other evidence reasonably requested by the Corporation or Trustee, which evidence may include an opinion of counsel of recognized standing, in form and substance reasonably satisfactory to the Corporation, to the effect that the U.S. Legend is no longer required pursuant to the requirements of the 1933 Act or applicable state securities laws; and provided further that, if any such securities are being sold within the United States in accordance with Rule 144 under the 1933 Act, the U.S. Legend may be removed by delivery to the Trustee, as registrar and transfer agent for the Common Shares, of an opinion of counsel, of recognized standing, or other evidence reasonably satisfactory to the Corporation, that the U.S. Legend is no longer required under applicable requirements of the 1933 Act or applicable state securities laws. Provided that the Trustee obtains confirmation from the Corporation that such counsel is satisfactory to it, it shall be entitled to rely on such opinion of counsel without further inquiry.

4.6 Cancellation of Debentures Redeemed

All Debentures redeemed and paid under this Article 4 shall be deemed cancelled and of no further effect with no further act on the part of the Corporation or the Trustee and shall forthwith be delivered to the Trustee and no Debentures shall be issued in substitution for those redeemed.

4.7 Purchase of Debentures by the Corporation

The Corporation may, if it is not at the time in default hereunder, at any time and from time to time, purchase Debentures in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by contract, at any price. All Debentures so purchased will be delivered to the Trustee and shall be cancelled and no Debentures shall be issued in substitution therefor.

If, upon an invitation for tenders, more Debentures are tendered at the same lowest price than the Corporation is prepared to accept, the Debentures to be purchased by the Corporation shall be selected by the Trustee on a *pro rata* basis or in such other manner as consented to by the CSE or such other exchange on which the Debentures are then listed which the Trustee considers appropriate, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Trustee may make, and from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more of such Debentures become subject to purchase in part only. The holder of a Debenture of which a part only is purchased,

upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such holder, one or more new Debentures for the unpurchased part so surrendered, and the Trustee shall Authenticate and deliver such new Debenture or Debentures upon receipt of the Debenture so surrendered.

ARTICLE 5
SUBORDINATION OF DEBENTURES TO SENIOR INDEBTEDNESS

5.1 Applicability of Article

The indebtedness, liabilities and obligations of the Corporation hereunder (except as provided in Section 14.15) or under the Debentures, whether on account of principal, premium, if any, interest or otherwise, but excluding the issuance of Common Shares upon any conversion pursuant to Article 6 or upon any redemption pursuant to Article 4 (collectively, the "**Debenture Liabilities**"), shall be subordinated and postponed and subject in right of payment, to the extent and in the manner hereinafter set forth in the following Sections of this Article 5, to the full and final payment of the Senior Indebtedness, and each holder of any such Debenture by his acceptance thereof agrees to and shall be bound by the provisions of this Article 5.

5.2 Subrogation to Rights of Holders of Senior Indebtedness

Subject to the prior payment in full of the Senior Indebtedness, the holders of the Debentures shall be subrogated to the rights of the holders of the Senior Indebtedness to receive payments or distributions of assets of the Corporation to the extent of the application thereto of such payments or other assets which would have been received by the holders of the Debentures but for the provisions hereof until the principal of, premium, if any, and interest on the Debentures shall be paid in full, and no such payments or distributions to the holders of the Debentures of cash, property or securities, which otherwise would be payable or distributable to the holders of the Senior Indebtedness, shall, as between the Corporation, its creditors other than the holders of the Senior Indebtedness, and the holders of Debentures, be deemed to be a payment by the Corporation to the holders of the Senior Indebtedness or on account of the Senior Indebtedness, it being understood that the provisions of this Article 5 are and are intended solely for the purpose of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

5.3 Obligation to Pay Not Impaired

Nothing contained in this Article 5 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Corporation, its creditors other than the holders of the Senior Indebtedness, and the holders of the Debentures, the obligation of the Corporation, which is absolute and unconditional, to pay to the holders of the Debentures the principal of, premium, if any, and interest on the Debentures, as and when the same shall become due and payable in accordance with their terms, or affect the relative rights of the holders of the Debentures and creditors of the Corporation other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 5 of the holders of the Senior Indebtedness.

5.4 Payment on Debentures Restricted

(a) Subject to Section 5.4(c), nothing contained in this Article 5 or elsewhere in this Indenture, or in any of the Debentures, shall affect the obligation of the Corporation to make, or prevent the Corporation from making, at any time, any payment of principal of or, premium, if any, or interest on the Debentures.

(b) Subject to Section 5.4(c), nothing contained in this Article 5 or elsewhere in this Indenture, or in any of the Debentures, shall prevent the conversion of the Debentures or the application by the

Trustee of any monies deposited with the Trustee hereunder for the purpose, to the payment of or on account of the Debenture Liabilities.

(c) Notwithstanding the foregoing, in the event that any indebtedness remains outstanding in respect of the 2017 Debentures, the ability of the Corporation to make any payments (including without limitation in respect of any principal and interest payments) pursuant to its obligations hereunder shall be limited to the issuance of Common Shares or other non-cash consideration or property in accordance with the Indenture and applicable law. For greater certainty, under no circumstances shall the Corporation make any cash payments to Debentureholders for so long as any indebtedness remains outstanding and payable by the Corporation in respect of the 2017 Debentures.

5.5 Right of Debentureholder to Convert Not Impaired

The subordination of the Debentures to the Senior Indebtedness and the provisions of this Article 5 do not impair in any way the right of a Debentureholder to convert its Debentures pursuant to Article 6.

ARTICLE 6
CONVERSION OF DEBENTURES

6.1 Applicability of Article

Any Debentures issued hereunder will be convertible into Common Shares of the Corporation in accordance with such provisions as expressed in this Indenture (including Sections 2.3(g), 2.3(i) and 3.9 hereof).

Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of the Debenture or Debentures surrendered for conversion at any one time by the holder thereof may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 6.6.

6.2 Notice of Expiry of Conversion Privilege

Notice of the expiry of the conversion privileges of the Debentures shall be given by or on behalf of the Corporation, not more than 60 days and not less than 40 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 13.2.

6.3 Revival of Right to Convert

If the redemption of any Debenture called for redemption by the Corporation is not made or the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made, in the case of a redemption upon due surrender of such Debenture or in the case of a purchase on the date on which such purchase is required to be made, as the case may be, then, provided the Time of Expiry has not passed, the right to convert such Debentures shall revive and continue as if such Debenture had not been called for redemption or tendered in acceptance of the Corporation’s offer, respectively.

6.4 Manner of Exercise of Right to Convert

(a) The holder of a Debenture desiring to convert such Debenture in whole or in part into Common Shares shall surrender such Debenture to the Trustee at its principal office in the City of Toronto, Ontario together with the conversion notice attached hereto as Schedule “C” or any other written notice in a form satisfactory to the Trustee, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee,

exercising his right to convert such Debenture in accordance with the provisions of this Article; provided that with respect to Uncertificated Debentures, the obligation to surrender a Debenture to the Trustee shall be satisfied if the Trustee is provided with all documentation which it may request. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Sections 2.3(g) and 6.4(b)) as the holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such holder is entitled in accordance with Section 6.4(e).

(b) For the purposes of this Article, a Debenture shall be deemed to be surrendered for conversion on the date (herein called the "**Date of Conversion**") on which it is so surrendered when the register of the Trustee is open and in accordance with the provisions of this Article or, in the case of Uncertificated Debentures which the Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Trustee at its principal office specified in Section 6.4(a); provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the Person or Persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the date on which such registers are next reopened.

(c) Any part, being $1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of $1,000 may be converted as provided in this Article and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

(d) The holder of any Debenture of which only a part is converted shall, upon the exercise of his right of conversion, surrender such Debenture to the Trustee in accordance with Section 6.4(a), and the Trustee shall cancel the same and shall without charge forthwith Authenticate and deliver to the holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered. It is understood and agreed by the parties hereto that, unless the Trustee is otherwise in a position to perform electronic conversions, in every instance where Uncertificated Debentures held through the NCI through the Depository are to be converted in whole or in part, such Debentures being converted shall not be represented by Certificated Debentures, and it shall be sufficient for the Trustee to convert such Debentures upon receiving either the attached exercise form executed by the Depository or an NCI Letter of Instruction in a form agreed upon by the Trustee and the Depository, or such other form that they may require from time to time.

(e) The holder of a Debenture surrendered for conversion in accordance with this Section 6.4 shall be entitled to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Date of Conversion, and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 6.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

6.5 Adjustment of Conversion Price

Subject to the requirements of the CSE (or such other exchange on which the Debentures are then listed), the Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

(a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide, redivide or change the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares or securities convertible into Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than cash dividends or distributions for which an adjustment would be made under Section 6.5(b)) (a "**Common Share Reorganization**"), the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution, as the case may be, shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Price in effect immediately prior to such record date by a fraction: (1) the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date, assuming in any case where such securities are not then convertible or exchangeable but subsequently become so, that they were convertible or exchangeable on the record date on the basis upon which they first become convertible or exchangeable); and (2) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization. Such adjustment shall be made successively whenever any event referred to in this Section 6.5 shall occur. Any such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (c) and (d) of this Section 6.5.

(b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any Applicable Period, the Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the Current Market Price per Common Share on such record date and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Common Shares. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the

total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Current Market Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.

(d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation, other than as described in Section 6.5(a), or a consolidation, amalgamation, arrangement, binding share exchange, merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired or exchanged for cash, securities or other property; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person (other than a direct or indirect wholly-owned subsidiary of the Corporation) or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of a Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, shall, upon the exercise of such right thereafter, be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, such amount of cash or the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation, arrangement, acquisition, combination or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of its conversion right. If determined appropriate by the Board of Directors, to give effect to or to evidence the provisions of this Section 6.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the holder of Debentures to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a holder of Debentures is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this Section 6.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 15. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 6.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, share exchanges, acquisitions, combinations, sales or conveyances. For greater certainty, nothing in this Section 6.5(d) shall affect or reduce the requirement for any

Person to make a Change of Control Purchase Offer, and notice of any transaction to which this Section 6.5(d) applies shall be given in accordance with Section 6.10.

(e) If the Corporation shall make a distribution to all holders of Common Shares of shares in the capital of the Corporation, other than Common Shares, or evidences of indebtedness or other assets of the Corporation, including securities (but excluding (x) any issuance of rights or warrants for which an adjustment was made pursuant to Section 6.5(c), and (y) any dividend or distribution paid exclusively in cash for which an adjustment was made pursuant to Section 6.5(b)) (the "**Distributed Securities**"), then in each such case (unless the Corporation distributes such Distributed Securities to the holders of Debentures on such dividend or distribution date (as if each holder had converted such Debenture into Common Shares immediately preceding the record date with respect to such distribution)) the Conversion Price in effect immediately preceding the ex-distribution date fixed for the dividend or distribution shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately preceding such ex-distribution date by a fraction of which the denominator shall be the VWAP for the Common Shares for the five consecutive trading days immediately prior to the ex-distribution date and of which the numerator shall be the VWAP for the Common Shares for the first five consecutive trading days that occur immediately following ex-distribution date. Such adjustment shall be made successively whenever any such distribution is made and shall become effective five Business Days immediately following the ex-distribution date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "**Spinoff Securities**"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the holders of Debentures, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of: (A) the VWAP for the Common Shares for the 20 consecutive trading day period (the "**Spinoff Valuation Period**") commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on the CSE, or such other national or regional exchange or market on which the Common Shares are then listed or quoted and (B) the product of: (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of the Spinoff Securities or, if no such prices are available, the fair market value of the Spinoff Securities as reasonably determined by the Board of Directors (which determination shall be conclusive and shall be evidenced by an Officers' Certificate delivered to the Trustee) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the VWAP for the Common Shares for the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that each holder of Debentures shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that such holder of Debentures would have received if such Debentures had been converted on the record date with respect to such distribution.

(f) If any issuer bid made by the Corporation or any of its Subsidiaries for all or any portion of Common Shares shall expire, then, if the issuer bid shall require the payment to shareholders of consideration per Common Share having a fair market value (determined as provided below) that exceeds the Current Market Price per Common Share on the last date (the "**Expiration Date**") tenders could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "**Expiration Time**"), the Conversion Price shall be adjusted so that the same shall

equal the rate determined by multiplying the Conversion Price in effect immediately preceding the close of business on the Expiration Date by a fraction of which: (i) the denominator shall be the sum of (A) the fair market value of the aggregate consideration (the fair market value as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers' Certificate delivered to the Trustee) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Common Shares validly tendered and not withdrawn as of the Expiration Time (the Common Shares deemed so accepted, up to any such maximum, being referred to as the "**Purchased Common Shares**") and (B) the product of the number of Common Shares outstanding (less any Purchased Common Shares and excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time and the Current Market Price per Common Share on the Expiration Date and (ii) the numerator of which shall be the product of the number of Common Shares outstanding (including Purchased Common Shares but excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time multiplied by the Current Market Price per Common Share on the Expiration Date, such increase to become effective immediately preceding the opening of business on the day following the Expiration Date. In the event that the Corporation is obligated to purchase Common Shares pursuant to any such issuer bid, but the Corporation is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of Common Shares actually purchased, if any. If the application of this clause (f) of Section 6.5 to any issuer bid would result in a decrease in the Conversion Price, no adjustment shall be made for such issuer bid under this clause (f).

For purposes of this Section 6.5(f), the term "issuer bid" shall mean an issuer bid under Applicable Securities Legislation or a take-over bid under Applicable Securities Legislation by a Subsidiary of the Corporation for the Common Shares and all references to "purchases" of Common Shares in issuer bids (and all similar references) shall mean and include the purchase of Common Shares in issuer bids and all references to "tendered Common Shares" (and all similar references) shall mean and include Common Shares tendered in issuer bids.

(g) In any case in which this Section 6.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such holder would, but for the provisions of this Section 6.5(g), have become the holder of record of such additional Common Shares pursuant to Section 6.4(b).

(h) The adjustments provided for in this Section 6.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events 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 6.5(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(i) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.

(j) In the event of any question arising with respect to the adjustments provided in this Section 6.5, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Trustee, and the Debentureholders.

(k) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 6.5, which in the opinion of the Board of Directors, would materially affect the rights of Debentureholders, the Conversion Price shall be adjusted in such manner and at such time, by action of the Board of Directors, subject to the prior written consent of the CSE (or such other exchange on which the Debentures are then listed), as the Board of Directors, in their sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

(l) Subject to the prior written consent of the CSE or such other exchange on which the Debentures are then listed, no adjustment in the Conversion Price shall be made in respect of any event described in Sections 6.5(a), 6.5(b), 6.5(c), 6.5(e) or 6.5(f) other than the events described in 6.5(a)(i) or 6.5(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted their Debentures prior to the effective date or record date, as the case may be, of such event.

(m) Except as stated above in this Section 6.5, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Conversion Price.

6.6 No Requirement to Issue Fractional Common Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of whole Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number and the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the holder of such Debenture of an amount equal to the fractional interest which would have been issuable multiplied by the Current Market Price.

6.7 Corporation to Reserve Common Shares

The Corporation covenants with the Trustee that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures as in this Article provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of all outstanding Debentures. The Corporation covenants with the Trustee that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

6.8 Cancellation of Converted Debentures

Subject to the provisions of Section 6.4, as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Debenture shall be issued in substitution for those converted.

6.9 Certificate as to Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 6.5, deliver an Officers' Certificate to the Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation) and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 13.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.

6.10 Notice of Special Matters

The Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 13.2, of its intention to fix a record date for any event referred to in Section 6.5(a), 6.5(b), 6.5(c) or 6.5(e) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days in each case prior to such applicable record date.

In addition, the Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 13.2, at least 30 days prior to the: (i) effective date of any transaction referred to in Section 6.5(d) stating the consideration into which the Debentures will be convertible after the effective date of such transaction; and (ii) Expiration Date of any transaction referred to in Section 6.5(f) stating the consideration paid per Common Share in such transaction.

6.11 Protection of Trustee

Subject to Section 14.3, the Trustee:

(a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture;

(c) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares or share certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article;

(d) the Debenture Trustee shall not be liable for or by reason of any statements of fact in this Indenture or in the Debenture Certificates (except the representation contained in Section 8.9 or in the certificate of the Debenture Trustee on the Debenture Certificates) or be required to verify the same, but all such statements are and shall be deemed to be made by the Corporation;

(e) nothing herein contained shall impose any obligation on the Debenture Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;

(f) the Debenture Trustee shall not be bound to give notice to any person or persons of the execution hereof;

(g) the Debenture Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of its covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation; and

(h) the Corporation hereby indemnifies and agrees to hold harmless the Debenture Trustee, its affiliates, their current and former officers, directors, employees, agents, successors and assigns from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and disbursements of whatever kind and nature which may at any time be imposed on or incurred by or asserted against the Debenture Trustee, whether groundless or otherwise, arising from or out of any act, omission or error of the Debenture Trustee, provided that the Corporation shall not be required to indemnify the Debenture Trustee in the event of the negligence or wilful misconduct of the Debenture Trustee, and this provision shall survive the resignation or removal of the Debenture Trustee or the termination or discharge of this Indenture.

6.12 U.S. Legends on Common Shares

(a) Each certificate representing Common Shares issued upon conversion or redemption of Debentures bearing the U.S. Legend (or in lieu of cash as interest thereon) shall have imprinted or otherwise reproduced thereon such legend or legends in substantially the form of Schedule "G" attached hereto, provided the U.S. legend may be removed as provided in Section 2.12.

6.13 Canadian Private Placement Legend on Common Shares

(a) Each certificate representing Common Shares issued upon conversion or redemption of Debentures (or in lieu of cash as interest thereon), shall have imprinted or otherwise reproduced thereon such legend or legends substantially in the following form, unless not required by Applicable Securities Legislation in order to permit the holder to freely trade such Common Shares:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE ***[INSERT DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE]***.

ARTICLE 7
COVENANTS OF THE CORPORATION

The Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Debentureholders, that so long as any Debentures remain outstanding:

7.1 To Pay Principal, Premium (if any) and Interest

The Corporation will duly and punctually pay or cause to be paid to every Debentureholder the principal of, premium (if any) and interest accrued on the Debentures of which it is the holder on the dates, at the places and in the manner mentioned herein and in the Debentures.

7.2 To Pay Trustee's Remuneration

The Corporation will pay the Trustee reasonable remuneration for its services as Trustee hereunder and will repay to the Trustee on demand all monies which shall have been paid by the Trustee in connection with the execution of the trusts hereby created and such monies including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to payment of any principal of the Debentures or interest or premium thereon. Such remuneration shall continue to be payable until the trusts hereof be finally wound up and whether or not the trusts of this Indenture shall be in the course of administration by or under the direction of a court of competent jurisdiction.

7.3 To Give Notice of Default

The Corporation shall notify the Trustee immediately upon obtaining knowledge of any Event of Default hereunder.

7.4 Preservation of Existence, etc.

Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and rights.

7.5 Keeping of Books

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

7.6 Annual Certificate of Compliance

The Corporation shall deliver to the Trustee, within 120 days after the end of each calendar year, (and at any reasonable time upon demand by the Trustee) an Officers' Certificate as to the knowledge of such officers of the Corporation who execute the Officers' Certificate of the Corporation's compliance with all conditions and covenants in this Indenture certifying that after reasonable investigation and inquiry, the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

7.7 Performance of Covenants by Trustee

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Trustee may notify the Debentureholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it, but shall be under no obligation to do so or to notify the Debentureholders. All sums so expended or advanced by the Trustee shall be repayable as provided in Section 7.2. No such performance, expenditure or advance by the Trustee shall be deemed to relieve the Corporation of any default hereunder.

7.8 SEC Notice

The Corporation confirms that as at the date of execution of this Indenture it does not have a class of securities registered pursuant to Section 12 of the United States Securities Exchange Act of 1934, as amended, or have a reporting obligation pursuant to Section 15(d) of the United States Securities Exchange Act of 1934, as amended.

The Corporation covenants that, in the event that it shall begin, or thereafter cease, to file as a "foreign issuer" with the U.S. Securities and Exchange Commission, the Corporation shall promptly deliver to the Trustee an Officers' Certificate certifying such status and other information as the Trustee may reasonably require at such given time.

7.9 No Dividends on Common Shares if Event of Default

The Corporation shall not declare or pay any dividend to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

7.10 Maintain Listing

The Corporation will use reasonable commercial efforts to maintain the listing of the Common Shares on the CSE, and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation; provided that the foregoing covenant shall not prevent or restrict the Corporation from carrying out a transaction to which Article 10 would apply if carried out in compliance with Article 10 even if as a result of such transaction the Corporation ceases to be a "reporting issuer" in all or any of the provinces of Canada the Common Shares cease to be listed on the CSE or any other stock exchange.

ARTICLE 8
DEFAULT

8.1 Events of Default

Each of the following events constitutes, and is herein sometimes referred to as, an "**Event of Default**":

(a) failure for 10 days to pay interest on the Debentures when due;

(b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption or a Change of Control, by declaration or otherwise (and whether in cash or Common Shares or other property);

(c) default in the delivery, when due, of any Common Shares or other consideration, payable on conversion with respect to the Debentures, which default continues for 15 days;

(d) default in the observance or performance of any covenant or condition of the Indenture by the Corporation and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation to rectify such default or obtain a waiver for same;

(e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days;

(f) if the Corporation or any Material Subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or any Material Subsidiary or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

(g) if a resolution is passed for the winding-up or liquidation of the Corporation or Material Subsidiary except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed;

(h) if the Corporation fails to pay the principal of, or premium or interest on, any of its Senior Indebtedness which is outstanding in an aggregate principal amount exceeding $2,000,000 (or the equivalent amount in any other currency) when such amount becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to the Indebtedness or any other event occurs or condition exists and continues after the applicable grace period, if any, specified in any agreement or instrument relating to any such Indebtedness, if its effect is to accelerate, or cause the acceleration of the Senior Indebtedness; or any such Senior Indebtedness is declared to be due and payable prior to its stated maturity;

(i) if, after the date of this Indenture, any proceedings with respect to the Corporation or any Material Subsidiary are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation or any Material Subsidiary generally, under the applicable legislation of any jurisdiction; or

(j) the Corporation or any Material Subsidiary being rejected in applications for recreational licenses (grow, process, distribution) in Oregon and/or medicinal licenses of the Corporation being terminated/not renewed;

then, in each and every such event listed above, the Trustee may, in its discretion, but subject to the provisions of this Section, and shall, upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding, subject to the provisions of Section 8.3, by notice in writing to the Corporation declare the principal of and interest and premium, if any, on all Debentures then outstanding and all other monies outstanding hereunder to be due and payable and the same shall thereupon forthwith become immediately due and payable to the Trustee and, upon such amounts becoming due and payable, the Corporation shall forthwith pay to the Trustee for the benefit of the Debentureholders such principal, accrued and unpaid interest and premium, if any, and interest on amounts in default on such Debenture and all other monies outstanding hereunder, together with subsequent interest at the rate borne by the Debentures on such principal, interest, premium and such

other monies from the date of such declaration or event until payment is received by the Trustee, such subsequent interest to be payable at the times and places and in the manner mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Trustee shall be applied in the manner provided in Section 8.6.

8.2 Notice of Events of Default

If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it receives written notice of the occurrence of such Event of Default, give notice of such Event of Default to the Debentureholders in the manner provided in Section 13.2, provided that notwithstanding the foregoing, unless the Trustee shall have been requested to do so by the holders of at least 25% of the principal amount of the Debentures then outstanding, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Debentureholders and shall have so advised the Corporation in writing.

8.3 Waiver of Default

Upon the happening of any Event of Default hereunder:

(a) the holders of the Debentures shall have the power (in addition to the powers exercisable by Extraordinary Resolution as hereinafter provided) by requisition in writing by the holders of more than 50% of the principal amount of Debentures then outstanding, to instruct the Trustee to waive any Event of Default and to cancel any declaration made by the Trustee pursuant to Section 8.1 and the Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such requisition; and

(b) the Trustee, so long as it has not become bound to declare the principal and interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor within 30 days of the Event of Default, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable. In the event that the Trustee had provided written notice to Debentureholders of an Event of Default in accordance with Section 8.2, and the Trustee subsequently elects to waive such Event of Default in accordance with this Section 8.3(b), then the Trustee shall promptly provide written notice to the Debentureholders of such waiver of the Event of Default.

No such act or omission either of the Trustee or of the Debentureholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

8.4 Enforcement by the Trustee

Subject to the provisions of Section 8.3 and to the provisions of any Extraordinary Resolution that may be passed by the Debentureholders, if the Corporation shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 8.1, the principal of and premium (if any) and interest on all Debentures then outstanding, together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding and upon being funded and indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as trustee hereunder to obtain or enforce payment of such principal of and premium (if any) and interest on all the Debentures then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity as the Trustee in such

request shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Trustee shall deem expedient.

The Trustee shall be entitled and empowered, either in its own name or as Trustee of an express trust, or as attorney-in-fact for the holders of the Debentures, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Debentures allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective holders of the Debentures by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Debentures with authority to make and file in the respective names of the holders of the Debentures or on behalf of the holders of the Debentures as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the holders of the Debentures themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such holders of the Debentures, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the holders of the Debentures against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that subject to Section 8.3, nothing contained in this Indenture shall be deemed to give to the Trustee, unless so authorized by Extraordinary Resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Debentureholder.

The Trustee shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Debentureholders.

All rights of action hereunder may be enforced by the Trustee without the possession of any of the Debentures or the production thereof on the trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the holders of the Debentures subject to the provisions of this Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debentures, and it shall not be necessary to make any holders of the Debentures parties to any such proceeding.

8.5 No Suits by Debentureholders

No holder of any Debenture shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal of or interest on the Debentures or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless: (a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder; and (b) the Debentureholders by Extraordinary Resolution or by written instrument signed by the holders of at least 25% in principal amount of the Debentures then outstanding shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; and (c) the Debentureholders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Trustee shall have failed to act within a reasonable time after such notification, request and offer of

indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the holder of any Debentures.

8.6 Application of Monies by Trustee

(a) Except as herein otherwise expressly provided, any monies received by the Trustee from the Corporation pursuant to the foregoing provisions of this Article 8, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation, shall be applied, together with any other monies in the hands of the Trustee available for such purpose, as follows:

(i) first, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other monies furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;

(ii) second, but subject as hereinafter in this Section 8.6 provided, in payment, rateably and proportionately to the holders of Debentures, of the principal of and premium (if any) and accrued and unpaid interest and interest on amounts in default on the Debentures which shall then be outstanding in the priority of principal first and then premium and then accrued and unpaid interest and interest on amounts in default unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal, premium (if any) and interest as may be directed by such resolution; and

(iii) third, in payment of the surplus, if any, of such monies to the Corporation or its assigns;

provided, however, that no payment shall be made pursuant to clause (ii) above in respect of the principal, premium or interest on any Debenture held, directly or indirectly, by or for the benefit of the Corporation or any Subsidiary (other than any Debenture pledged for value and in good faith to a Person other than the Corporation or any Subsidiary but only to the extent of such Person's interest therein) except subject to the prior payment in full of the principal, premium (if any) and interest (if any) on all Debentures which are not so held.

(b) The Trustee shall not be bound to apply or make any partial or interim payment of any monies coming into its hands if the amount so received by it, after reserving thereout such amount as the Trustee may think necessary to provide for the payments mentioned in Section 8.6(a), is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Debentures, but it may retain the money so received by it and invest or deposit the same as provided in Section 14.9 until the money or the investments representing the same, with the income derived therefrom, together with any other monies for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall, however, not apply to a final payment in distribution hereunder.

8.7 Notice of Payment by Trustee

Not less than 15 days' notice shall be given in the manner provided in Section 13.2 by the Trustee to the Debentureholders of any payment to be made under this Article 8. Such notice shall state the time when and place where such payment is to be made and also the liability under this Indenture to which it is to be applied. After the day so fixed, unless payment shall have been duly demanded and have been refused, the Debentureholders will be entitled to interest only on the balance (if any) of the principal monies, premium (if any) and interest due (if any) to them, respectively, on the Debentures, after deduction of the respective amounts payable in respect thereof on the day so fixed.

8.8 Trustee May Demand Production of Debentures

The Trustee shall have the right to demand production of the Debentures in respect of which any payment of principal, interest or premium required by this Article 8 is made and may cause to be endorsed on the same a memorandum of the amount so paid and the date of payment, but the Trustee may, in its discretion, dispense with such production and endorsement, upon such indemnity being given to it and to the Corporation as the Trustee shall deem sufficient.

8.9 Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee, or upon or to the holders of Debentures is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

8.10 Judgment Against the Corporation

The Corporation covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Debentureholders, judgment may be rendered against it in favour of the Debentureholders or in favour of the Trustee, as trustee for the Debentureholders, for any amount which may remain due in respect of the Debentures and premium (if any) and the interest thereon and any other monies owing hereunder.

8.11 Immunity of Directors, Officers and Others

The Debentureholders and the Trustee hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer, director or employee of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of the Debentures or on any covenant, agreement, representation or warranty by the Corporation contained herein or in the Debentures.

ARTICLE 9
SATISFACTION AND DISCHARGE

9.1 Cancellation and Destruction

All Debentures shall forthwith after payment thereof be delivered to the Trustee and cancelled by it (subject to any deemed cancellation under Article 4). All Debentures cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Trustee and, if required by the Corporation, the Trustee shall furnish to it a destruction certificate setting out the designating numbers of the Debentures so destroyed.

9.2 Non-Presentation of Debentures

In case the holder of any Debenture shall fail to present the same for payment on the date on which the principal of, premium (if any) or the interest thereon or represented thereby becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor, if any, as the Trustee may require:

(a) the Corporation shall be entitled to pay or deliver to the Trustee and direct it to set aside; or

(b) in respect of monies or Common Shares in the hands of the Trustee which may or should be applied to the payment of the Debentures, the Corporation shall be entitled to direct the Trustee to set aside; or

(c) if the redemption was pursuant to notice given by the Trustee, the Trustee may itself set aside;

the monies or Common Shares, as the case may be, in trust to be paid to the holder of such Debenture upon due presentation or surrender thereof in accordance with the provisions of this Indenture; and thereupon the principal of, premium (if any) or the interest payable on or represented by each Debenture in respect whereof such monies or Common Shares, if applicable, have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving delivery and payment of the monies or Common Shares, if applicable, so set aside by the Trustee upon due presentation and surrender thereof, subject always to the provisions of Section 9.3.

9.3 Repayment of Unclaimed Monies or Common Shares

Subject to applicable law, any monies or Common Shares, if applicable, set aside under Section 9.2 and not claimed by and paid to holders of Debentures as provided in Section 9.2 within six years less one day after the date of such setting aside shall be repaid and delivered to the Corporation by the Trustee at the written request of the Corporation and thereupon the Trustee shall be released from all further liability with respect to such monies or Common Shares, if applicable, and thereafter the holders of the Debentures in respect of which such monies or Common Shares, if applicable, were so repaid to the Corporation shall have no rights in respect thereof except to obtain payment and delivery of the monies or Common Shares, if applicable, from the Corporation subject to any limitation provided by the laws of the Province of Ontario.

9.4 Discharge

The Trustee shall at the written request of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of, premium (if any) and interest (including interest on amounts in default, if any), on all the Debentures and all other monies payable hereunder have been paid or satisfied or that all the Debentures having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on such Debentures and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

9.5 Satisfaction

(a) The Corporation shall be deemed to have fully paid, satisfied and discharged all of the outstanding Debentures and the Trustee, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Debentures, when, with respect to all of the outstanding Debentures or all of the outstanding Debentures, as applicable:

(i) the Corporation has deposited or caused to be deposited with the Trustee as trust funds or property in trust for the purpose of making payment on such Debentures, an amount in money or Common Shares, if applicable, sufficient to pay, satisfy and discharge the entire amount of principal of, premium, if any, and interest, if any, to maturity, or any repayment date or Redemption Dates, or any Change of Control Purchase Date, or upon conversion or otherwise as the case may be, of such Debentures;

(ii) the Corporation has deposited or caused to be deposited with the Trustee as trust property in trust for the purpose of making payment on such Debentures:

(A) if the Debentures are issued in Canadian dollars, such amount in Canadian dollars of direct obligations of, or obligations the principal and interest of which

are guaranteed by, the Government of Canada or Common Shares, if applicable; or

(B) if the Debentures are issued in a currency or currency unit other than Canadian dollars, cash in the currency or currency unit in which the Debentures are payable and/or such amount in such currency or currency unit of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or the government that issued the currency or currency unit in which the Debentures are payable or Common Shares, if applicable;

as will be sufficient to pay and discharge the entire amount of principal of, premium, if any on, and accrued and unpaid interest to maturity or any repayment date, as the case may be, of all such Debentures; or

(iii) all Debentures Authenticated and delivered (other than (A) Debentures which have been destroyed, lost or stolen and which have been replaced as provided in Section 2.7 and (B) Debentures for whose payment has been deposited in trust and thereafter repaid to the Corporation as provided in Section 9.3) have been delivered to the Trustee for cancellation;

so long as in any such event:

(iv) the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Trustee for the payment of all other sums payable or which may be payable with respect to all of such Debentures (together with all applicable expenses of the Trustee in connection with the payment of such Debentures); and

(v) the Corporation has delivered to the Trustee an Officers' Certificate stating that all conditions precedent herein provided relating to the payment, satisfaction and discharge of all such Debentures have been complied with.

Any deposits with the Trustee referred to in this Section 9.5 shall be irrevocable, subject to Section 9.6, and shall be made under the terms of an escrow and/or trust agreement in form and substance satisfactory to the Trustee and which provides for the due and punctual payment of the principal of, premium, if any, and interest on the Debentures being satisfied.

(b) Upon the satisfaction of the conditions set forth in this Section 9.5 with respect to all the outstanding Debentures, the terms and conditions of the Debentures, including the terms and conditions with respect thereto set forth in this Indenture (other than those contained in Articles Article 2 and Article 4 and the provisions of Article 1 pertaining to Articles Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

(c) Any funds or obligations deposited with the Trustee pursuant to this Section 9.5 shall be denominated in the currency or denomination of the Debentures in respect of which such deposit is made.

(d) If the Trustee is unable to apply any money or securities in accordance with this Section 9.5 by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Debentures shall be revived and reinstated as though no money or securities had been deposited pursuant to this Section 9.5 until such time as the Trustee is permitted to apply all such money or securities in accordance with this Section 9.5, provided that if the Corporation has made any payment in respect of principal of, premium, if any, or interest on Debentures or, as applicable, other amounts because of the reinstatement of

its obligations, the Corporation shall be subrogated to the rights of the holders of such Debentures to receive such payment from the money or securities held by the Trustee.

9.6 Continuance of Rights, Duties and Obligations

(a) Where trust funds or trust property have been deposited pursuant to Section 9.5, the holders of Debentures and the Corporation shall continue to have and be subject to their respective rights, duties and obligations under Article 2 and Article 4.

(b) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5 in respect of the Debentures (the "**Defeased Debentures**"), any holder of any of the Defeased Debentures from time to time converts its Debentures to Common Shares or other securities of the Corporation in accordance with Subsection 2.3(e), Article 6 or any other provision of this Indenture, the Trustee shall upon receipt of a Written Direction of the Corporation return to the Corporation from time to time the proportionate amount of the trust funds or other trust property deposited with the Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures so converted (which amount shall be based on the applicable principal amount of the Defeased Debentures being converted in relation to the aggregate outstanding principal amount of all the Defeased Debentures).

(c) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5, the Corporation is required to make a Change of Control Purchase Offer to purchase any outstanding Debentures pursuant to Subsection 2.3(i), the Corporation shall be entitled to use any trust money or trust property deposited with the Trustee pursuant to Section 9.5 for the purpose of paying to any holders of Defeased Debentures who have accepted any such offer of the Corporation the Total Offer Price payable to such holders in respect of such Change of Control Purchase Offer in respect of Debentures. Upon receipt of a Written Direction from the Corporation, the Trustee shall be entitled to pay to such holder from such trust money or trust property deposited with the Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures held by such holders who have accepted any such offer to the Corporation (which amount shall be based on the applicable principal amount of the Defeased Debentures held by accepting offerees in relation to the aggregate outstanding principal amount of all the Defeased Debentures).

ARTICLE 10
SUCCESSORS

10.1 Corporation may Consolidate, etc., Only on Certain Terms

(a) The Corporation may not, without the consent of the holders by way of an Extraordinary Resolution, consolidate with or amalgamate or merge with or into any Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) or sell, convey, transfer or lease all or substantially all of the properties and assets of the Corporation to another Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) unless:

(i) the Person formed by such consolidation or into which the Corporation is amalgamated or merged, or the Person which acquires by sale, conveyance, transfer or lease all or substantially all of the properties and assets of the Corporation (such Person being referred to as a "**Successor Entity**") expressly assumes, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the obligations of the Corporation under the Debentures and this Indenture and the performance or observance of every covenant and provision of this Indenture and the Debentures required on the part of the Corporation to be performed or observed (including without limitation in respect of the issuance of any Successor Debentures) and the conversion rights shall be provided for in accordance with Article 6, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee, by

the Successor Entity (if other than the Corporation or the continuing corporation resulting from the amalgamation of the Corporation with another corporation under the laws of Canada or any province or territory thereof) formed by such consolidation or into which the Corporation shall have been merged or by the Person which shall have acquired the Corporation's assets;

(ii) after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(iii) if the Corporation or the continuing corporation resulting from the amalgamation or merger of the Corporation with another Person under the laws of Canada or any province or territory thereof or the laws of the United States or any state thereof will not be the resulting, continuing or surviving corporation, the Corporation shall have, at or prior to the effective date of such consolidation, amalgamation, merger or sale, conveyance, transfer or lease, delivered to the Trustee an Officers' Certificate and an opinion of Counsel, each stating that such consolidation, merger or transfer complies with this Article and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) For purposes of the foregoing, the sale, conveyance, transfer or lease (in a single transaction or a series of related transactions) of the properties or assets of one or more Subsidiaries of the Corporation (other than to the Corporation or another wholly-owned Subsidiary of the Corporation), which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

10.2 Successor Substituted

Upon any consolidation of the Corporation with, or amalgamation or merger of the Corporation into, any other Person or any sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, in accordance with Section 10.1, the Successor Entity formed by such consolidation or into which the Corporation is amalgamated or merged or to which such sale, conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under this Indenture with the same effect as if such Successor Entity had been named as the Corporation herein, and thereafter, except in the case of a lease, and except for obligations the predecessor Person may have under a supplemental indenture entered into pursuant to Section 10.1(a)(iii), the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Debentures.

ARTICLE 11
COMPULSORY ACQUISITION

11.1 Definitions

In this Article:

(a) "**Affiliate**" and "**Associate**" have the respective meanings ascribed thereto in the *Securities Act* (Ontario);

(b) "**Dissenting Debentureholders**" means a Debentureholder who does not accept an Offer referred to in Section 11.2 and includes any assignee of the Debenture of a Debentureholder to whom such an Offer is made, whether or not such assignee is recognized under this Indenture;

(c) "**Offer**" means an offer to acquire outstanding Debentures, which is a takeover bid for Debentures within the meaning ascribed thereto in the *Securities Act* (Ontario), where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the Offeror's Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures;

(d) "**offer to acquire**" includes an acceptance of an offer to sell;

(e) "**Offeror**" means a Person, or two or more Persons acting jointly or in concert, who make an Offer to acquire Debentures;

(f) "**Offeror's Debentures**" means Debentures beneficially owned, or over which control or direction is exercised, on the date of an Offer by the Offeror, any Affiliate or Associate of the Offeror or any Person or company acting jointly or in concert with the Offeror; and

(g) "**Offeror's Notice**" means the notice described in Section 11.3.

11.2 Offer for Debentures

If an Offer for all of the outstanding Debentures (other than Debentures held by or on behalf of the Offeror or an Affiliate or Associate of the Offeror) is made and:

(a) within the time provided in the Offer for its acceptance or within 120 days after the date the Offer is made, whichever period is the shorter, the Offer is accepted by Debentureholders representing at least 90% of the outstanding principal amount of the Debentures, other than the Offeror's Debentures;

(b) the Offeror is bound to take up and pay for, or has taken up and paid for the Debentures of the Debentureholders who accepted the Offer; and

(c) the Offeror complies with Sections 11.3 and 11.4;

the Offeror is entitled to acquire, and the Dissenting Debentureholders are required to sell to the Offeror, the Debentures held by the Dissenting Debentureholder for the same consideration per Debenture payable or paid, as the case may be, under the Offer.

11.3 Offeror's Notice to Dissenting Shareholders

Where an Offeror is entitled to acquire Debentures held by Dissenting Debentureholders pursuant to Section 11.2 and the Offeror wishes to exercise such right, the Offeror shall send by registered mail within 30 days after the date of termination of the Offer a notice (the "**Offeror's Notice**") to each Dissenting Debentureholder and the Trustee stating that:

(a) Debentureholders holding at least 90% of the principal amount of all outstanding Debentures, other than Offeror's Debentures, have accepted the Offer;

(b) the Offeror is bound to take up and pay for, or has taken up and paid for, the Debentures of the Debentureholders who accepted the Offer;

(c) Dissenting Debentureholders must transfer their respective Debentures to the Offeror on the terms on which the Offeror acquired the Debentures of the Debentureholders who accepted the Offer within 21 days after the date of the sending of the Offeror's Notice; and

(d) Dissenting Debentureholders must send their respective Certificated Debenture(s), or such other documents as the Trustee may require in lieu thereof, to the Trustee within 21 days after the date of the sending of the Offeror's Notice.

11.4 Payment of Consideration to Trustee

Within 21 days after the Offeror sends an Offeror's Notice pursuant to Section 11.3, the Offeror shall pay or transfer to the Trustee, or to such other Person as the Trustee may direct, the cash or other consideration that is payable to Dissenting Debentureholders pursuant to Section 11.2. The acquisition by the Offeror of all Debentures held by all Dissenting Debentureholders shall be effective as of the time of such payment or transfer.

11.5 Consideration to be held in Trust

The Trustee, or the Person directed by the Trustee, shall hold in trust for the Dissenting Debentureholders the cash or other consideration they or it receives under Section 11.4. The Trustee, or such Persons, shall deposit cash in a separate account in a Canadian chartered bank, or other body corporate, any of whose deposits are insured by the Canada Deposit Insurance Corporation, and shall place other consideration in the custody of a Canadian chartered bank or such other body corporate.

11.6 Completion of Transfer of Debentures to Offeror

Within 30 days after the date of the sending of an Offeror's Notice pursuant to Section 11.3, the Trustee, if the Offeror has complied with Section 11.4, shall:

(a) do all acts and things and execute and cause to be executed all instruments as in the Trustee's opinion, relying on the advice of Counsel, may be necessary or desirable to cause the transfer of the Debentures of the Dissenting Debentureholders to the Offeror;

(b) send to each Dissenting Debentureholder who has complied with Section 11.3(c) the consideration to which such Dissenting Debentureholder is entitled under this Article 11; and

(c) send to each Dissenting Debentureholder who has not complied with Section 11.3(c) a notice stating that:

   (i) his or her Debentures have been transferred to the Offeror;

   (ii) the Trustee or some other Person designated in such notice are holding in trust the consideration for such Debentures; and

   (iii) the Trustee, or such other Person, will send the consideration to such Dissenting Debentureholder as soon as possible after receiving such Dissenting Debentureholder's Certificated Debenture(s) or such other documents as the Trustee or such other person may require in lieu thereof;

and the Trustee is hereby appointed the agent and attorney of the Dissenting Debentureholders for the purposes of giving effect to the foregoing provisions.

11.7 Communication of Offer to the Corporation

An Offeror cannot make an Offer for Debentures unless, concurrent with the communication of the Offer to any Debentureholder, a copy of the Offer is provided to the Corporation.

ARTICLE 12
MEETINGS OF DEBENTUREHOLDERS

12.1 Right to Convene Meeting

The Trustee or the Corporation may at any time and from time to time, and the Trustee shall, on receipt of a Written Direction of the Corporation or a written request signed by the holders of not less than 25% of the principal amount of the Debentures then outstanding and upon receiving funding and being indemnified to its reasonable satisfaction by the Corporation or by the Debentureholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders. In the event of the Trustee failing, within 30 days after receipt of any such request and such funding and indemnity, to give notice convening a meeting, the Corporation or such Debentureholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Toronto, Ontario or at such other place as may be approved or determined by the Trustee.

12.2 Notice of Meetings

(a) At least 21 days' notice of any meeting shall be given to the Debentureholders in the manner provided in Section 13.2 and a copy of such notice shall be sent by post to the Trustee, unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any holder of Debentures shall not invalidate any resolution passed at any such meeting. A holder may waive notice of a meeting either before or after the meeting.

12.3 Chairman

Some person, who need not be a Debentureholder, nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Debentureholders present in person or by proxy shall choose some person present to be chairman.

12.4 Quorum

Subject to the provisions of Section 12.12, at any meeting of the Debentureholders a quorum shall consist of Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Debentureholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Debentureholders or pursuant to a request of the Debentureholders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Debentureholders present in person or by proxy shall, subject to the provisions of Section 12.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum is present at the commencement of business.

12.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Debentureholders is present may, with the consent of the holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

12.6 Show of Hands

Every question submitted to a meeting shall, subject to Section 12.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

12.7 Poll

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Debentureholders or proxies for Debentureholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

12.8 Voting

On a show of hands every person who is present and entitled to vote, whether as a Debentureholder or as proxy for one or more Debentureholders or both, shall have one vote. On a poll each Debentureholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each $1,000 principal amount of Debentures of which he shall then be the holder. In the case of any Debenture denominated in a currency or currency unit other than Canadian dollars, the principal amount thereof for these purposes shall be computed in Canadian dollars on the basis of the conversion of the principal amount thereof at the applicable spot buying rate of exchange for such other currency or currency unit as reported by the Bank of Canada at the close of business on the Business Day next preceding the meeting. Any fractional amounts resulting from such conversion shall be rounded to the nearest $100. A proxy need not be a Debentureholder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

12.9 Proxies

A Debentureholder may be present and vote at any meeting of Debentureholders by an authorized representative. The Corporation (in case it convenes the meeting) or the Trustee (in any other case) for the purpose of enabling the Debentureholders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

(a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Debentureholder;

(b) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited; and

(c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, cabled, telegraphed or sent by other electronic means before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Debentureholders and persons whom Debentureholders have by instrument in writing duly appointed as their proxies.

12.10 Persons Entitled to Attend Meetings

The Corporation and the Trustee, by their respective officers and directors, the Auditors of the Corporation and the legal advisors of the Corporation, the Trustee or any Debentureholder may attend any meeting of the Debentureholders, but shall have no vote as such.

12.11 Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject in the case of the matters in paragraphs (a), (b), (c), (d) and (l) of this Section 12.11 to receipt of the prior approval of the CSE or such other exchange on which the Debentures are then listed, if applicable:

(a) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;

(b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or the Trustee against the Corporation, or against its property, whether such rights arise under this Indenture or the Debentures or otherwise;

(c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

(d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation, arrangement, combination or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 shall have been complied with;

(e) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

(f) power to waive, and direct the Trustee to waive, any default hereunder and/or cancel any declaration made by the Trustee pursuant to Section 8.1 either unconditionally or upon any condition specified in such Extraordinary Resolution;

(g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;

(h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 8.5, of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;

(i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;

(j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings and the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

(k) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture;

(l) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;

(m) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 12.11(l); and

(n) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to Section 12.11(j).

12.12 Meaning of "Extraordinary Resolution"

(a) The expression "**Extraordinary Resolution**" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of not less than 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 2/3%

of the principal amount of the Debentures,present or represented by proxy at the meeting and voted upon on a poll on such resolution.

(b) If, at any such meeting, the holders of not less than 25% of the principal amount of the Debentures then outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 14 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 13.2. Such notice shall state that at the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of not less than 66⅔% of the principal amount of the Debentures present or represented by proxy at the meeting voted upon on a poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of not less than 25% in principal amount of the Debentures then outstanding are not present in person or by proxy at such adjourned meeting.

(c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

12.13 Powers Cumulative

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

12.14 Minutes

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman of the meeting at which such resolutions were passed or proceedings had, or by the chairman of the next succeeding meeting of the Debentureholders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

12.15 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Debentureholders at a meeting held as hereinbefore in this Article provided may also be taken and exercised by the holders of 66⅔% of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

12.16 Binding Effect of Resolutions

Every resolution and Extraordinary Resolution passed in accordance with the provisions of this Article at a meeting of Debentureholders shall be binding upon all the Debentureholders, whether present at or absent from such meeting, and every instrument in writing signed by Debentureholders in accordance with Section 12.15 shall be binding upon all the Debentureholders, whether signatories

thereto or not, and each and every Debentureholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution, and instrument in writing.

12.17 Evidence of Rights Of Debentureholders

(a) Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Debentureholders may be in any number of concurrent instruments of similar tenor signed or executed by such Debentureholders.

(b) The Trustee may, in its discretion, require proof of execution in cases where it deems proof desirable and may accept such proof as it shall consider proper.

ARTICLE 13
NOTICES

13.1 Notice to Corporation

Any notice to the Corporation under the provisions of this Indenture shall be valid and effective if delivered to the Corporation at: 36 Toronto Street, Suite 1000, Toronto, Ontario, M5C 2C5, Attention: Chief Executive Officer, and a copy delivered to Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2, Attention: Greg Hogan, or if given by registered letter, postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Trustee in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Indenture.

13.2 Notice to Debentureholders

All notices to be given hereunder with respect to the Debentures shall be deemed to be validly given to the holders thereof if sent by first class mail, postage prepaid, by letter or circular addressed to such holders at their post office addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given three days following the day of mailing. Accidental error or omission in giving notice or accidental failure to mail notice to any Debentureholder or the inability of the Corporation to give or mail any notice due to anything beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Debentureholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by publication at least once in the city of Toronto, Ontario (or such as, in the opinion of the Trustee, is sufficient in the particular circumstances), each such publication to be made in a daily newspaper of general circulation in the Toronto.

Any notice given to Debentureholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

All notices with respect to any Debenture may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of any Persons interested in such Debenture.

13.3 Notice to Trustee

Any notice to the Trustee under the provisions of this Indenture shall be valid and effective if delivered to the Trustee at its principal office in the City of Toronto, at 390 Bay Street, Suite 920, Toronto, Ontario M5H 2Y2, Attention: Sarah Morrison, or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Trustee may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Trustee for all purposes of this Indenture.

13.4 Mail Service Interruption

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 13.3, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 13.3.

ARTICLE 14
CONCERNING THE TRUSTEE

14.1 No Conflict of Interest

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest between the role of the Trustee as a trustee hereunder and its role in any other capacity but if, notwithstanding the provisions of this Section 14.1, such a material conflict of interest exists, or hereafter arises, the validity and enforceability of this Indenture, and the Debentures issued hereunder, shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists or arises but the Trustee shall, within 30 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 14.2.

14.2 Replacement of Trustee

The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation 90 days' notice in writing or such shorter notice as the Corporation may accept as sufficient. If at any time a material conflict of interest exists in the Trustee's role as a fiduciary hereunder the Trustee shall, within 30 days after ascertaining that such a material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in this Section 14.2. The validity and enforceability of this Indenture and of the Debentures issued hereunder shall not be affected in any manner whatsoever by reason only that such a material conflict of interest exists. In the event of the Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Debentureholders. Failing such appointment by the Corporation, the retiring Trustee or any Debentureholder may apply to a Judge of the Ontario Superior Court of Justice, on such notice as such Judge may direct at the Corporation's expense, for the appointment of a new Trustee but any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Debentureholders and the appointment of such new Trustee shall be effective only upon such new Trustee becoming bound by this Indenture. Any new Trustee appointed under any provision of this Section 14.2 shall be a corporation authorized to carry on the business of a trust company in all of the Provinces of Canada. On any new appointment the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

Any company into which the Trustee may be merged or, with or to which it may be consolidated, amalgamated or all of its corporate trust business is sold, or any company resulting from any merger,

consolidation, sale or amalgamation to which the Trustee shall be a party, shall be the successor trustee under this Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Trustee or of the Corporation, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property and money held by such Trustee to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Trustee, be made, executed, acknowledged and delivered by the Corporation.

14.3 Duties of Trustee

In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Trustee shall act honestly and in good faith and exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

14.4 Reliance Upon Declarations, Opinions, etc.

In the exercise of its rights, duties and obligations hereunder the Trustee may, if acting in good faith, rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, opinions, reports or certificates furnished pursuant to any covenant, condition or requirement of this Indenture or required by the Trustee to be furnished to it in the exercise of its rights and duties hereunder, if the Trustee examines such statutory declarations, opinions, reports or certificates and determines that they comply with Section 14.5, if applicable, and with any other applicable requirements of this Indenture. The Trustee may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. Without restricting the foregoing, the Trustee may rely on an opinion of Counsel satisfactory to the Trustee notwithstanding that it is delivered by a solicitor or firm which acts as solicitors for the Corporation. The Trustee shall be entitled to rely, and act upon, on any direction, order, Instruction, notice or other communication provided to it hereunder which is sent to it by facsimile transmission or electronic delivery.

14.5 Evidence and Authority to Trustee, Opinions, etc.

The Corporation shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this Indenture relating to any action or step required or permitted to be taken by the Corporation or the Trustee under this Indenture or as a result of any obligation imposed under this Indenture, including without limitation, the Authentication and delivery of Debentures hereunder, the satisfaction and discharge of this Indenture and the taking of any other action to be taken by the Trustee at the request of or on the application of the Corporation, forthwith if and when: (a) such evidence is required by any other Section of this Indenture to be furnished to the Trustee in accordance with the terms of this Section 14.5, or (b) the Trustee, in the exercise of its rights and duties under this Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of:

(a) a certificate made by any two officers or directors of the Corporation, stating that any such condition precedent has been complied with in accordance with the terms of this Indenture;

(b) in the case of a condition precedent compliance with which is, by the terms of this Indenture, made subject to review or examination by a solicitor, an opinion of Counsel that such condition precedent has been complied with in accordance with the terms of this Indenture; and

(c) in the case of any such condition precedent compliance with which is subject to review or examination by auditors or accountants, an opinion or report of the Auditors of the Corporation whom the Trustee for such purposes hereby approves, that such condition precedent has been complied with in accordance with the terms of this Indenture.

Whenever such evidence relates to a matter other than the Authentication and delivery of Debentures and the satisfaction and discharge of this Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other Person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a trustee, officer or employee of the Corporation it shall be in the form of a statutory declaration. Such evidence shall be, so far as appropriate, in accordance with the immediately preceding paragraph of this Section.

Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in the Indenture shall include (a) a statement by the Person giving the evidence that he has read and is familiar with and understands those provisions of this Indenture relating to the condition precedent in question, (b) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in such evidence are based, (c) a statement that, in the belief of the Person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein, and (d) a statement whether in the opinion of such Person the conditions precedent in question have been complied with or satisfied.

The Corporation shall furnish or cause to be furnished to the Trustee at any time if the Trustee reasonably so requires, its certificate that the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such non-compliance. The Corporation shall, whenever the Trustee so requires, furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Indenture.

14.6 Officers' Certificates Evidence

Except as otherwise specifically provided or prescribed by this Indenture, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee, if acting in good faith, may rely upon an Officers' Certificate.

14.7 Experts, Advisers and Agents

The Trustee may:

(a) employ or retain and act and rely on the opinion or advice of or information obtained from any solicitor, auditor, valuer, engineer, surveyor, appraiser or other expert, whether obtained by the Trustee or by the Corporation, or otherwise, and shall not be liable for acting, or refusing to act, in good faith on any such opinion or advice and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and

(b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the

trusts hereof and any solicitors employed or consulted by the Trustee may, but need not be, solicitors for the Corporation. The Trustee shall not be responsible for the actions of such agents provided that it has selected such agents with due care and in a commercially reasonable manner.

14.8 Trustee May Deal in Debentures

Subject to Sections 14.1 and 14.3, the Trustee may, in its personal or other capacity, buy, sell, lend upon and deal in the Debentures and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

14.9 Investment of Monies Held by Trustee

Unless otherwise provided in this Indenture, any monies held by the Trustee, which, under the trusts of this Indenture, may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee, may be invested and reinvested in the name or under the control of the Trustee in securities in which, under the laws of the Province of Ontario, trustees are authorized to invest trust monies, provided that such securities are expressed to mature within two years or such shorter period selected to facilitate any payments expected to be made under this Indenture, after their purchase by the Trustee, and unless and until the Trustee shall have declared the principal of and interest on the Debentures to be due and payable, the Trustee shall so invest such monies at the Written Direction of the Corporation given in a reasonably timely manner. Pending the investment of any monies as hereinbefore provided, such monies may be deposited in the name of the Trustee in any chartered bank of Canada or, with the consent of the Corporation, in the deposit department of the Trustee or any other loan or trust company authorized to accept deposits under the laws of Canada or any Province thereof at the rate of interest, if any, then current on similar deposits.

Unless and until the Trustee shall have declared the principal of and interest on the Debentures to be due and payable, the Trustee shall pay over to the Corporation all interest received by the Trustee in respect of any investments or deposits made pursuant to the provisions of this Section.

14.10 Trustee Not Ordinarily Bound

Except as provided in Section 8.2 and as otherwise specifically provided herein, the Trustee shall not, subject to Section 14.3, be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained, nor in any way to supervise or interfere with the conduct of the Corporation’s business, unless the Trustee shall have been required to do so in writing by the holders of not less than 25% of the aggregate principal amount of the Debentures then outstanding or by any Extraordinary Resolution of the Debentureholders passed in accordance with the provisions contained in Article 12, and then only after it shall have been funded and indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

14.11 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

14.12 Trustee Not Bound to Act on Corporation’s Request

Except as in this Indenture otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of the Corporation until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee,

and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

14.13 Conditions Precedent to Trustee's Obligations to Act Hereunder

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Debentureholders hereunder shall be conditional upon the Debentureholders furnishing when required by notice in writing by the Trustee, sufficient funds to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding require the Debentureholders at whose instance it is acting to deposit with the Trustee the Debentures held by them for which Debentures the Trustee shall issue receipts.

14.14 Authority to Carry on Business

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business required of it as Trustee in each of the provinces and territories of Canada but if, notwithstanding the provisions of this Section 14.14,, it ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the securities issued hereunder shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business required of it as Trustee in any of the provinces or territories of Canada, either become so authorized or resign in the manner and with the effect specified in Section 14.2.

14.15 Compensation and Indemnity

(a) The Corporation shall pay to the Trustee from time to time compensation for its services hereunder as agreed separately by the Corporation and the Trustee, and shall pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in the administration or execution of its duties under this Indenture (including the reasonable and documented compensation and disbursements of its Counsel and all other advisers and assistants not regularly in its employ), both before any default hereunder and thereafter until all duties of the Trustee under this Indenture shall be finally and fully performed. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust.

(b) The Corporation hereby indemnifies and saves harmless the Trustee and its directors, officers and employees from and against any and all loss, damages, charges, expenses, claims, demands, actions or liability whatsoever which may be brought against the Trustee or which it may suffer or incur as a result of or arising out of the performance of its duties and obligations hereunder save only in the event of gross negligence, wilful misconduct or bad faith of the Trustee. This indemnity will survive the termination or discharge of this Indenture and the resignation or removal of the Trustee. The Trustee shall notify the Corporation promptly of any claim for which it may seek indemnity. The Corporation shall defend the claim and the Trustee shall co-operate in the defence. The Trustee may have separate Counsel and the Corporation shall pay the reasonable fees and expenses of such Counsel. The Corporation need not pay for any settlement made without its consent, which consent must not be unreasonably withheld.

This indemnity shall survive the resignation or removal of the Trustee or the discharge of this Indenture.

(c) The Trustee shall notify the Corporation promptly of any claim for which it may seek indemnity. The Corporation shall defend the claim and the Trustee shall co-operate in the defence. The Trustee may have separate Counsel and the Corporation shall pay the reasonable fees and expenses of such Counsel. The Corporation need not pay for any settlement made without its consent, which consent must not be unreasonably withheld.

14.16 Acceptance of Trust

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various Persons who shall from time to time be Debentureholders, subject to all the terms and conditions herein set forth.

14.17 Third Party Interests

Each party to this Indenture (in this paragraph referred to as a "**representing party**") hereby represents to the Trustee that any account to be opened by, or interest to held by, the Trustee in connection with this Indenture, for or to the credit of such representing party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such representing party hereby agrees to complete, execute and deliver forthwith to the Trustee a declaration, in the Trustee's prescribed form or in such other form as may be satisfactory to it, as to the particulars of such third party.

14.18 Anti-Money Laundering

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, acting reasonably, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, acting reasonably, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' prior written notice sent to the Corporation provided that:

(a) the Trustee's written notice shall describe the circumstances of such non-compliance; and

(b) if such circumstances are rectified to the Trustee's satisfaction within such 10-day period, then such resignation shall not be effective.

14.19 Privacy Laws

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to certain obligations and activities under this Indenture. Notwithstanding any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or

inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and to comply with applicable laws and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved or as permitted by Privacy Laws; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

14.20 Force Majeure; Limitation of Trustee Liability

(a) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war (declared or undeclared) or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, fire, riot, embargo and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, government action, including any laws, ordinances, regulations or the like which delay, restrict or prohibit the providing of the services contemplated by this Indenture; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(b) The Trustee shall not be liable for any consequential, punitive or special damages.

ARTICLE 15
SUPPLEMENTAL INDENTURES

15.1 Supplemental Indentures

Subject to the approval of the CSE (or such other exchange on which the Debentures are then listed), from time to time the Trustee and, when authorized by a resolution of the directors of Corporation, the Corporation, may, and they shall when required by this Indenture, execute, acknowledge and deliver by their proper officers deeds or indentures supplemental hereto which thereafter shall form part hereof, for any one or more of the following purposes:

(a) adding to the covenants of the Corporation herein contained for the protection of the Debentureholders or providing for events of default, in addition to those herein specified;

(b) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Debentures which do not affect the substance thereof and which in the opinion of the Trustee relying on an opinion of Counsel will not be prejudicial to the interests of the Debentureholders;

(c) evidencing the succession, or successive successions, of others to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;

(d) giving effect to any Extraordinary Resolution passed as provided in Article 12; and

(e) for any other purpose not inconsistent with the terms of this Indenture.

Unless the supplemental indenture requires the consent or concurrence of Debentureholders by Extraordinary Resolution, the consent or concurrence of Debentureholders shall not be required in connection with the execution, acknowledgement or delivery of a supplemental indenture. The Corporation and the Trustee may amend any of the provisions of this Indenture related to matters of United States law or the issuance of Debentures into the United States in order to ensure that such

issuances can be made in accordance with applicable law in the United States without the consent or approval of the Debentureholders. Further, the Corporation and the Trustee may without the consent or concurrence of the Debentureholders by supplemental indenture or otherwise, make any changes or corrections in this Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any indenture supplemental hereto or any Written Direction of the Corporation provided for the issue of Debentures, providing that in the opinion of the Trustee (relying upon an opinion of Counsel) the rights of the Debentureholders are in no way prejudiced thereby.

ARTICLE 16
EXECUTION AND FORMAL DATE

16.1 Execution

This Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

16.2 Formal Date

For the purpose of convenience this Indenture may be referred to as bearing the formal date of November 16, 2018 irrespective of the actual date of execution hereof.

[signature page follows]

IN WITNESS whereof the parties hereto have executed these presents by the hands of their proper officers in that behalf.

GOLDEN LEAF HOLDINGS LTD.

By: William Simpson
Name: William Simpson
Title: Chief Executive Officer

CAPITAL TRANSFER AGENCY

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

IN WITNESS whereof the parties hereto have executed these presents by the hands of their proper officers in that behalf.

GOLDEN LEAF HOLDINGS LTD.

By: ______________________
Name: William Simpson
Title: Chief Executive Officer

CAPITAL TRANSFER AGENCY, ULC

By: ______________________
Name: Sarah Morrison
Title: Managing Director

By: ______________________
Name: SANDRA ~~PE~~SNAIL
Title: OPERATIONS MANAGER

SCHEDULE "A"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

FORM OF DEBENTURE

[INSERT U.S. LEGEND, IF APPLICABLE]

[INSERT CANADIAN PRIVATE PLACEMENT LEGEND, IF APPLICABLE]

CUSIP38109WAB5
ISIN CA38109WAB50

No. • **$•**

GOLDEN LEAF HOLDINGS LTD.

(A corporation incorporated under the laws of Ontario)

UNSECURED SUBORDINATED CONVERTIBLE DEBENTURES

Golden Leaf Holdings Ltd. (the "**Corporation**" or the "**Issuer**") for value received hereby acknowledges itself indebted and, subject to the provisions of the Debenture Indenture (the "**Indenture**") dated as of November 16, 2018 among the Corporation and Capital Transfer Agency (the "**Trustee**"), promises to pay to the registered holder hereof on November 16, 2021 or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture (any such date, the "**Maturity Date**") the principal sum of ● Dollars ($●) in lawful money of Canada on presentation and surrender of this Debenture at the principal office of the Trustee in Toronto, Ontario in accordance with the terms of the Indenture and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 12% per annum (based on a 365-day year and the actual number of days elapsed in that period) from the Issue Date until December 31, 2019, after which the Debentures shall bear interest at a rate of 10% per annum, in like money, in arrears in equal (with the exception of the first interest payment which will include interest from November 16, 2018 as set forth below) semi-annual instalments (less any tax required by law to be deducted) on June 30 and December 31 in each year commencing on December 31, 2019 and the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) to fall due on the Maturity Date and, should the Corporation at any time make default in the payment of any principal, premium, if any, or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued from November 16, 2018 to, but excluding December 31, 2019, which will be equal to $139.73 for each $1,000 principal amount of the Debentures. For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed under this Debenture on the basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year. For certainty, Debentureholders that redeem any Debentures before December 31, 2019 shall forego any accrued interest thereon and be entitled to redeem only the then-outstanding principal amount of the Debentures.

This Debenture is one of the Unsecured Subordinated Convertible Debentures (referred to herein as the "**Debentures**") of the Corporation issued under the provisions of the Indenture. Reference is hereby expressly made to the Indenture for a description of the terms and conditions upon which the Debentures are or are to be issued and held and the rights and remedies of the holders of the Debentures and of the Corporation and of the Trustee, all to the same effect as if the provisions of the Indenture were herein set forth to all of which provisions the holder of this Debenture by acceptance hereof assents.

The Debentures are issuable only in denominations of $1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Debentures of any denomination may be

exchanged for an equal aggregate principal amount of Debentures in any other authorized denomination or denominations.

Any part, being $1,000 or an integral multiple thereof, of the principal of this Debenture, provided that the principal amount of this Debenture is in a denomination in excess of $1,000, is convertible, at the option of the holder hereof, upon surrender of this Debenture at the principal office of the Trustee in Toronto, Ontario, at any time prior to the close of business on the Business Day immediately preceding the Maturity Date or, if this Debenture is called for redemption on or prior to such date, then, to the extent so called for redemption, up to but not after the close of business on the last Business Day immediately preceding the date specified for redemption of this Debenture, into Common Shares (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at a conversion price (the" **Conversion Price**") equal to $0.30, all subject to the terms and conditions and in the manner set forth in the Indenture, including adjustment to the Conversion Price in accordance with Section 6.5 thereof. No Debentures may be converted during the five Business Days preceding and including June 30 and December 31 in each year, commencing December 31, 2019, as the registers of the Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Common Shares will be issued on any conversion and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number, and in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment (subject to Section 5.4(c) of the Indenture)equal to the market price of such fractional interest determined in accordance with the Indenture. Holders converting their Debentures will receive accrued and unpaid interest thereon. If an Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the person or persons entitled to receive Common Shares in respect of the Debentures so surrendered for conversion shall not become the holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

This Debenture may be redeemed at the option of the Corporation on the terms and conditions set out in the Indenture, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. Beginning on the date that is four months and one day following the Issue Date and any time prior to the Maturity Date, provided that the daily VWAP of the Common Shares for 10 consecutive trading days equals or exceeds $0.45, all of the principal amount of the outstanding Debentures may be redeemed at the option of the Corporation in whole or in part from time to time at a price equal to $1,000 per Debenture plus accrued and unpaid interest up to (but excluding the Redemption Date) (the "**Redemption Price**") payable by issuing such number of Common Shares with respect to the principal amount of the Debentures as is obtained by dividing the aggregate principal amount by the Conversion Price plus payment of any interest in cash (subject to Section 5.4(c) of the Indenture) and otherwise on the terms and conditions described in the Indenture.

Within 30 days following the occurrence of a Change of Control of the Corporation, the Corporation is required to make an offer (the "**Change of Control Purchase Offer**") in writing to holders of Debentures to, at the holders' election, either: (i) purchase the Debentures at 100% of the principal amount thereof plus accrued and unpaid interest or (ii) subject to Section 2.3(j) of the Indenture, if the Change of Control results in a Successor Entity, convert all or such portion of the Debentures of such Debentureholders into Successor Debentures in an aggregate principal amount equal to the Change of Control Conversion Amount. If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to an the Change of Control Purchase Offer made to the holders of all Debentures, the Corporation will have the right to redeem all the remaining Debentures for cash at the Conversion Price (subject to Section 5.4(c) of the Indenture). For greater clarity, if the 90% Redemption Right is obtained by the Corporation, the Change of Control Purchase Offer shall not include any option to receive any Successor Debentures.

If an offer is made for the Debentures which is a take-over bid for the Debentures within the meaning of applicable Canadian securities laws and 90% or more of the principal amount of all the Debentures (other than Debentures held at the date of the offer by or on behalf of the Offeror, associates

or affiliates of the Offeror or anyone acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Debentures of those holders who did not accept the offer on the same terms as the Offeror acquired the first 90% of the principal amount of the Debentures.

The indebtedness evidenced by this Debenture, and by all other Debentures now or hereafter certified and delivered under the Indenture, is a direct unsecured obligation of the Corporation, and is subordinated in right of payment, to the extent and in the manner provided in the Indenture, only to the prior payment in full of the Senior Indebtedness.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Debentures outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding, which resolutions or instruments may have the effect of amending the terms of this Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Common Shares and officers, directors and employees of the Corporation in respect of any obligation or claim arising out of the Indenture or this Debenture.

This Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in one of the registers to be kept at the principal office of the Trustee in the City of Toronto, Ontario and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Trustee may designate. No transfer of this Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Trustee or other registrar, and upon compliance with such reasonable requirements as the Trustee and/or other registrar may prescribe and upon surrender of this Debenture for cancellation. Thereupon a new Debenture or Debentures in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

This Debenture shall not become obligatory for any purpose until it shall have been Authenticated by the Trustee under the Indenture.

Capitalized words or expressions used in this Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

IN WITNESS WHEREOF GOLDEN LEAF HOLDINGS LTD. has caused this Debenture to be signed by its authorized representatives as of the ______ day of, ______________________, 2018.

GOLDEN LEAF HOLDINGS LTD.

By: ____

(FORM OF TRUSTEE'S CERTIFICATE)

This Debenture is one of the Unsecured Subordinated Convertible Debentures due November 16, 2021 referred to in the Indenture within mentioned.

CAPITAL TRANSFER AGENCY

By: ____
(Authorized Officer)

FORM OF TRANSFER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto __________________, whose address and social insurance number, if applicable, are set forth below, this Debenture (or $_________ principal amount hereof*) of GOLDEN LEAF HOLDINGS LTD. standing in the name(s) of the undersigned in the register maintained by the Corporation with respect to such Debenture and does hereby irrevocably authorize and direct the Trustee to transfer such Debenture in such register, with full power of substitution in the premises.

Dated: ____

Address of Transferee: ____
(Street Address, City, Province/State and Postal Code)

Social Insurance Number/Taxpayer ID Number of Transferee, if applicable: ________________________

*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided the principal amount (which must be $1,000 or an integral multiple thereof, unless you hold an Debenture in a non-integral multiple of $1,000 by reason of your having exercised your right to exchange upon the making of a Change of Control Purchase Offer, in which case such Debenture is transferable only in its entirety) to be transferred.

1. The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) must be guaranteed by a Canadian chartered bank or trust company or by a member of an acceptable Medallion Guarantee Program. Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: “SIGNATURE GUARANTEED”.

2. The registered holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

________________________________	________________________________
Authorized Officer	Signature of transferring registered holder

____
Name of Institution

SCHEDULE "B"

TO THE CONVERTIBLE DEBENTURE INDENTURE BETWEEN

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

FORM OF REDEMPTION NOTICE

SCHEDULE "B"
Form of Redemption Notice

GOLDEN LEAF HOLDINGS LTD.

UNSECURED SUBORDINATED CONVERTIBLE DEBENTURES

REDEMPTION NOTICE – AUTOMATIC CONVERSION

To: Holders of Unsecured Subordinated Convertible Debentures (the "**Debentures**") of Golden Leaf Holdings Ltd. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the "**Indenture**") dated as of November 16, 2018 among the Corporation and Capital Transfer Agency (the "**Trustee**"), unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the Indenture, that an aggregate principal amount of $● of the Debentures outstanding will be redeemed as of ● (the "**Redemption Date**"), upon payment of an aggregate of ● Common Shares in respect of the principal amount and (subject to Section 5.4(c) in the Indenture) $● in respect of all accrued and unpaid interest thereon up to but excluding the Redemption Date (collectively, the "**Redemption Price**").

The interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Redemption Price shall not be made on or after the Redemption Date or prior to the setting aside of the Redemption Price pursuant to the Indenture.

The Corporation shall pay the Redemption Price payable to holders of Debentures in accordance with this notice by issuing and delivering to the holders that number of Common Shares obtained by dividing the principal amount of the Debentures by the Conversion Price.

No fractional Common Shares shall be delivered upon the exercise by the Corporation of the above-mentioned redemption right and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number but, in lieu thereof, the Corporation shall pay the fractional amount in cash (subject to Section 5.4(c) in the Indenture) determined on the basis of the Current Market Price of Common Shares on the Redemption Date (less any tax required to be deducted, if any).

In this connection, the Corporation shall, on the Redemption Date, make the delivery to the Trustee, at the above-mentioned corporate trust office, for delivery to and on account of the holders, of certificates representing the Common Shares to which holders are entitled together with the cash equivalent in lieu of fractional Common Shares (subject to Section 5.4(c) in the Indenture), plus (subject to Section 5.4(c) in the Indenture) such sums of money as may be sufficient to pay all accrued and unpaid interest thereon up to but excluding the Redemption Date.

DATED: ●

GOLDEN LEAF HOLDINGS LTD.

____

(Authorized Director or Officer of
Golden Leaf Holdings Ltd.)

SCHEDULE "C"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

FORM OF NOTICE OF CONVERSION

SCHEDULE “C”
Form of Notice of Conversion

CONVERSION NOTICE

TO: GOLDEN LEAF HOLDINGS LTD. (the “**Corporation**”)

c/o Capital Transfer Agency
390 Bay Street, Suite 920
Toronto, Ontario M5H 2Y2

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the “**Indenture**”) dated as of November 16, 2018 between the Corporation and Capital Transfer Agency, as trustee, unless otherwise indicated.

The undersigned registered holder of Unsecured Subordinated Convertible Debentures (the “**Debentures**”) irrevocably elects to convert such Debentures (or $● principal amount thereof*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Common Shares of the Corporation issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: ______________________________ ______________________________
(Signature of Registered Holder)

* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must be $1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: “SIGNATURE GUARANTEED”.

(Print name in which Common Shares are to be issued, delivered and registered)

Name: ______________________________

____
(Address)

____
(City, Province and Postal Code)

Name of guarantor: ______________________

Authorized signature: ______________________

SCHEDULE "D"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

FORM OF CHANGE OF CONTROL NOTICE

GOLDEN LEAF HOLDINGS LTD.

CHANGE OF CONTROL NOTICE

To: Holders of Unsecured Subordinated Convertible Debentures (the "**Debentures**") of Golden Leaf Holdings Ltd. (the "**Corporation**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the "**Indenture**") dated as of November 16, 2018 between the Corporation and Capital Transfer Agency, as trustee, unless otherwise indicated.

Notice is hereby given pursuant to Section 2.3(i) of the Indenture, that

(a) a Change of Control occurred on ●, 20● (the "**Effective Date**") details of which are the following: **[Insert details of Change of Control]**;

(b) each holder of Debentures shall have the right (i) to require the Corporation to purchase (the "**Put Right**"), on ●, 20●, **[being the date which is 30 days following the date upon which the Trustee has delivered this Change of Control Notice to the holders]** (the "**Offer Date**"), all or any part of its Debentures in accordance with Applicable Securities Legislation at a price equal to 100% of the principal amount of its Debentures plus accrued and unpaid interest thereon up to, but excluding, the Offer Date (collectively, the "**Total Offer Price**"); or (ii) convert its Debentures, in whole or in part, and receive Successor Debentures in an aggregate principal amount equal to the Change of Control Conversion Amount; and

(c) you are entitled to withdraw your election to require the Corporation to purchase or convert your Debentures by providing notice to the Trustee by facsimile transmission or letter advising the Trustee of such withdrawal no later than the close of business on the third Business Day immediately preceding the Offer Date, such notice to the Trustee shall include your name, the principal amount of the Debentures delivered for purchase and a statement that you are withdrawing your election to have such Debentures purchased or converted.

Be advised that if 90% or more in aggregate principal amount of Debentures outstanding on the date of this Change of Control Notice have been tendered for purchase, the Corporation has the right (but not the obligation) upon written notice provided to the Trustee within 10 days following the expiration of the Change of Control Purchase Offer, to redeem all the Debentures remaining outstanding at the Total Offer Price. For greater clarity, if the 90% Redemption Right is obtained by the Corporation, the Change of Control Purchase Offer shall not include any option to receive any Successor Debentures.

Upon presentation and surrender of the Debentures, (i) in the event that a holder of Debentures elects to exercise the Put Right, the Corporation shall satisfy the Total Offer Price in cash (subject to Section 5.4(c) in the Indenture), and (ii) in the event that a holder of Debentures elects to convert its Debentures into Successor Debentures pursuant to the Change of Control Purchase Offer, the Successor Entity shall issue and deliver the Successor Debentures to which the holder is entitled.

DATED: ●

GOLDEN LEAF HOLDINGS LTD.

____
(Authorized Director or Officer of Golden Leaf Holdings Ltd.)

SCHEDULE "E"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

FORM OF CERTIFICATE OF TRANSFER

Golden Leaf Holdings Ltd.
36 Toronto Street, Suite 1000
Toronto, Ontario, Canada
M5C 2C5

Capital Transfer Agency
390 Bay Street, Suite 920
Toronto, Ontario M5H 2Y2

Attention: [●]

Re: Transfer of Debentures

Reference is hereby made to the indenture dated as of November 16, 2018 (the "**Indenture**"), among Golden Leaf Holdings Ltd., as issuer (the "**Corporation**"), and Capital Transfer Agency, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____________________________(the "**Transferor**") owns and proposes to transfer the Debentures or interests in such Debentures specified in Annex A hereto, in the principal amount of $______________ (the "**Transfer**"), to __________________________________ (the "**Transferee**"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ❑ Check if Transferee will take delivery of a beneficial interest in a Restricted Certificated Debenture pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Certificated Debenture is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Certificated Debenture for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Debenture will be subject to the restrictions on transfer enumerated in the U.S. Legend.

2. ❑ Check if Transferee will take delivery of a beneficial interest in an Unrestricted Certificated Debenture pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) it is not an "affiliate" (as defined in Rule 405 under the Securities Act) of the Corporation, a "distributor" (as defined in Regulation S under the Securities Act), an affiliate of a distributor, or acting on behalf of any such person; (ii) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (iii) no directed selling efforts in the United States have been made in contravention of the requirements of Regulation S under the Securities Act, and (iv) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

3. ❑ Check and complete if Transferee will take delivery of a beneficial interest in an Unrestricted Certificated Debenture pursuant to any provision of the Securities Act or the rules or regulations thereunder other than Rule 144A or Regulation S.

(a) ❑ **Check if Transfer is pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act, if available, and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United

States and (ii) the restrictions on transfer contained in the Indenture and the U.S. Legend are not required in order to maintain compliance with the Securities Act.

(b) ❑ **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144A, Regulation S and Rule 144, and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Debenture will be subject to the restrictions on transfer enumerated in the U.S. Legend.

This certificate and the statements contained herein are made for your benefit and the benefit of the Corporation.

____
[Insert Name of Transferor]

By: ______________________________
Name:
Title:

Dated: ______________________________

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) ❑ a Restricted Certificated Debenture

(b) ❑ an Unrestricted Certificated Debenture

2. After the Transfer the Transferee will hold:

[CHECK ONE OF (a) OR (b)]

(a) ❑ a Restricted Certificated Debenture

(b) ❑ an Unrestricted Certificated Debenture

in accordance with the terms of the Indenture.

SCHEDULE "F"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

FORM OF CERTIFICATE OF EXCHANGE

Golden Leaf Holdings Ltd.
36 Toronto Street, Suite 1000
Toronto, Ontario, Canada
M5C 2C5

Capital Transfer Agency
390 Bay Street, Suite 920
Toronto, Ontario M5H 2Y2

Attention: [●]

Re: Exchange of Debentures

(CUSIP ________________)

Reference is hereby made to the Indenture, dated as of November 16, 2018 (the "**Indenture**"), among Golden Leaf Holdings Ltd., as issuer (the "**Corporation**"), and Capital Transfer Agency, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_________________________ (the "**Owner**") owns and proposes to exchange the Debentures or interests in such Debentures specified herein, in the principal amount of $__________ (the "**Exchange**"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Certificated Debentures or Beneficial Interests in a Restricted Uncertificated Debenture for Unrestricted Certificated Debentures or Beneficial Interests in an Unrestricted Uncertificated Debenture

(a) ❑ **Check if Exchange is from a beneficial interest in a Restricted Uncertificated Debenture to a beneficial interest in an Unrestricted Uncertificated Debenture.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Uncertificated Debenture for a beneficial interest in an Unrestricted Uncertificated Debenture in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Uncertificated Debentures and pursuant to and in accordance with the Securities Act of 1933, as amended (the "**Securities Act**"), (iii) the restrictions on transfer contained in the Indenture and the U.S. Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Uncertificated Debenture is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ❑ **Check if Exchange is from Restricted Certificated Debenture to Unrestricted Certificated Debenture.** In connection with the Owner's Exchange of a Restricted Certificated Debenture for an Unrestricted Certificated Debenture, the Owner hereby certifies (i) the Unrestricted Certificated Debenture is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Certificated Debentures and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the U.S. Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Certificated Debenture is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Beneficial Interests in an Unrestricted Uncertificated Debenture for Beneficial Interests in a Restricted Uncertificated Debenture

In connection with the Exchange of the Owner's beneficial interest in an Unrestricted Uncertificated Debenture for a beneficial interest in a Restricted Uncertificated Debenture in an equal principal amount, the Owner hereby certifies that the beneficial interest is being acquired for the Owner's own account without transfer.

This certificate and the statements contained herein are made for your benefit and the benefit of the Corporation.

____
[Insert Name of Transferor]

By: __________________________________
Name:
Title:

Dated: __________________________

SCHEDULE "G"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

GOLDEN LEAF HOLDINGS LTD.

AND

CAPITAL TRANSFER AGENCY

U.S. COMMON SHARE LEGENDS

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “1933 ACT”), OR STATE SECURITIES LAWS. NEITHER THIS SECURITY, NOR ANY PARTICIPATION OR INTEREST HEREIN OR THEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF GOLDEN LEAF HOLDINGS LTD. (THE “CORPORATION”) AND THE TRUSTEE, THAT THESE SECURITIES MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE 1933 ACT, (C) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE 1933 ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (D) IN ACCORDANCE WITH (1) RULE 144A UNDER THE 1933 ACT, IF AVAILABLE, OR (2) RULE 144 UNDER THE 1933 ACT, IF AVAILABLE, AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (E) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE 1933 ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF (D)(2) AND (E), THE HOLDER MUST FURNISH TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE CORPORATION TO THE EFFECT THAT THE PROPOSED TRANSFER MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE 1933 ACT OR APPLICABLE STATE SECURITIES LAWS.

DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

THIS IS EXHIBIT "M" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

Chalice Brands Announces Holders of Debentures Approve Extension of Time for Payment of Principal and Interest and Waive Default

PORTLAND, Ore., Nov. 16, 2022 -- Chalice Brands Ltd. (CSE: CHAL) (OTCQB: CHALF) (the "**Company**" or "**Chalice Brands**"), a premier consumer-driven cannabis company specializing in retail, production, processing, wholesale, and distribution, announced today that at a meeting held on November 14, 2022, the holders (the "**Debentureholders**") of its unsecured convertible debentures (the "**Debentures**") issued pursuant to an indenture dated as of November 18, 2018 (as the same has otherwise been amended or may be amended, modified, restated, supplemented or replaced from time to time, the "**Indenture**") have approved extraordinary resolutions under the terms of the Indenture to extend the time for payment of the principal amount of the Debentures to November 16, 2024, to extend the time to pay the interest due on June 30, 2022 and December 31, 2022 to June 30, 2023, and to waive the default from the failure to pay interest on the Debentures on June 30, 2022.

About Chalice Brands Ltd.

Chalice Brands is a premier consumer-driven cannabis company specializing in production, processing, wholesale, distribution and retail, with 16 owned dispensaries in and around Portland, Oregon. The Company is committed to developing a dynamic portfolio built around the recognized brands of Chalice Brands, including Chalice Farms, Left Coast Connection, Homegrown Oregon and Cannabliss & Co., with a focus on health and wellness. Visit investors.chalicebrandsltd.com/ for regular updates.

Investor Relations:
John Varghese
Executive Chairman
Chalice Brands Ltd
971-371-2685
ir@chalicebrandsltd.com

Neither the Canadian Securities Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this release.

Disclaimer: This press release contains "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the Company's future business operations, the opinions or beliefs of management and future business goals. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. These risks include but are not limited to general business, economic and competitive uncertainties, regulatory risks, market risks, risks inherent in manufacturing and retail operations such as unforeseen costs and production shutdowns, difficulties in maintaining brand loyalty, and other risks of the cannabis industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. Forward-looking information is provided herein for the purpose of presenting information about management's current expectations relating to the future and readers are cautioned that such information may not be appropriate for other purpose. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws. This press release does not constitute an offer of securities for sale in the United States, and such securities may not be offered or sold in the United States absent registration or an exemption from registration or an exemption from registration.

THIS IS EXHIBIT "N" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

CHALICE BRANDS LTD.

as the Corporation

and

ODYSSEY TRUST COMPANY

as the Trustee

DEBENTURE INDENTURE

Dated as of November 23, 2021

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THIS INDENTURE made as of the 23rd day of November, 2021.

BETWEEN:

CHALICE BRANDS LTD., a corporation incorporated under the laws of the Province of Ontario, as issuer (the "**Corporation**")

AND

ODYSSEY TRUST COMPANY, a company incorporated under the laws of Alberta and authorized to carry on business in the provinces of Alberta and British Columbia (hereinafter referred to as the "**Trustee**")

WITNESSETH THAT:

WHEREAS the Corporation wishes to create and issue the Debentures in the manner and subject to the terms and conditions of this Indenture;

NOW THEREFORE THIS INDENTURE WITNESSES that in consideration of the respective covenants and agreements contained herein and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Corporation and the Trustee covenant and agree, for the benefit of each other and for the equal and rateable benefit of the holders, as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

(a) "**this Indenture**", "**hereto**", "**herein**", "**hereby**", "**hereunder**", "**hereof**" and similar expressions refer to this Indenture and not to any particular Article, Section, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto.

(b) "**Agent's Option**" means the option granted by the Corporation to Canaccord Genuity Corp. to increase the size of the Offering, together with the Concurrent Equity Offering, by up to $1,500,000, to cover over-allotments (if any) for market stabilization purposes.

(c) "**Applicable Period**" means any period announced by the Board of Directors as a period of time for which a cash dividend or distribution will be declared and paid by the Corporation to the holders of all or substantially all of the outstanding Common Shares.

(d) "**Applicable Securities Legislation**" means applicable securities laws (including rules, regulations, policies and instruments) in each of the provinces of Canada.

(e) "**Auditors of the Corporation**" means an independent firm of chartered accountants duly appointed as auditors of the Corporation.

(f) "**Authenticated**" means (a) with respect to the issuance of a Certificated Debenture, one which has been duly signed by the Corporation and authenticated by manual signature of an authorized officer of the Trustee, (b) with respect to the issuance of an Uncertificated Debenture, one in respect of which the Trustee has completed all Internal Procedures such that the particulars of such Uncertificated Debenture as required by Section 2.5 are entered in the

records of the Trustee, and "**Authenticate**", "**Authenticating**" and "**Authentication**" have corresponding meanings.

(g) "**Beneficial Holder**" means any person who holds a beneficial interest in an Uncertificated Debentures as shown on a list maintained by the Depository or a Depository Participant.

(h) "**Board of Directors**" means the board of directors of the Corporation or any committee thereof.

(i) "**Business Day**" means any day other than a Saturday, Sunday, any statutory holiday, or any other day on which banks are closed in Toronto, Ontario.

(j) "**Canadian Private Placement Legend**" has the meaning ascribed thereto in Section 0.

(k) "**CDS**" means CDS Clearing and Depository Services Inc. and its successors in interest.

(l) "**Certificated Debenture**" means a Debenture evidenced by a writing or writings substantially in the form of Schedule "A" hereto with respect to the Debentures and as specified in or pursuant to the documentation establishing the same pursuant to Article 2.

(m) "**Chalice**" or the "**Corporation**" means Chalice Brands Ltd. and includes any successor to or of Chalice which shall have complied with the provisions of Article 10.

(n) "**Common Shares**" means common shares in the capital of the Corporation, as such common shares are constituted on the date of execution and delivery of this Indenture; provided that in the event of a change or a subdivision, revision, reduction, combination or consolidation thereof, any reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, or such successive changes, subdivisions, redivisions, reductions, combinations or consolidations, reclassifications, capital reorganizations, consolidations, amalgamations, arrangements, mergers, sales or conveyances or liquidations, dissolutions or windings-up, then, subject to adjustments, if any, having been made in accordance with the provisions of Section 6.5, "**Common Shares**" shall thereafter mean the shares or other securities or property resulting from such change, subdivision, redivision, reduction, combination or consolidation, reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up.

(o) "**Concurrent Equity Offering**" means the concurrent private placement pursuant to which the Corporation may issue up to 13,333,333 equity units of the Corporation, each consisting of one Common Share and one-half of one Common Share purchase warrant, to raise, when aggregated with the Offering and Non-Brokered Offering, up to $11,500,000.

(p) "**Conversion Price**" means $1.00 per Common Share, subject to adjustment in accordance with the provisions of Article 6.

(q) "**Counsel**" means a barrister or solicitor or firm of barristers or solicitors retained by the Trustee or retained or employed by the Corporation and reasonably acceptable to the Trustee.

(r) "**CSE**" means the Canadian Securities Exchange.

(s) "**Current Market Price**" means, generally, the VWAP of the Common Shares on the CSE for the 20 consecutive trading days ending five trading days preceding the applicable date. If the Common Shares are no longer listed on the CSE, reference shall be made for the purpose of the above calculation to the principal securities exchange or market on which the Common Shares are listed or quoted or if no such prices are available "Current Market Price" shall be the fair value of a Common Share as reasonably determined by the Board of Directors.

(t) “**Date of Conversion**” has the meaning ascribed thereto in Section 6.4(b).

(u) **“Debentures”** means the debentures designated as “Unsecured Subordinated Convertible Debentures” due November 23, 2024 issued in accordance with the Offering and the Non-Brokered Offering and, if applicable, the Agent’s Option, in each case under this Indenture and Authenticated pursuant to this Indenture and described in Section 2.3.

(v) “Debenture Liabilities” has the meaning ascribed thereto in Section 5.1.

(w) “**Debentureholders**” or “**holders**” means the Persons for the time being entered in the register for Debentures as registered holders of Debentures or any transferees of such Persons by endorsement or delivery.

(x) “**Defeased Debentures**” has the meaning ascribed thereto in Section 9.6(b).

(y) “**Depositary**” means, with respect to the Debentures issued as Uncertificated Debentures, the person designated as depository by the Corporation pursuant to Section 3.1 until a successor depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Depository” shall mean each Person who is then a depository hereunder, and if at any time there is more than one such Person, “Depository” as used with respect to the Debentures shall mean each depository with respect to the Uncertificated Debentures.

(z) “**Depositary Participant**” means a broker, dealer, bank, other financial institution or other Person for whom, from time to time, a Depository effects book entry for any Uncertificated Debentures deposited with the Depository.

(aa) “**Event of Default**” has the meaning ascribed thereto in Section 8.1.

(bb) “**Extraordinary Resolution**” has the meaning ascribed thereto in Section 12.12.

(cc) “**IFRS**” means, at any given date, International Financial Reporting Standards, which include standards and interpretations adopted by the International Accounting Standards Board, applied on a consistent basis.

(dd) “**Interest Payment Date**” the date on which interest on Debentures shall become due and payable and with respect to the Debentures means the dates set forth in Section 2.3(c);

(ee) “**Internal Procedures**” the minimum number of the Trustee’s internal procedures customary at such time for the making of any one or more entries to, changes in or deletions of any one or more entries in the records of the Trustee (including without limitation, original issuance or registration of transfer of ownership) to be complete under the operating procedures followed at the time by the Trustee.

(ff) “**Issue Date**” means the date of issuance of any Debentures under this Indenture.

(gg) “**Material Subsidiary**” means Greenpoint Holdings Delaware, Inc., Greenpoint Oregon, Inc., CFA Retail, LLC, Greenpoint Nevada, Inc., and SMS Ventures, LLC.

(hh) “**Maturity Account**” means an account or accounts required to be established by the Corporation (and which shall be maintained by and subject to the control of the Trustee) for the Debentures issued pursuant to and in accordance with this Indenture.

(ii) “**Maturity Date**” means November 23, 2024.

(jj) “**NCI”** means the non-certificated inventory system operated by CDS.

(kk) “**NCI Letter of Instruction**” means the Non-Certificated Inventory system letter of instruction provided by CDS to the Trustee in connection with the conversion of the Debentures.

(ll) “**Non-Brokered Offering**” means the non-brokered private placement of, together with the Offering, up to 11,500 Debentures, to raise, when aggregated with the Offering and Equity Offering, up to $11,500,000.

(mm) “**Offeror’s Notice**” has the meaning ascribed thereto in Section 11.3.

(nn) “**Offering**” means the private placement of up to 11,500 Debentures, together with the Concurrent Equity Offering and the Non-Brokered Offering, in the aggregate principal amount of up to $11,500,000.

(oo) “**Officers’ Certificate**” means a certificate of the Corporation signed by any two authorized officers or directors of the Corporation, in their capacities as officers or directors of the Corporation, and not in their personal capacities.

(pp) “**Person**” includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof.

(qq) “**Privacy Laws**” has the meaning ascribed thereto in Section 14.19.

(rr) “**Redemption Date**” has the meaning ascribed thereto in Section 4.2.

(ss) “**Redemption Notice**” has the meaning ascribed thereto in Section 4.2.

(tt) “**Redemption Price**” means, in respect of a Debenture, the principal amount plus accrued and unpaid interest up to (but excluding) the Redemption Date fixed for such Debenture, payable on the Redemption Date, which principal amount shall be payable by the issuance of Common Shares at the Conversion Price as provided for in Section 4.5 and which interest amount shall be payable in cash.

(uu) “**Regulation S**” means Regulation S adopted by the United States Securities and Exchange Commission under the 1933 Act.

(vv) “**Restricted Certificated Debenture**” means a Certificated Debenture that bears the U.S. Legend.

(ww) “**Senior Indebtedness**” means all secured obligations, liabilities and indebtedness of the Corporation and its subsidiaries.

(xx) “**Subsidiary**” has the meaning ascribed thereto in the *Securities Act* (Ontario).

(yy) “**Successor Entity”** has the meaning ascribed thereto in Section 1.1(a)(a)(i).

(zz) “**Time of Expiry**” means the time of expiry of certain rights with respect to the conversion of Debentures under Article 6.

(aaa) “**trading day**” means, with respect to the CSE or other market for securities, any day on which such exchange or market is open for trading or quotation.

(bbb) “**Trustee**” means Odyssey Trust Company, or its successor or successors for the time being as trustee hereunder.

(ccc) “**Uncertificated Debenture**” means any Debenture which is issued under NCI and which is not evidenced by a Certificated Debenture.

(ddd) “**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

(eee) **“Units**” means the debenture units of the Corporation, each consisting of one Debenture and 500 Common Share purchase warrants.

(fff) “**Unrestricted Certificated Debenture**” means a Certificated Debenture that does not bear the U.S. Legend.

(ggg) “**U.S. Legend**” has the meaning ascribed thereto in Section 0.

(hhh) “**U.S. Person**” means a “U.S. person” within the meaning of Rule 902(k) of Regulation S.

(iii) “**U.S. Purchaser**” means (a) any U.S. Person that purchased Units, (b) any person that purchased Units on behalf or for the account of any U.S. Person or any person in the United States, (c) any purchaser of Units that received an offer for the Units while in the United States, (d) any person that was in the United States at the time the purchaser’s buy order was made or the subscription agreement for Units was executed or delivered.

(jjj) “**VWAP**” means, for the Common Shares, the per Common Share volume-weighted average trading price on the CSE (or if the Common Shares are no longer traded on the CSE, on such other exchange as the Common Shares are then traded) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session on such trading day; provided, however, that if such volume-weighted average price is unavailable, “VWAP” means the average of the market value of one Common Share on such trading day as determined by a nationally-recognised investment bank selected by the Corporation for this purpose, using a volume-weighted method and converted, if necessary, into Canadian dollars at the relevant exchange rate. In each case, the “VWAP” will be determined without regard to after-hours trading or any other trading outside of the primary trading session.

(kkk) “**Written Direction of the Corporation**” means an instrument in writing signed by any one officer or director of the Corporation.

(lll) “**1933 Act**” means the *United States Securities Act of 1933*, as amended.

1.2 Meaning of “Outstanding”

Every Debenture Authenticated and delivered by the Trustee hereunder shall be deemed to be outstanding until it is cancelled, converted or redeemed or delivered to the Trustee for cancellation, conversion or redemption or monies and/or Common Shares, as the case may be, for the payment thereof shall have been set aside under Section 9.2, provided that:

(a) Debentures which have been partially purchased or converted shall be deemed to be outstanding only to the extent of the unpurchased or unconverted part of the principal amount thereof;

(b) when a new Debenture has been issued in substitution for a Debenture which has been lost, stolen or destroyed, only one of such Debentures shall be counted for the purpose of determining the aggregate principal amount of Debentures outstanding; and

(c) for the purposes of any provision of this Indenture entitling holders of outstanding Debentures to vote, sign consents, requisitions or other instruments or take any other action under this

Indenture, or to constitute a quorum of any meeting of Debentureholders, Debentures owned directly or indirectly, legally or equitably, by the Corporation shall be disregarded except that:

(a) for the purpose of determining whether the Trustee shall be protected in relying on any such vote, consent, requisition or other instrument or action, or on the holders of Debentures present or represented at any meeting of Debentureholders, only the Debentures which the Trustee knows are so owned shall be so disregarded; and

(b) Debentures so owned which have been pledged in good faith other than to the Corporation shall not be so disregarded if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Debentures, sign consents, requisitions or other instruments or take such other actions in his discretion free from the control of the Corporation or a Subsidiary of the Corporation.

1.3 Interpretation:

In this Indenture:

(a) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;

(b) all references to Articles and Schedules refer, unless otherwise specified, to articles of and schedules to this Indenture;

(c) all references to Sections refer, unless otherwise specified, to Sections, subsections or clauses of this Indenture;

(d) words and terms denoting inclusiveness (such as "include" or "includes" or "including"), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them;

(e) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time;

(f) unless otherwise indicated, reference to a statute shall be deemed to be a reference to such statute as amended, re-enacted or replaced from time to time; and

(g) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated by including the day on which the period commences and excluding the day on which the period ends.

1.4 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Debentures.

1.5 Time of Essence

Time shall be of the essence of this Indenture.

1.6 Monetary References

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

1.7 Invalidity, Etc.

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

1.8 Language

Each of the parties hereto hereby acknowledges that it has consented to and requested that this Indenture and all documents relating thereto, including, without limiting the generality of the foregoing, the form of Debenture attached hereto as Schedule "A", be drawn up in the English language only. *Chacune des parties aux présentes reconnaît avoir accepté et demandé que cette acte de fiducie et tous les documents y reliés, y compris le modèle de débenture joint aux présentes à titre d'Annexe « A », soient rédigés en anglais seulement.*

1.9 Successors and Assigns

All covenants and agreements of the Corporation in this Indenture and the Debentures shall bind its successors and assigns, whether so expressed or not. All covenants and agreements of the Trustee in this Indenture shall bind its successors.

1.10 Severability

In case any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, such provision shall be deemed to be severed herefrom or therefrom and the validity, legality and enforceability of the remaining provisions shall not in any way be affected, prejudiced or impaired thereby.

1.11 Entire Agreement

This Indenture and all supplemental indentures and Schedules hereto and thereto, and the Debentures issued hereunder and thereunder, together constitute the entire agreement between the parties hereto with respect to the indebtedness created hereunder and thereunder and under the Debentures and supersedes as of the date hereof all prior memoranda, agreements, negotiations, discussions and term sheets, whether oral or written, with respect to the indebtedness created hereunder or thereunder and under the Debentures.

1.12 Benefits of Indenture

Nothing in this Indenture or in the Debentures, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent, the holders of Debentures, the senior creditors (to the extent provided in Article 5 only), and (to the extent provided in Section 8.11) the holders of Common Shares, any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.13 Applicable Law and Attornment

This Indenture, any supplemental indenture and the Debentures shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts. With respect to any suit, action or proceedings relating to this Indenture, any supplemental indenture or any Debenture, the Corporation,

the Trustee and each holder irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario seated in Toronto, Ontario. The parties hereto hereby waive any right they may have to require a trial by jury of any proceeding commenced in connection herewith.

1.14 Currency of Payment

All cash payments to be made under this Indenture shall be made in Canadian dollars.

1.15 Non-Business Days

Whenever any payment to be made hereunder shall be due, any period of time would begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such payment shall be made, such period of time shall begin or end, such calculation shall be made and such other action shall be taken, as the case may be, unless otherwise specifically provided herein, on or as of the next succeeding Business Day without any additional interest, cost or charge to the Corporation.

1.16 Accounting Terms

Except as hereinafter provided or as otherwise indicated in this Indenture, all calculations required or permitted to be made hereunder pursuant to the terms of this Indenture shall be made in accordance with IFRS. For greater certainty, IFRS shall include any accounting standards that may from time to time be approved for general application by the Canadian Institute of Chartered Accountants in respect of publicly accountable enterprises.

1.17 Calculations

The Corporation shall be responsible for making all calculations called for hereunder including, without limitation, calculations of Current Market Price. The Corporation shall make such calculations in good faith and, absent manifest error, the Corporation’s calculations shall be final and binding on holders and the Trustee. The Corporation will provide a schedule of its calculations to the Trustee and the Trustee shall be entitled to rely conclusively on the accuracy of such calculations without independent verification.

1.18 Schedules

The following Schedules are incorporated into and form part of this Indenture:

Schedule “A” - Form of Debenture
Schedule “B” - Form of Redemption Notice
Schedule “C” - Form of Notice of Conversion
Schedule “D” - Form of Certificate of Transfer
Schedule “E” - Form of Certificate of Exchange
Schedule “F” - U.S. Common Share Legends
Schedule “G” - Rule 904 Resale Certification

In the event of any inconsistency between the provisions of any Section of this Indenture and the provisions of the Schedules which form a part hereof, the provisions of this Indenture shall prevail to the extent of the inconsistency.

ARTICLE 2
THE DEBENTURES

2.1 Limit of Issue and Designation of Debentures

The Debentures authorized to be issued hereunder are limited to $11,500,000 aggregate principal amount issued on the date of this Indenture, and shall be designated as “Unsecured Subordinated Convertible Debentures due November 23, 2024".

2.2 Form of Debentures

(a) The Debentures may be issued as either Certificated Debentures or Uncertificated Debentures. Notwithstanding the foregoing, the initial Debentures issued to U.S. Purchasers shall be issued only as Certificated Debentures.

(b) The Certificated Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another. Certificated Debentures representing the Debentures will be registered in the names of each holders thereof as provided in Section 3.1. A Certificated Debenture may be exchanged, or transferred to and registered in the name of a person other than the registered holder thereof, as provided in Section 3.1.

(c) With respect to any Debentures issued as Uncertificated Debentures, the Beneficial Holder thereof will not receive Certificated Debentures representing its interest in Debentures, provided that Uncertificated Debentures may be exchanged for Certificated Debentures, or transferred to and registered in the name of a Person other than the Depository for such Uncertificated Debentures or a nominee thereof, as provided in Section 3.4.

(d) All Debentures issued to the Depositary may be issued as Certificated Debentures or Uncertificated Debentures, such Uncertificated Debentures being evidenced by a book position on the register of Debentureholders to be maintained by the Trustee in accordance with Section 3.1.

2.3 Terms of Debentures

(a) The Debentures authorized to be issued hereunder may be issued pursuant to the Offering and on a private placement basis in different tranches. The Debentures need not be issued at the same time and may have different Issue Dates.

(b) The Debentures shall bear interest at the rate of 10% per annum, in accordance with Section 2.9.

(c) Interest shall be payable in equal (with the exception of the first interest payment, which will include interest from and including the applicable Issue Date of the Debentures as set forth below) semi-annual payments, in arrears, on June 30 and December 31 in each year, the first such payment to fall due on June 30, 2022 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) to fall due on the Maturity Date, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. For certainty, the first interest payment will include interest accrued from and including the applicable Issue Date of the Debentures to, but excluding, June 30, 2022, which, for Debentures issued as of the date hereof, will be equal to $60 for each $1,000 principal amount of Debentures.

(d) Any payment required to be made on any day that is not a Business Day will be made on the next succeeding Business Day. The record dates for the payment of interest on the Debentures will be June 15 and December 15 in each year (or the first Business Day prior to such date if such date is not a Business Day).

(e) The Debentures will be redeemable in accordance with the terms of this Section 2.3 and Article 4. Beginning on the date that is four months and one day following the Issue Date and any time prior to the Maturity Date, provided that the daily VWAP of the Common Shares for 10 consecutive trading days equals or exceeds $1.50, the principal amount of the outstanding Debentures may be mandatorily converted by way of redemption at the option of the Corporation on notice as provided for in Section 4.2 at a Redemption Price equal to the principal amount payable by issuing such number of Common Shares as is obtained by dividing the aggregate principal amount by the Conversion Price for the Debentures, with any payment of any accrued but unpaid interest to be paid in accordance with Section 2.14 or Section 2.9(c), as applicable. The Redemption Notice for the Debentures shall be substantially in the form of Schedule "B". When the Corporation determines the actual number of Common Shares to be issued pursuant to the redemption, it will issue a press release on a national newswire disclosing such actual number of Common Shares.

(f) The Debentures will not be guaranteed, will be unsecured and will be subordinated and junior in right of payment only to the Senior Indebtedness of the Corporation in accordance with the provisions of Article 5. In accordance with Section 2.10, the Debentures will rank *pari passu* with all other Debentures issued under this Indenture and, except as prescribed by law or as may by its terms rank junior in right of payment to the Debentures, with all other existing unsecured indebtedness of the Corporation to the extent subordinated on the same basis.

(g) Upon and subject to the provisions and conditions of Article 6 and Section 3.9, the holder of each Debenture shall have the right at such holder's option, at any time prior to the close of business on the earlier of (i) the Business Day immediately preceding the Maturity Date of the Debentures; or (ii) if the Debentures are called for redemption by notice to the holders of Debentures in accordance with Sections 2.3(d) and 4.2, on the Business Day immediately preceding the date specified by the Corporation for redemption of the Debentures (the earlier of (i) and (ii) will be a "**Time of Expiry**" for the purposes of Article 6 in respect of the Debentures), to convert any part, being $1,000 or an integral multiple thereof, of the principal amount of a Debenture into Common Shares at the Conversion Price in effect on the Date of Conversion.

The Conversion Price in effect on the date hereof for each Common Share to be issued upon the conversion of Debentures shall be equal to $1.00 such that approximately 1,000 Common Shares shall be issued for each $1,000 principal amount of Debentures so converted. Except as provided below, no adjustment in the number of Common Shares to be issued upon conversion will be made for dividends or distributions on Common Shares issuable upon conversion, the record date for the payment of which precedes the date upon which the holder becomes a holder of Common Shares in accordance with Article 6. No fractional Common Shares will be issued, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number and holders will receive a cash payment in satisfaction of any fractional interest based on the Current Market Price as of the Date of Conversion. The Conversion Price applicable to, and the Common Shares, securities or other property receivable on the conversion of, the Debentures is subject to adjustment pursuant to the provisions of Section 6.5.

Debentureholders converting Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest (as modified by Article 6) in respect of the Debentures surrendered for conversion up to but excluding the Date of

Conversion from, and including, the most recent Interest Payment Date in accordance with Section 6.4(e), subject to Section 2.3(c).

Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the person or persons entitled to receive Common Shares in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

(h) The Debentures shall be issued in denominations of $1,000 and integral multiples of $1,000. Each Certificated Debenture representing Debentures shall be issued in substantially the form set out in Schedule "A", with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the Board of Directors executing such Debenture in accordance with Section 2.4, as conclusively evidenced by their execution of a Certificated Debenture representing Debentures. Each Certificated Debenture representing Debentures shall additionally bear such distinguishing letters and numbers as the Trustee shall approve. Notwithstanding the foregoing, a Debenture may be in such other form or forms as may, from time to time, be, approved by a resolution of the Board of Directors, or as specified in an Officers' Certificate. The Certificated Debentures representing Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.

(i) The Trustee shall be provided with the documents and instruments with respect to the Debentures prior to the issuance of the Debentures.

(j) Notwithstanding any of the foregoing, the Corporation, the Trustee or their agents shall withhold or deduct, and remit to the relevant governmental authority within the time and in the manner required by law, any amount required by law to be withheld or remitted from any payment or delivery to a holder of any Debentures contemplated herein. The Corporation will provide the Trustee and/or the relevant holders, as applicable, with copies of receipts or other communications relating to the remittance or such withheld amount or the filing of such forms with such government authority, or agency promptly after receipt hereof.

2.4 Execution of Certificated Debentures

All Certificated Debentures shall be signed (either manually or by facsimile signature) by any one authorized director or officer of the Corporation holding office at the time of signing. A facsimile signature upon a Certificated Debenture shall for all purposes of this Indenture be deemed to be the signature of the person whose signature it purports to be. Notwithstanding that any person whose signature, either manual or in facsimile, appears on a Certificated Debenture as a director or officer may no longer hold such office at the date of the Certificated Debenture or at the date of the certification and delivery thereof, such Certificated Debenture shall be valid and binding upon the Corporation and the registered holders thereof entitled to the benefits of this Indenture. In addition, any Uncertificated Debenture shall, subject to Section 2.5, be valid and binding upon the Corporation and the registered holder thereof will be entitled to the benefits of this Indenture.

2.5 Uncertificated Debentures

(a) Subject to the provisions hereof, at the Corporation's option, Debentures may be issued and registered in the name of CDS or its nominee as an Uncertificated Debenture and:

(i) the deposit of which may be confirmed electronically by the Trustee to a particular Depositary Participant through CDS; and

(ii) shall be identified by a specific CUSIP/ISIN as requested by the Corporation from CDS.

(b) If the Corporation issues Debentures, Beneficial Holders of such Debentures shall not receive Debenture certificates in definitive form and shall not be considered owners or holders thereof under this Indenture or any supplemental indenture. Beneficial interests in Debentures registered and deposited with CDS will be represented only through the NCI. Transfers of Debentures registered and deposited with CDS between Depositary Participants shall occur in accordance with the rules and procedures of CDS. Neither the Corporation nor the Trustee shall have any responsibility or liability for any aspects of the records relating to or payments made by CDS or its nominee, on account of the beneficial interests in Debentures registered and deposited with CDS. Nothing herein shall prevent the Beneficial Holders of Uncertificated Debentures from voting such Debentures using duly executed proxies or voting instruction forms.

(c) All references herein to actions by, notices given or payments made to, Debentures shall, where Debentures are held through CDS, refer to actions taken by, or notices given or payments made to, CDS upon instruction from the Depositary Participants in accordance with its rules and procedures in the case of actions by CDS. For the purposes of any provision hereof requiring or permitting actions with the consent of or the direction of Debentureholders evidencing a specified percentage of the aggregate Debentures outstanding, such direction or consent may be given by Beneficial Holders acting through CDS and the Depositary Participants owning Debentures evidencing the requisite percentage of the Debentures. The rights of a Beneficial Holder whose Debentures are held established by law and agreements between such holders and CDS and the Depositary Participants upon instructions from the Depositary Participants. Each Trustee and the Corporation may deal with CDS for all purposes (including the making of payments) as the authorized representative of the respective Debentures or Debenture holders and such dealing with CDS shall constitute satisfaction or performance, as applicable, of their respective obligations hereunder.

(d) For so long as Debentures are held through CDS, if any notice or other communication is required to be given to Debentureholders, the Trustee will give such notices and communications to CDS.

(e) If CDS resigns or is removed from its responsibility as Depository and the Trustee is unable or does not wish to locate a qualified successor, CDS shall provide the Trustee with instructions for registration of Debentures in the names and in the amounts specified by CDS, and the Corporation shall issue and the Trustee shall certify and deliver the aggregate number of Debentures then outstanding in the form of Certificated Debentures representing such Debentures.

(f) The rights of Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI shall be limited to those established by applicable law and agreements between the Depository and the Depositary Participants and between such Depositary Participants and the Beneficial Holders who hold securities entitlements in respect of the Debentures through the Non-Certificated Inventory System administered by CDS, and such rights must be exercised through a Depositary Participant in accordance with the rules and procedures of the Depository.

(g) Notwithstanding anything herein to the contrary, none of the Corporation nor the Trustee nor any agent thereof shall have any responsibility or liability for:

(i) the electronic records maintained by the Depository relating to any ownership interests or other interests in the Debentures or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any Person in any Debenture represented by an electronic position in the NCI (other than the Depository or its nominee);

(ii) for maintaining, supervising or reviewing any records of the Depository or any Depositary Participant relating to any such interest; or

(iii) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Depositary Participant.

(h) The Corporation may terminate the application of this Section 2.5 in its sole discretion in which case all Debentures shall be evidenced by Certificated Debenture registered in the name of a Person other than the Depository.

2.6 Authentication

(a) Only such Debentures as shall have been Authenticated shall be enforceable against the Corporation and entitled to the benefits of this Indenture at any time or be valid or obligatory for any purpose.

(b) Authentication by Trustee of any Certificated Debenture executed by the Corporation shall be conclusive evidence that the Debentureholder is entitled to the benefits of this Indenture.

(c) No Debenture (which for greater certainty shall include any Debenture issued through the NCI) shall be issued or, if issued, shall be valid for any purpose, enforceable against the Corporation or entitle the registered holder to the benefit hereof or thereof until it has been Authenticated. Such Authentication shall be conclusive evidence that such Debenture is a valid and binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture. The Authentication by the Trustee of any such Debenture hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of such Debenture or its issuance (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or any of them or the proceeds thereof.

2.7 Interim Debentures or Certificated Debentures

Pending the delivery of Certificated Debentures to the Trustee, the Corporation may issue and the Trustee certify in lieu thereof interim Debentures in such forms and in such denominations and signed in such manner as provided herein, entitling the holders thereof to Certificated Debentures when the same are ready for delivery; or the Corporation may execute and the Trustee certify a temporary Debenture for the whole principal amount of Debentures then authorized to be issued hereunder and deliver the same to the Trustee and thereupon the Trustee may issue its own interim certificates in such form and in such amounts, not exceeding in the aggregate the principal amount of the temporary Debenture so delivered to it, as the Corporation and the Trustee may approve entitling the holders thereof to Certificated Debentures when the same are ready for delivery; and, when so issued and Authenticated, such interim or temporary Debentures or interim certificates shall, for all purposes but without duplication, rank in respect of this Indenture equally with Debentures duly issued hereunder and, pending the exchange thereof for Certificated Debentures, the holders of the interim or temporary Debentures or interim certificates shall be deemed without duplication to be Debentureholders and entitled to the benefit

of this Indenture to the same extent and in the same manner as though the said exchange had actually been made. Forthwith after the Corporation shall have delivered the Certificated Debentures to the Trustee, the Trustee shall cancel such temporary Debentures, if any, and shall call in for exchange all interim Debentures or certificates that shall have been issued and forthwith after such exchange shall cancel the same. No charge shall be made by the Corporation or the Trustee to the holders of such interim or temporary Debentures or interim certificates for the exchange thereof. All interest paid upon interim or temporary Debentures or interim certificates shall be noted thereon as a condition precedent to such payment unless paid by cheque to the registered holders thereof.

2.8 Mutilation, Loss, Theft or Destruction

In case any of the Certificated Debentures issued hereunder shall become mutilated or be lost, stolen or destroyed, the Corporation, in its discretion, may issue, and thereupon the Trustee shall certify and deliver, a new Certificated Debenture upon surrender and cancellation of the mutilated Certificated Debenture, or in the case of a lost, stolen or destroyed Certificated Debenture, in lieu of and in substitution for the same, and the substituted Debenture shall be in a form approved by the Trustee and shall be entitled to the benefits of this Indenture and rank equally in accordance with its terms with all other Debentures issued or to be issued hereunder. In case of loss, theft or destruction the applicant for a substituted Certificated Debenture shall furnish to the Corporation and to the Trustee such evidence of the loss, theft or destruction of the Certificated Debenture as shall be satisfactory to them in their discretion and shall also furnish an indemnity and surety bond satisfactory to them in their discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted Certificated Debenture.

2.9 Concerning Interest

(a) All Debentures issued hereunder, whether originally or upon exchange or in substitution for previously issued Debentures which are interest bearing, shall bear interest (i) from and including their Issue Date, or (ii) from and including the last Interest Payment Date to which interest shall have been paid or made available for payment on the outstanding Debentures, whichever shall be the later, in all cases, to and excluding the next Interest Payment Date therefor.

(b) Interest for any period shall be computed on the basis of a year of 365 days and the actual number of days elapsed in such period. For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed on the basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

(c) Notwithstanding any other provision hereof, the Corporation may elect to satisfy and pay accrued but unpaid interest on the Debentures whether on an Interest Payment Date, upon a conversion or otherwise, by delivering: (i) cash, or (ii) that number of Common Shares obtained by dividing the interest amount by 95% of the VWAP for the 20 consecutive trading days ending five trading days preceding the applicable Interest Payment Date or Date of Conversion or Redemption Date, or any combination thereof, the number of Common Shares will be determined by dividing the interest amount by 95% of the VWAP of the Common Shares on the CSE for the preceding 20 consecutive trading days and ending 5 days prior to the applicable interest payment date, provided that if such price is less than the lowest price permitted by the policies of the CSE (the "**Minimum CSE Price**"), the number of Common Shares will be determined by dividing the interest amount by the Minimum CSE Price. If the Corporation elects to satisfy and pay accrued but unpaid interest on the Debentures by delivery of Common Shares, as described in this Section 2.9(c), such Common Shares will be issued within three

Business Days of the Interest Payment Date or Date of Conversion or Redemption Date, as applicable.

2.10 Debentures to Rank *Pari Passu*

The Debentures will be direct unsecured obligations of the Corporation. Each Debenture will rank *pari passu* with each other Debenture (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present subordinated and unsecured indebtedness of the Corporation, other than the Senior Indebtedness.

2.11 Payments of Amounts Due on Maturity

Except as may otherwise be provided herein, payments of amounts due upon maturity of the Debentures will be made in the following manner. The Corporation will establish and maintain with the Trustee a Maturity Account for the Debentures. Each such Maturity Account shall be maintained by and be subject to the control of the Trustee for the purposes of this Indenture. On or before 10:00 a.m. (Toronto time) on the Business Day immediately prior to each Maturity Date for Debentures outstanding from time to time under this Indenture, the Corporation will deliver to the Trustee by wire transfer for deposit in the applicable Maturity Account in an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted). The Trustee, on behalf of the Corporation, will pay to each holder entitled to receive payment the principal amount of and premium (if any) and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Trustee designated for such purpose from time to time by the Corporation and the Trustee. The delivery of such funds to the Trustee for deposit to the applicable Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled.

Notwithstanding the foregoing, the Corporation may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures at maturity by delivery of that number of Common Shares obtained by dividing the principal amount of the Debentures to be so satisfied by 95% of the volume weighted average trading price for the 30 consecutive trading days ending five trading days preceding the Maturity Date, subject to the minimum price permitted by the policies of the CSE. If the Corporation elects to satisfy and pay the principal amount of the Debentures by delivery of Common Shares, as described in this Section 2.11 or to satisfy and pay accrued but unpaid interest on the Debentures by delivery of Common Shares as described in Section 2.9(c), such Common Shares will be issued within three Business Days of the Maturity Date.

2.12 U.S. Legend on the Debentures

The Debentures and the Common Shares issuable upon conversion or redemption thereof, or in lieu of cash as interest thereon, have not been and will not be registered under the 1933 Act. All Debentures originally issued and sold to U.S. Purchasers have been issued and sold in reliance on an exemption from registration under Rule 506 of Regulation D under the 1933 Act or Section 4(a)(2) of the 1933 Act and shall bear a legend in substantially the following form (the "**U.S. Legend**"), unless the Corporation determines otherwise in compliance with applicable law:

> THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE ON CONVERSION OR EXCHANGE HEREOF HAVE NOT BEEN AND WILL NOT BE 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

OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (i) SECTION 4(a)(7) THEREOF, (ii) RULE 144 OR (iii) RULE144A THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, (D) IN COMPLIANCE WITH ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, OR (E) UNDER AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, PROVIDED THAT IN THE CASE OF TRANSFERS PURSUANT TO (B), (C), (D) OR (E), ABOVE, A LEGAL OPINION OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE CORPORATION, MUST FIRST BE PROVIDED TO THE CORPORATION TO THE EFFECT THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION, OR IS THE SUBJECT OF AN EFFECTIVE REGISTRATION STATEMENT, UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

If any of the Debentures are being sold under clause (B) of the first legend above at a time when the Corporation is a "Foreign Issuer", as defined in Regulation S under the 1933 Act, the legend may be removed from such Debentures by providing a declaration to the registrar and transfer agent of the Corporation in such form as the Corporation may reasonably prescribe from time to time.

2.13 Canadian Private Placement Legend.

The Debentures and the Common Shares issuable upon conversion or redemption thereof, or in lieu of cash as interest thereon, have not been qualified for sale to the public under Applicable Securities Legislation. If issued as Certificated Debentures, the Debentures and, if issued before March 24, 2022 (for the Debentures issued as of the date hereof), the Common Shares issuable upon conversion or redemption of the Debentures, or in lieu of cash as interest on the Debentures, shall bear a legend in the following form (the "**Canadian Private Placement Legend**") unless, in any such case, the Corporation determines that such legend is not required by Applicable Securities Legislation in order to permit the holder to freely trade such Debentures:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE].

2.14 Payment of Interest

The following provisions shall apply to the Debentures, except as otherwise provided in Section 2.3(b) and Section 2.3(c) or specified in a resolution of the Board of Directors, an Officers' Certificate or a supplemental indenture:

(a) As interest becomes due on each Debenture (except, subject to certain exceptions set forth herein including in Section 2.3, on conversion or on redemption, when interest may at the option of the Corporation be paid upon surrender of such Debenture), the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest (less any tax required to be withheld therefrom) to the order of the registered holder of such Debenture appearing on the registers maintained by the Trustee at the close of business on the record date set

forth for the Debentures in respect of the applicable Interest Payment Date and addressed to the holder at the holder's last address appearing on the register, unless such holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three days prior to each date on which interest becomes due and if payment is made by other means (such as electronic transfer of funds, provided the Trustee must receive confirmation of receipt of funds prior to being able to wire funds to holders), such payment shall be made in a manner whereby the holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee, acting reasonably, with the same effect as though payment had been made in the manner provided above. On or prior to 11:00 a.m. Eastern time on the Business Day prior to the earlier of: (i) any Interest Payment Date, or (ii) the day cheques are required to be mailed in accordance with this Section 2.14, the Corporation shall deposit with the Trustee money sufficient to pay the full amount due on the relevant Interest Payment Date.

(b) All payments of interest in cash on the Uncertificated Debentures shall be made by electronic funds transfer or certified cheque made payable to the Depository or its nominee on the day interest is payable for subsequent payment to Beneficial Holders of the applicable Uncertificated Debentures, unless the Corporation and the Depository otherwise agree.

2.15 Records of Payment

(a) The Trustee shall maintain accounts and records evidencing each payment of principal of and interest on the Debentures, which accounts and records shall constitute, in the absence of manifest error, prima facie evidence thereof.

(b) None of the Corporation, the Trustee or any agent of the Trustee for any Debenture issued as an Uncertificated Debenture will be liable or responsible to any person for any aspect of the records related to or payments made on account of beneficial interests in any Uncertificated Debenture or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

ARTICLE 3
REGISTRATION, TRANSFER, EXCHANGE AND OWNERSHIP

3.1 Registration

With respect to the Debentures, the Corporation shall cause to be kept by and at the principal office of the Trustee in Calgary, Alberta and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the names and addresses of the holders of Debentures and particulars of the Debentures held by them respectively and

of all transfers of Debentures. Such registration shall be noted on any Certificated Debentures by the Trustee or other registrar unless a new Certificated Debenture shall be issued upon such transfer.

3.2 Transfers

No transfer of any Debenture shall be valid unless entered on the register referred to in Section 0, upon surrender of any Certificated Debentures together with a duly executed form of transfer acceptable to the Trustee, or in the case of Uncertificated Debentures in accordance with the procedures prescribed by the Depositary under the NCI and, if applicable, upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe. In the case of Certificated Debentures, the Trustee shall rely on the Form of Certificate of Transfer signed by the transferor without further enquiry. Transfers within the systems of CDS are not the responsibility of the Trustee and will not be noted on the register maintained by the Trustee, provided however that the full position of Debentures held by or through CDS shall at all times appear on the register.

3.3 Certificated Debentures; Transfers and Exchanges

(a) Any Certificated Debenture issued to a transferee upon transfers contemplated by this section 3.3 shall bear the appropriate legends, as required by applicable securities laws, as set forth in Subsections 2.12 and 2.13.

(b) The Trustee shall not register a transfer of a Certificated Debenture unless the transferor has provided the Trustee with the Debenture and the Form of Certificate of Transfer, in the form included in Schedule "D", stating that the transfer is being made, and the offer of the securities being transferred was made pursuant to, and in compliance with, Rule 144, Rule 144A or Rule 904 of Regulation S or an exemption from registration under the 1933 Act; provided, however, that if the transfer is being made pursuant to Rule 144 or an exemption from the registration requirements under the 1933 Act (other than Rule 144A thereunder or Rule 904 of Regulation S), the Trustee shall not register the transfer unless the transferor has provided any evidence reasonably requested by the Corporation, the Trustee, and/or the Corporation's transfer agent, as applicable, which evidence may include an opinion of counsel of recognized standing, in form and substance satisfactory to the Corporation, Trustee or transfer agent, as applicable, to the effect that the transfer is being made in compliance with the 1933 Act. Notwithstanding the forgoing, the Trustee shall not register any transfer being made under Regulation S if the Trustee has reason to believe that the transferee is a person in the United States or a U.S. Person or is acquiring the Debentures evidenced thereby for the account or benefit of a person in the United States or a U.S. Person.

(c) Notwithstanding any other provisions of this Indenture or the Debentures, transfers and exchanges of Certificated Debentures shall be made in accordance with this subsection 3.3(c).

(i) *Transfer of Restricted Certificated Debenture for Restricted Certificated Debenture.* A Restricted Certificated Debenture may be transferred to a Person who takes delivery thereof in the form of a Restricted Certificated Debenture if the Trustee receives a certificate to the effect set forth in Schedule "D" hereto, including, if applicable, the opinion of counsel required therein.

(ii) *Transfer and Exchange of Restricted Certificated Debentures for Unrestricted Certificated Debentures.* A Restricted Certificated Debenture may be exchanged by the holder thereof for an Unrestricted Certificated Debenture or transferred to a Person who takes delivery thereof in the form of an Unrestricted Certificated Debenture if the Trustee receives the following:

(A) if the holder of such Restricted Certificated Debenture proposes to exchange such Debenture for an Unrestricted Certificated Debenture, a certificate from such holder in the form of Schedule “E” hereto, including the certifications in item (1) thereof; or

(B) if the holder of such Restricted Certificated Debenture proposes to transfer such Debenture to a Person who shall take delivery thereof in the form of an Unrestricted Certificated Debenture, a certificate from such holder in the form of Schedule “D” hereto;

and, in each such case set forth in this subsection 1.1(a)(i)(ii), if the Corporation so requests, an opinion of counsel in form reasonably acceptable to the Corporation to the effect that such transfer or exchange is exempt from registration under the 1933 Act.

(d) Notwithstanding any other provisions of this Indenture or any Debenture, transfers and exchanges of beneficial interests in a Certificated Debenture which bears neither the Canadian Private Placement Legend nor the U.S. Legend shall be made in accordance with this subsection 3.3(d).

(e) *Transfer and Exchange of Beneficial Interests in the Certificated Debenture which Bears neither the Canadian Private Placement Legend nor the U.S. Legend*. A beneficial interest in the Certificated Debenture may be exchanged by any holder thereof for a beneficial interest in a Debenture which bears neither the Canadian Private Placement Legend nor the U.S. Legend or transferred to a Person who takes delivery thereof in the form of a beneficial interest in a Debenture which bears neither the Canadian Private Placement Legend nor the U.S. Legend if the Trustee receives a certificate in form and substance satisfactory to the Corporation confirming that such exchange or transfer, as the case may be, is in compliance with all Applicable Securities Legislation.

3.4 Uncertificated Debentures; Transfers and Exchanges

(a) Notwithstanding any other provision of this Indenture, Uncertificated Debentures may be transferred in the following circumstances and Certificated Debentures may be issued to Beneficial Holders in the following circumstances or as otherwise specified in a resolution of the Board of Directors, Officers’ Certificate, or supplemental indenture:

(i) Uncertificated Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;

(ii) Uncertificated Debentures may be transferred at any time after the Depository for such Uncertificated Debentures (i) has notified the Trustee, or the Corporation has notified the Trustee, that it is unwilling or unable to continue as Depository for such Uncertificated Debentures, or (ii) ceases to be eligible to be a Depository, provided that at the time of such transfer the Corporation has not appointed a successor Depository for such Uncertificated Debentures;

(iii) Uncertificated Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the NCI in respect of such Uncertificated Debentures and has communicated such determination to the Trustee in writing;

(iv) Uncertificated Debentures may be transferred at any time after an Event of Default has occurred and is continuing with respect to the Debentures issued as Uncertificated Debentures, provided that Beneficial Holders representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures advise the Depository in writing, through the Depository Participants, that the continuation of the NCI of Debentures is no longer in their best interest and also provided that at the time of such transfer the Trustee has not waived the Event of Default pursuant to Section 8.3;

(v) Uncertificated Debentures may be transferred or exchanged for Certificated Debentures at any time after a Depository has determined, in its sole discretion, that such transfer or exchange is required to effect conversion and/or redemption rights in accordance with the terms hereof and has communicated such determination to the Trustee in writing;

(vi) Uncertificated Debentures may be transferred if required by applicable law;

(vii) Uncertificated Debentures may be transferred at any time after the NCI ceases to exist; or

(viii) if requested by a Beneficial Holder and provided that such transfer or exchange for Certificated Debentures is permitted by applicable law and conducted in accordance with any procedures required under the NCI,

following which Certificated Debentures shall be issued to the beneficial owners of such Debentures or their nominees, as directed by the Debentureholder. The Corporation shall provide an Officer's Certificate giving notice to the Trustee of the occurrence of any event outlined in this Section 3.4(a).

(b) With respect to the Uncertificated Debentures, unless and until Certificated Debentures have been issued to Beneficial Holders pursuant to subsection 3.4(a), Section 2.5 shall continue to apply.

3.5 Transferee Entitled to Registration

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

3.6 No Notice of Trusts

Neither the Corporation nor the Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

3.7 Registers Open for Inspection

The registers referred to in Section 0 shall be open for inspection by the Corporation, the Trustee or any Debentureholder. Every registrar, including the Trustee, shall from time to time when requested so to do by the Corporation or by the Trustee, in writing, furnish the Corporation or the Trustee, as the case

may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount of the Debentures held by each such holder, provided the Trustee shall be entitled to charge a reasonable fee to provide such a list.

3.8 Exchanges of Debentures

(a) Subject to Sections 3.1, 3.2, 3.3 and 3.9, Certificated Debentures in any authorized form or denomination, may be exchanged for Certificated Debentures in any other authorized form or denomination, of the same date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Certificated Debentures so exchanged.

(b) In respect of exchanges of Certificated Debentures permitted by Section 3.8(a), Certificated Debentures may be exchanged only at the principal office of the Trustee in the city of Calgary, Alberta or at such other place or places, if any, as may be specified from time to time be designated by the Corporation with the approval of the Trustee. Any Certificated Debentures tendered for exchange shall be surrendered to the Trustee. The Corporation shall execute and the Trustee shall Authenticate all Certificated Debentures necessary to carry out exchanges as aforesaid. All Certificated Debentures surrendered for exchange shall be cancelled.

(c) Debentures issued in exchange for Debentures which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.

(d) Transfers of beneficial ownership of any Uncertificated Debenture through the NCI will be effected only (i) with respect to the interest of a Depositary Participant, through records maintained by the Depositary or its nominee for such Debentures, and (ii) with respect to the interest of any person other than a Depositary Participant through records maintained by Depositary Participants.

3.9 Closing of Registers

(a) Neither the Corporation nor the Trustee nor any registrar shall be required to:

(i) make transfers or exchanges of or convert any Debentures on any Interest Payment Date for such Debentures or during the five preceding Business Days;

(ii) make transfers or exchanges of, or convert any Debentures on the Redemption Date or during the five preceding Business Days; or

(iii) make exchanges of any Debentures which have been selected or called for redemption unless upon due presentation thereof for redemption such Debentures shall not be redeemed.

(b) Subject to any restriction herein provided, the Corporation with the approval of the Trustee may at any time close any register for the Debentures, other than those kept at the principal office of the Trustee in Calgary, Alberta and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

3.10 Charges for Registration, Transfer and Exchange

For each Debenture exchanged, registered, transferred or discharged from registration, the Trustee or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued (such amounts to be agreed upon from time to time by the Trustee and the Corporation), and payment of such charges and reimbursement of the Trustee or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration as a condition precedent thereto. Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder:

(a) for any exchange, registration, transfer or discharge from registration of any Debenture applied for within a period of two months from the date of the first delivery of Debentures;

(b) for any exchange of any interim or temporary Debenture or interim certificate that has been issued under Section 2.7 for a Certificated Debenture; or

(c) for any exchange of Uncertificated Debentures as contemplated in Section 3.4

3.11 Ownership of Debentures

(a) Unless otherwise required by law, the Person in whose name any registered Debenture is registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered holder.

(b) The registered holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the original or any intermediate holder thereof and all Persons may act accordingly and the receipt of any such registered holder for any such principal, premium or interest shall be a good discharge to the Trustee, any registrar and to the Corporation for the same and none shall be bound to inquire into the title of any such registered holder.

(c) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof shall be paid to the order of all such holders, and the receipt of any one of such holders therefor shall be a valid discharge, to the Trustee, any registrar and to the Corporation.

(d) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may, upon the delivery of such reasonable requirements as the Trustee may prescribe, be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Trustee and any registrar and to the Corporation.

ARTICLE 4
REDEMPTION AND PURCHASE OF DEBENTURES

4.1 Applicability of Article

Subject to regulatory approval and Article 5, the Corporation shall have the right as set out in Section 2.3(d) to mandatorily convert, by way of redemption, all of the principal amount of the outstanding Debentures before the Maturity Date in accordance with the procedures set out in this Article 4.

4.2 Notice of Redemption

Notice of redemption (the "**Redemption Notice**") of any Debentures shall be given to the holders of the Debentures not more than 60 days nor less than 30 days prior to the date fixed for redemption (the "**Redemption Date**") in the manner provided in Section 13.2. Every such notice shall specify the aggregate principal amount of Debentures called for redemption, the Redemption Date, the Redemption Price and the places of payment and shall state that interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date.

4.3 Debentures Due on Redemption Dates

Notice having been given as aforesaid, all the Debentures so called for redemption shall thereupon be and become due and payable at the Redemption Price, including accrued interest to but excluding the Redemption Date, on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the date of maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after such Redemption Date, if the Common Shares to be issued to redeem such Debentures shall have been deposited as provided in Section 4.4 and affidavits or other proof satisfactory to the Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest upon the Debentures shall cease to accrue. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

4.4 Deposit of Common Shares

Redemption of Debentures shall be provided for by the Corporation depositing with the Trustee or any paying agent to the order of the Trustee, on or before 10:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date specified in such notice, certificates representing such Common Shares as may be sufficient to pay the Redemption Price in respect of the principal amount of the Debentures so called for redemption, plus such sums of money as may be sufficient to pay all accrued and unpaid interest thereon up to but excluding the Redemption Date. The Corporation shall also deposit with the Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Trustee in connection with such redemption. Every such deposit shall be irrevocable. From the sums so deposited, or certificates so deposited, or both, the Trustee shall pay or cause to be paid, or issue or cause to be issued, to the holders of such Debentures so called for redemption, upon surrender of such Debentures, the principal, premium (if any) and interest (if any) to which they are respectively entitled on redemption.

4.5 Repayment of Redemption Price

(a) The Corporation shall pay the Redemption Price in respect of the aggregate principal amount of the Debentures being redeemed by way of the issuance of the relevant number of Common Shares as set out in Section 2.3(d) on the Redemption Date and in respect of accrued but unpaid interest up to but excluding the Redemption Date, in cash.

(b) The Corporation's ability to redeem the Debentures shall be conditional upon the following conditions being met on the Business Day preceding the Redemption Date:

(i) the issuance of the Common Shares on redemption shall be made in accordance with Applicable Securities Legislation;

(ii) such additional Common Shares shall be listed on each stock exchange on which the Common Shares are then listed, the CSE or national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association;

(iii) the Corporation shall be a reporting issuer in good standing under Applicable Securities Legislation where the distribution of such Common Shares occurs;

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

(v) the Trustee shall have received an Officers' Certificate stating that conditions (i), (ii), (iii) and (iv) above have been satisfied and setting forth the number of Common Shares to be delivered for each $1,000 principal amount of Debentures; and

(vi) the Trustee shall have received an opinion of Counsel to the effect that such Common Shares have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Redemption Price, will be validly issued as fully paid and non-assessable, that conditions (i) and (ii) above have been satisfied and that, relying exclusively on defaulting reporting issuer lists maintained by the relevant securities authorities, condition (iii) above is satisfied, except that the opinion in respect of condition (iii) need not be expressed with respect to those provinces where lists are not maintained.

If the foregoing conditions are not satisfied prior to the close of business on the Business Day preceding the Redemption Date, the Corporation shall not be permitted to redeem the Debentures on the Redemption Date, but shall be permitted to provide notice of a new Redemption Date unless the Debentureholder waives the conditions which are not satisfied. When the Corporation determines the actual number of Common Shares to be issued pursuant to the redemption, it will issue a press release on a national newswire disclosing such actual number of Common Shares.

(c) The Corporation shall on or before 10:00 a.m. (Toronto time) on the Business Day immediately prior to the Redemption Date make the delivery to the Trustee for delivery to and on account of the holders, of certificates representing the Common Shares to which such holders are entitled.

(d) No fractional Common Shares shall be delivered upon redemption of the Debentures and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number but, in lieu thereof, the Corporation shall pay to the Trustee for the account of the holders, at the time contemplated in Section 4.5(c), the cash portion thereof. A holder shall be treated as the shareholder of record of the Common Shares issued on redemption effective immediately after the close of business on the Redemption Date, and shall be entitled to all substitutions therefor, all income earned thereon or accretions thereto and all dividends or distributions (including distributions and dividends in kind) thereon and arising thereafter, and in the event that the Trustee receives the same, it shall hold the same in trust for the benefit of such holder.

(e) The Corporation shall at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue and delivery upon redemption as provided herein, and shall issue to Debentureholders to whom Common Shares will be issued pursuant to redemption, such number of Common Shares as shall be issuable in such event. All Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

(f) The Corporation shall comply with all Applicable Securities Legislation regulating the issue and delivery of Common Shares upon redemption and shall cause to be listed and posted for trading such Common Shares on each stock exchange on which the Common Shares are then listed.

(g) The Corporation shall from time to time promptly pay, or make provision satisfactory for the payment of, all taxes and charges which may be imposed by the laws of Canada or any province thereof (except income tax, withholding tax or security transfer tax, if any) which shall be payable with respect to the issuance or delivery of Common Shares to holders upon redemption pursuant to the terms of the Debentures and of this Indenture.

(h) Each certificate representing Common Shares issued in payment of the Redemption Price of Debentures bearing the U.S. Legend, as well as all certificates issued in exchange for or in substitution of the foregoing securities, shall bear the U.S. Legend; provided that if the Common Shares are being sold in compliance with the requirements of Rule 904 of Regulation S, and provided that the Corporation is a "foreign issuer" within the meaning of Regulation S at the time of sale, the U.S. Legend may be removed by providing a declaration to the Trustee, as registrar and transfer agent for the Common Shares, substantially as set forth in Schedule "G" hereto (or as the Corporation or the Trustee may prescribe from time to time), together with any other evidence reasonably requested by the Corporation or Trustee, which evidence may include an opinion of counsel of recognized standing, in form and substance reasonably satisfactory to the Corporation, to the effect that the U.S. Legend is no longer required pursuant to the requirements of the 1933 Act or applicable state securities laws; and provided further that, if any such securities are being sold within the United States in accordance with Rule 144 under the 1933 Act or any other exemption from the registration requirements of the 1933 Act, the U.S. Legend may be removed by delivery to the Trustee, as registrar and transfer agent for the Common Shares, of an opinion of counsel, of recognized standing, or other evidence reasonably satisfactory to the Corporation, that the U.S. Legend is no longer required under applicable requirements of the 1933 Act or applicable state securities laws. Provided that the Trustee obtains confirmation from the Corporation that such counsel is satisfactory to it, it shall be entitled to rely on such opinion of counsel without further inquiry.

4.6 Cancellation of Debentures Redeemed

All Debentures redeemed and paid under this Article 4 shall be deemed cancelled and of no further effect with no further act on the part of the Corporation or the Trustee and shall forthwith be delivered to the Trustee and no Debentures shall be issued in substitution for those redeemed.

4.7 Purchase of Debentures by the Corporation

The Corporation may, if it is not at the time in default hereunder, at any time and from time to time, purchase Debentures in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by contract, at any price. All Debentures so purchased will be delivered to the Trustee and shall be cancelled and no Debentures shall be issued in substitution therefor.

If, upon an invitation for tenders, more Debentures are tendered at the same lowest price than the Corporation is prepared to accept, the Debentures to be purchased by the Corporation shall be selected by the Trustee on a *pro rata* basis or in such other manner as consented to by the CSE or such other exchange on which the Debentures are then listed which the Trustee considers appropriate, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Trustee may make, and from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more of such Debentures become subject to purchase in part only. The holder of a Debenture of which a part only is purchased, upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such holder, one or more new Debentures for the unpurchased part so surrendered, and the Trustee shall Authenticate and deliver such new Debenture or Debentures upon receipt of the Debenture so surrendered.

ARTICLE 5
SUBORDINATION OF DEBENTURES TO SENIOR INDEBTEDNESS

5.1 Applicability of Article

The indebtedness, liabilities and obligations of the Corporation hereunder (except as provided in Section 14.15) or under the Debentures, whether on account of principal, premium, if any, interest or otherwise, but excluding the issuance of Common Shares upon any conversion pursuant to Article 6 or upon any redemption pursuant to Article 4 (collectively, the "**Debenture Liabilities**") shall be subordinated and postponed and subject in right of payment, to the extent and in the manner hereinafter set forth in the following Sections of this Article 5, to the full and final payment of the Senior Indebtedness, and each holder of any such Debenture by his acceptance thereof agrees to and shall be bound by the provisions of this Article 5.

5.2 Subrogation to Rights of Holders of Senior Indebtedness

Subject to the prior payment in full of the Senior Indebtedness, the holders of the Debentures shall be subrogated to the rights of the holders of the Senior Indebtedness to receive payments or distributions of assets of the Corporation to the extent of the application thereto of such payments or other assets which would have been received by the holders of the Debentures but for the provisions hereof until the principal of, premium, if any, and interest on the Debentures shall be paid in full, and no such payments or distributions to the holders of the Debentures of cash, property or securities, which otherwise would be payable or distributable to the holders of the Senior Indebtedness, shall, as between the Corporation, its creditors other than the holders of the Senior Indebtedness, and the holders of Debentures, be deemed to be a payment by the Corporation to the holders of the Senior Indebtedness or on account of the Senior Indebtedness, it being understood that the provisions of this Article 5 are and are intended solely for the purpose of defining the relative rights of the holders of the Debentures, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

5.3 Obligation to Pay Not Impaired

Nothing contained in this Article 5 or elsewhere in this Indenture or in the Debentures is intended to or shall impair, as between the Corporation, its creditors other than the holders of the Senior Indebtedness, and the holders of the Debentures, the obligation of the Corporation, which is absolute and unconditional, to pay to the holders of the Debentures the principal of, premium, if any, and interest on the Debentures, as and when the same shall become due and payable in accordance with their terms, or affect the relative rights of the holders of the Debentures and creditors of the Corporation other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article 5 of the holders of the Senior Indebtedness.

5.4 Right of Debentureholder to Convert Not Impaired

The subordination of the Debentures to the Senior Indebtedness and the provisions of this Article 5 do not impair in any way the right of a Debentureholder to convert its Debentures pursuant to Article 6.

ARTICLE 6
CONVERSION OF DEBENTURES

6.1 Applicability of Article

Any Debentures issued hereunder will be convertible into Common Shares of the Corporation in accordance with such provisions as expressed in this Indenture (including Sections 2.3(g) and 3.9 hereof).

Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of the Debenture or Debentures surrendered for conversion at any one time by the holder thereof may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 6.6.

6.2 Notice of Expiry of Conversion Privilege

Notice of the expiry of the conversion privileges of the Debentures shall be given by or on behalf of the Corporation, not more than 60 days and not less than 40 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 13.2.

6.3 Revival of Right to Convert

If the redemption of any Debenture called for redemption by the Corporation is not made or the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made, in the case of a redemption upon due surrender of such Debenture or in the case of a purchase on the date on which such purchase is required to be made, as the case may be, then, provided the Time of Expiry has not passed, the right to convert such Debentures shall revive and continue as if such Debenture had not been called for redemption or tendered in acceptance of the Corporation's offer, respectively.

6.4 Manner of Exercise of Right to Convert

(a) The holder of a Debenture desiring to convert such Debenture in whole or in part into Common Shares shall surrender such Debenture to the Trustee at its principal office in the City of Calgary, Alberta together with the conversion notice attached hereto as Schedule "C" or any other written notice in a form satisfactory to the Trustee, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee, exercising his right to convert such Debenture in accordance with the provisions of this Article; provided that with respect to Uncertificated Debentures, the obligation to surrender a Debenture to the Trustee shall be satisfied if the Trustee is provided with all documentation which it may request. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Sections 2.3(g) and 6.4(b)) as the holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such holder is entitled in accordance with Section 6.4(e).

(b) For the purposes of this Article, a Debenture shall be deemed to be surrendered for conversion on the date (herein called the "**Date of Conversion**") on which it is so surrendered when the register of the Trustee is open and in accordance with the provisions of this Article or, in the case of Uncertificated Debentures which the Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Trustee at its principal office specified in Section 6.4(a); provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the Person or Persons entitled to receive Common Shares shall become the holder or holders of record of such Common Shares as at the date on which such registers are next reopened.

(c) Any part, being $1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of $1,000 may be converted as provided in this Article and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

(d) The holder of any Debenture of which only a part is converted shall, upon the exercise of his right of conversion, surrender such Debenture to the Trustee in accordance with Section 6.4(a), and the Trustee shall cancel the same and shall without charge forthwith Authenticate and deliver to the holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered. It is understood and agreed by the parties hereto that, unless the Trustee is otherwise in a position to perform electronic conversions, in every instance where Uncertificated Debentures held through the NCI through the Depository are to be converted in whole or in part, such Debentures being converted shall not be represented by Certificated Debentures, and it shall be sufficient for the Trustee to convert such Debentures upon receiving either the attached exercise form executed by the Depository or an NCI Letter of Instruction in a form agreed upon by the Trustee and the Depository, or such other form that they may require from time to time.

(e) The holder of a Debenture surrendered for conversion in accordance with this Section 6.4 shall be entitled to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Date of Conversion, and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 6.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

6.5 Adjustment of Conversion Price

Subject to the requirements of the CSE (or such other exchange on which the Debentures are then listed), the Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

(a) If and whenever at any time prior to the Time of Expiry the Corporation shall (i) subdivide, redivide or change the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares or securities convertible into Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than cash dividends or distributions for which an adjustment would be made under Section 6.5(b)) (a "**Common Share Reorganization**"), the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution, as the case may be, shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Price in effect immediately prior to such record date by a fraction: (1) the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date, assuming in any case where such securities are not then convertible or exchangeable but subsequently become so, that they were convertible or exchangeable on the record date on the basis upon which they first become convertible

or exchangeable); and (2) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization. Such adjustment shall be made successively whenever any event referred to in this Section 6.5 shall occur. Any such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (c) and (d) of this Section 6.5.

(b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any Applicable Period, the Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the Current Market Price per Common Share on such record date and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Common Shares. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Current Market Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.

(d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation, other than as described in Section 6.5(a), or a consolidation, amalgamation, arrangement, binding share exchange, merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired or exchanged for cash, securities or other property; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person (other than a direct or indirect wholly-owned subsidiary of the Corporation) or other entity or a liquidation, dissolution or

winding-up of the Corporation, any holder of a Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, shall, upon the exercise of such right thereafter, be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, such amount of cash or the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation, arrangement, acquisition, combination or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of its conversion right. If determined appropriate by the Board of Directors, to give effect to or to evidence the provisions of this Section 6.5(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the holder of Debentures to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a holder of Debentures is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this Section 6.5(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 15. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 6.5(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, share exchanges, acquisitions, combinations, sales or conveyances.

(e) If the Corporation shall make a distribution to all holders of Common Shares of shares in the capital of the Corporation, other than Common Shares, or evidences of indebtedness or other assets of the Corporation, including securities (but excluding (x) any issuance of rights or warrants for which an adjustment was made pursuant to Section 6.5(c), and (y) any dividend or distribution paid exclusively in cash for which an adjustment was made pursuant to Section 6.5(b)) (the "**Distributed Securities**"), then in each such case (unless the Corporation distributes such Distributed Securities to the holders of Debentures on such dividend or distribution date (as if each holder had converted such Debenture into Common Shares immediately preceding the record date with respect to such distribution)) the Conversion Price in effect immediately preceding the ex-distribution date fixed for the dividend or distribution shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately preceding such ex-distribution date by a fraction of which the denominator shall be the VWAP for the Common Shares for the five consecutive trading days immediately prior to the ex-distribution date and of which the numerator shall be the VWAP for the Common Shares for the first five consecutive trading days that occur immediately following ex-distribution date. Such adjustment shall be made successively whenever any such distribution is made and shall become effective five Business Days immediately following the ex-distribution date. In the event that such dividend or distribution is not so paid or

made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "**Spinoff Securities**"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the holders of Debentures, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of: (A) the VWAP for the Common Shares for the 20 consecutive trading day period (the "**Spinoff Valuation Period**") commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on the CSE, or such other national or regional exchange or market on which the Common Shares are then listed or quoted and (B) the product of: (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of the Spinoff Securities or, if no such prices are available, the fair market value of the Spinoff Securities as reasonably determined by the Board of Directors (which determination shall be conclusive and shall be evidenced by an Officers' Certificate delivered to the Trustee) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the VWAP for the Common Shares for the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that each holder of Debentures shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that such holder of Debentures would have received if such Debentures had been converted on the record date with respect to such distribution.

(f) If any issuer bid made by the Corporation or any of its Subsidiaries for all or any portion of Common Shares shall expire, then, if the issuer bid shall require the payment to shareholders of consideration per Common Share having a fair market value (determined as provided below) that exceeds the Current Market Price per Common Share on the last date (the "**Expiration Date**") tenders could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "**Expiration Time**"), the Conversion Price shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Price in effect immediately preceding the close of business on the Expiration Date by a fraction of which: (i) the denominator shall be the sum of (A) the fair market value of the aggregate consideration (the fair market value as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers' Certificate delivered to the Trustee) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Common Shares validly tendered and not withdrawn as of the Expiration Time (the Common Shares deemed so accepted, up to any such maximum, being referred to as the "**Purchased Common Shares**") and (B) the product of the number of Common Shares outstanding (less any Purchased Common Shares and excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time and the Current Market Price per Common Share on the Expiration Date and (ii) the numerator of which shall be the product of the number of Common Shares outstanding (including Purchased Common Shares but excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time multiplied by the Current Market Price per Common Share on the Expiration Date, such increase to become effective immediately preceding the opening of business on the day following the Expiration Date. In the event that the Corporation is obligated to purchase Common Shares pursuant to any such issuer bid, but

the Corporation is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of Common Shares actually purchased, if any. If the application of this clause (f) of Section 6.5 to any issuer bid would result in a decrease in the Conversion Price, no adjustment shall be made for such issuer bid under this clause (f).

For purposes of this Section 6.5(f), the term "issuer bid" shall mean an issuer bid under Applicable Securities Legislation or a take-over bid under Applicable Securities Legislation by a Subsidiary of the Corporation for the Common Shares and all references to "purchases" of Common Shares in issuer bids (and all similar references) shall mean and include the purchase of Common Shares in issuer bids and all references to "tendered Common Shares" (and all similar references) shall mean and include Common Shares tendered in issuer bids.

(g) In any case in which this Section 6.5 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such holder would, but for the provisions of this Section 6.5(g), have become the holder of record of such additional Common Shares pursuant to Section 6.4(b).

(h) The adjustments provided for in this Section 6.5 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events 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 6.5(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(i) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.

(j) In the event of any question arising with respect to the adjustments provided in this Section 6.5, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Trustee, and the Debentureholders.

(k) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 6.5, which in the opinion of the Board of Directors, would materially affect the rights of Debentureholders, the Conversion Price shall be adjusted in such manner and at such time, by action of the Board of Directors, subject to the prior written consent of the CSE (or such other exchange on which the Debentures are then listed), as the Board of Directors, in their sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be

conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

(l) Subject to the prior written consent of the CSE or such other exchange on which the Debentures are then listed, no adjustment in the Conversion Price shall be made in respect of any event described in Sections 6.5(a), 6.5(b), 6.5(c), 6.5(e) or 6.5(f) other than the events described in 6.5(a)(i) or 6.5(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted their Debentures prior to the effective date or record date, as the case may be, of such event.

(m) Except as stated above in this Section 6.5, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Conversion Price.

(n) Notwithstanding any other provision hereof, provided the Corporation has received the approval of the CSE and has obtained any other applicable regulatory or other third party approvals, the Corporation may, without the consent of the Debentureholders or the Trustee, reduce the Conversion Price in effect from time to time. Such reduction shall be evidenced by a supplemental indenture entered into in accordance with Article 15.

6.6 No Requirement to Issue Fractional Common Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of whole Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number and the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the holder of such Debenture of an amount equal to the fractional interest which would have been issuable multiplied by the Current Market Price.

6.7 Corporation to Reserve Common Shares

The Corporation covenants with the Trustee that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures as in this Article provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of all outstanding Debentures. The Corporation covenants with the Trustee that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

6.8 Cancellation of Converted Debentures

Subject to the provisions of Section 6.4, as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Debenture shall be issued in substitution for those converted.

6.9 Certificate as to Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 6.5, deliver an Officers' Certificate to the

Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation) and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 13.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.

6.10 Notice of Special Matters

The Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 13.2, of its intention to fix a record date for any event referred to in Section 6.5(a), 6.5(b), 6.5(c) or 6.5(e) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days in each case prior to such applicable record date.

In addition, the Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 13.2, at least 30 days prior to the: (i) effective date of any transaction referred to in Section 6.5(d) stating the consideration into which the Debentures will be convertible after the effective date of such transaction; and (ii) Expiration Date of any transaction referred to in Section 6.5(f) stating the consideration paid per Common Share in such transaction.

6.11 Protection of Trustee

Subject to Section 14.3, the Trustee:

(a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture;

(c) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares or share certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article;

(d) the Trustee shall not be liable for or by reason of any statements of fact in this Indenture or in the Certificated Debentures (except the representation contained in Section 8.9 or in the certificate of the Trustee on the Certificated Debentures) or be required to verify the same, but all such statements are and shall be deemed to be made by the Corporation;

(e) nothing herein contained shall impose any obligation on the Trustee to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;

(f) the Trustee shall not be bound to give notice to any person or persons of the execution hereof;

(g) the Trustee shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of its covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation; and

(h) the Corporation hereby indemnifies and agrees to hold harmless the Trustee, its affiliates, their current and former officers, directors, employees, agents, successors and assigns from and against any and all liabilities, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and disbursements of whatever kind and nature which may at any time be imposed on or incurred by or asserted against the Trustee, whether groundless or otherwise, arising from or out of any act, omission or error of the Trustee, provided that the Corporation shall not be required to indemnify the Trustee in the event of the gross negligence or wilful misconduct of the Trustee, and this provision shall survive the resignation or removal of the Trustee or the termination or discharge of this Indenture.

6.12 U.S. Legends on Common Shares

(a) Each certificate representing Common Shares issued upon conversion or redemption of Debentures bearing the U.S. Legend (or in lieu of cash as interest thereon) shall have imprinted or otherwise reproduced thereon such legend or legends in substantially the form of Schedule “F” attached hereto, provided the U.S. legend may be removed as provided in Section 2.12.

6.13 Canadian Private Placement Legend on Common Shares

(a) Each certificate representing Common Shares issued upon conversion or redemption of Debentures (or in lieu of cash as interest thereon), shall have imprinted or otherwise reproduced thereon such legend or legends substantially in the following form, unless not required by Applicable Securities Legislation in order to permit the holder to freely trade such Common Shares:

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE].

ARTICLE 7
COVENANTS OF THE CORPORATION

The Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Debentureholders, that so long as any Debentures remain outstanding:

7.1 To Pay Principal, Premium (if any) and Interest

The Corporation will duly and punctually pay or cause to be paid to every Debentureholder the principal of, premium (if any) and interest accrued on the Debentures of which it is the holder on the dates, at the places and in the manner mentioned herein and in the Debentures.

7.2 To Pay Trustee's Remuneration

The Corporation will pay the Trustee reasonable remuneration for its services as Trustee hereunder and will repay to the Trustee on demand all monies which shall have been paid by the Trustee in connection with the execution of the trusts hereby created and such monies including the Trustee's remuneration, shall be payable out of any funds coming into the possession of the Trustee in priority to payment of any principal of the Debentures or interest or premium thereon. Such remuneration shall continue to be payable until the trusts hereof be finally wound up and whether or not the trusts of this Indenture shall be in the course of administration by or under the direction of a court of competent jurisdiction.

7.3 To Give Notice of Default

The Corporation shall notify the Trustee immediately upon obtaining knowledge of any Event of Default hereunder.

7.4 Preservation of Existence, etc.

Subject to the express provisions hereof, the Corporation will carry on and conduct its activities, and cause its Subsidiaries to carry on and conduct their businesses, in a business-like manner and in accordance with good business practices; and, subject to the express provisions hereof, it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence and rights.

7.5 Keeping of Books

The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with generally accepted accounting principles.

7.6 Annual Certificate of Compliance

The Corporation shall deliver to the Trustee, within 120 days after the end of each calendar year, (and at any reasonable time upon demand by the Trustee) an Officers' Certificate as to the knowledge of such officers of the Corporation who execute the Officers' Certificate of the Corporation's compliance with all conditions and covenants in this Indenture certifying that after reasonable investigation and inquiry, the Corporation has complied with all covenants, conditions or other requirements contained in this Indenture, the non-compliance with which could, with the giving of notice, lapse of time or otherwise, constitute an Event of Default hereunder, or if such is not the case, setting forth with reasonable particulars the circumstances of any failure to comply and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

7.7 Performance of Covenants by Trustee

If the Corporation shall fail to perform any of its covenants contained in this Indenture, the Trustee may notify the Debentureholders of such failure on the part of the Corporation or may itself perform any of the covenants capable of being performed by it, but shall be under no obligation to do so or to notify the Debentureholders. All sums so expended or advanced by the Trustee shall be repayable as provided in Section 7.2. No such performance, expenditure or advance by the Trustee shall be deemed to relieve the Corporation of any default hereunder.

7.8 SEC Notice

The Corporation confirms that as at the date of execution of this Indenture it does not have a class of securities registered pursuant to Section 12 of the United States Securities Exchange Act of

1934, as amended, or have a reporting obligation pursuant to Section 15(d) of the United States Securities Exchange Act of 1934, as amended.

The Corporation covenants that, in the event that it shall begin, or thereafter cease, to file as a "foreign issuer" with the U.S. Securities and Exchange Commission, the Corporation shall promptly deliver to the Trustee an Officers' Certificate certifying such status and other information as the Trustee may reasonably require at such given time.

7.9 No Dividends on Common Shares if Event of Default

The Corporation shall not declare or pay any dividend to the holders of its issued and outstanding Common Shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

7.10 Maintain Listing

The Corporation will use reasonable commercial efforts to maintain the listing of the Common Shares on the CSE, and to maintain the Corporation's status as a "reporting issuer" not in default of the requirements of the Applicable Securities Legislation; provided that the foregoing covenant shall not prevent or restrict the Corporation from carrying out a transaction to which Article 10 would apply if carried out in compliance with Article 10 even if as a result of such transaction the Corporation ceases to be a "reporting issuer" in all or any of the provinces of Canada the Common Shares cease to be listed on the CSE or any other stock exchange.

ARTICLE 8
DEFAULT

8.1 Events of Default

Each of the following events constitutes, and is herein sometimes referred to as, an "**Event of Default**":

(a) failure for 10 days to pay interest on the Debentures when due;

(b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise (and whether in cash or Common Shares or other property);

(c) default in the delivery, when due, of any Common Shares or other consideration, payable on conversion with respect to the Debentures, which default continues for 15 days;

(d) default in the observance or performance of any covenant or condition of the Indenture by the Corporation and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation to rectify such default or obtain a waiver for same;

(e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days;

(f) if the Corporation or any Material Subsidiary institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Corporation or any Material Subsidiary or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

(g) if a resolution is passed for the winding-up or liquidation of the Corporation or Material Subsidiary except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed; or

(h) if, after the date of this Indenture, any proceedings with respect to the Corporation or any Material Subsidiary are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation or any Material Subsidiary generally, under the applicable legislation of any jurisdiction.

then, in each and every such event listed above, the Trustee may, in its discretion, but subject to the provisions of this Section, and shall, upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding, subject to the provisions of Section 8.3, by notice in writing to the Corporation declare the principal of and interest and premium, if any, on all Debentures then outstanding and all other monies outstanding hereunder to be due and payable and the same shall thereupon forthwith become immediately due and payable to the Trustee and, upon such amounts becoming due and payable, the Corporation shall forthwith pay to the Trustee for the benefit of the Debentureholders such principal, accrued and unpaid interest and premium, if any, and interest on amounts in default on such Debenture and all other monies outstanding hereunder, together with subsequent interest at the rate borne by the Debentures on such principal, interest, premium and such other monies from the date of such declaration or event until payment is received by the Trustee, such subsequent interest to be payable at the times and places and in the manner mentioned in and according to the tenor of the Debentures. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder and any monies so received by the Trustee shall be applied in the manner provided in Section 8.6.

8.2 Notice of Events of Default

If an Event of Default shall occur and be continuing the Trustee shall, within 30 days after it receives written notice of the occurrence of such Event of Default, give notice of such Event of Default to the Debentureholders in the manner provided in Section 13.2, provided that notwithstanding the foregoing, unless the Trustee shall have been requested to do so by the holders of at least 25% of the principal amount of the Debentures then outstanding, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interests of the Debentureholders and shall have so advised the Corporation in writing.

8.3 Waiver of Default

Upon the happening of any Event of Default hereunder:

(a) the holders of the Debentures shall have the power (in addition to the powers exercisable by Extraordinary Resolution as hereinafter provided) by requisition in writing by the holders of more than 50% of the principal amount of Debentures then outstanding, to instruct the Trustee to waive any Event of Default and to cancel any declaration made by the Trustee pursuant to Section 8.1 and the Trustee shall thereupon waive the Event of Default and cancel such declaration, or either, upon such terms and conditions as shall be prescribed in such requisition; and

(b) the Trustee, so long as it has not become bound to declare the principal and interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, shall have power to waive any Event of Default if, in the Trustee's opinion, the same shall have been cured or adequate satisfaction made therefor within 30 days of the Event of Default, and in such event to cancel any such declaration theretofore made by the Trustee in the exercise of its discretion, upon such terms and conditions as the Trustee may deem advisable. In the event that the Trustee had provided written notice to Debentureholders of an Event of Default in accordance with Section 8.2, and the Trustee subsequently elects to waive such Event of Default in accordance with this Section 8.3(b), then the Trustee shall promptly provide written notice to the Debentureholders of such waiver of the Event of Default.

No such act or omission either of the Trustee or of the Debentureholders shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

8.4 Enforcement by the Trustee

Subject to the provisions of Section 8.3 and to the provisions of any Extraordinary Resolution that may be passed by the Debentureholders, if the Corporation shall fail to pay to the Trustee, forthwith after the same shall have been declared to be due and payable under Section 8.1, the principal of and premium (if any) and interest on all Debentures then outstanding, together with any other amounts due hereunder, the Trustee may in its discretion and shall upon receipt of a request in writing signed by the holders of not less than 25% in principal amount of the Debentures then outstanding and upon being funded and indemnified to its reasonable satisfaction against all costs, expenses and liabilities to be incurred, proceed in its name as trustee hereunder to obtain or enforce payment of such principal of and premium (if any) and interest on all the Debentures then outstanding together with any other amounts due hereunder by such proceedings authorized by this Indenture or by law or equity as the Trustee in such request shall have been directed to take, or if such request contains no such direction, or if the Trustee shall act without such request, then by such proceedings authorized by this Indenture or by suit at law or in equity as the Trustee shall deem expedient.

The Trustee shall be entitled and empowered, either in its own name or as Trustee of an express trust, or as attorney-in-fact for the holders of the Debentures, or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Debentures allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective holders of the Debentures by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Debentures with authority to make and file in the respective names of the holders of the Debentures or on behalf of the holders of the Debentures as a class, subject to deduction from any such claims of the amounts of any claims filed by any of the holders of the Debentures themselves, any proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all such acts and things for and on behalf of such holders of the Debentures, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Trustee and of the holders of the Debentures against the Corporation or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that subject to Section 8.3, nothing contained in this Indenture shall be deemed to give to the Trustee, unless so authorized by Extraordinary Resolution, any right to accept or consent to any plan of reorganization or otherwise by action of any character in such proceeding to waive or change in any way any right of any Debentureholder.

The Trustee shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Debentureholders.

All rights of action hereunder may be enforced by the Trustee without the possession of any of the Debentures or the production thereof on the trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in the name of the Trustee as trustee of an express trust, and any recovery of judgment shall be for the rateable benefit of the holders of the Debentures subject to the provisions of this Indenture. In any proceeding brought by the Trustee (and also any proceeding in which a declaratory judgment of a court may be sought as to the interpretation or construction of any provision of this Indenture, to which the Trustee shall be a party) the Trustee shall be held to represent all the holders of the Debentures, and it shall not be necessary to make any holders of the Debentures parties to any such proceeding.

8.5 No Suits by Debentureholders

No holder of any Debenture shall have any right to institute any action, suit or proceeding at law or in equity for the purpose of enforcing payment of the principal of or interest on the Debentures or for the execution of any trust or power hereunder or for the appointment of a liquidator or receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Corporation wound up or to file or prove a claim in any liquidation or bankruptcy proceeding or for any other remedy hereunder, unless: (a) such holder shall previously have given to the Trustee written notice of the happening of an Event of Default hereunder; and (b) the Debentureholders by Extraordinary Resolution or by written instrument signed by the holders of at least 25% in principal amount of the Debentures then outstanding shall have made a request to the Trustee and the Trustee shall have been afforded reasonable opportunity either itself to proceed to exercise the powers hereinbefore granted or to institute an action, suit or proceeding in its name for such purpose; and (c) the Debentureholders or any of them shall have furnished to the Trustee, when so requested by the Trustee, sufficient funds and security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and (d) the Trustee shall have failed to act within a reasonable time after such notification, request and offer of indemnity and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to any such proceeding or for any other remedy hereunder by or on behalf of the holder of any Debentures.

8.6 Application of Monies by Trustee

(a) Except as herein otherwise expressly provided, any monies received by the Trustee from the Corporation pursuant to the foregoing provisions of this Article 8, or as a result of legal or other proceedings or from any trustee in bankruptcy or liquidator of the Corporation, shall be applied, together with any other monies in the hands of the Trustee available for such purpose, as follows:

  (i) first, in payment or in reimbursement to the Trustee of its compensation, costs, charges, expenses, borrowings, advances or other monies furnished or provided by or at the instance of the Trustee in or about the execution of its trusts under, or otherwise in relation to, this Indenture, with interest thereon as herein provided;

  (ii) second, but subject as hereinafter in this Section 8.6 provided, in payment, rateably and proportionately to the holders of Debentures, of the principal of and premium (if any) and accrued and unpaid interest and interest on amounts in default on the Debentures which shall then be outstanding in the priority of principal first and then premium and then accrued and unpaid interest and interest on amounts in default unless otherwise directed by Extraordinary Resolution and in that case in such order or priority as between principal, premium (if any) and interest as may be directed by such resolution; and

(iii) third, in payment of the surplus, if any, of such monies to the Corporation or its assigns;

provided, however, that no payment shall be made pursuant to clause (ii) above in respect of the principal, premium or interest on any Debenture held, directly or indirectly, by or for the benefit of the Corporation or any Subsidiary (other than any Debenture pledged for value and in good faith to a Person other than the Corporation or any Subsidiary but only to the extent of such Person's interest therein) except subject to the prior payment in full of the principal, premium (if any) and interest (if any) on all Debentures which are not so held.

(b) The Trustee shall not be bound to apply or make any partial or interim payment of any monies coming into its hands if the amount so received by it, after reserving thereout such amount as the Trustee may think necessary to provide for the payments mentioned in Section 8.6(a), is insufficient to make a distribution of at least 2% of the aggregate principal amount of the outstanding Debentures, but it may retain the money so received by it and invest or deposit the same as provided in Section 14.9 until the money or the investments representing the same, with the income derived therefrom, together with any other monies for the time being under its control shall be sufficient for the said purpose or until it shall consider it advisable to apply the same in the manner hereinbefore set forth. The foregoing shall, however, not apply to a final payment in distribution hereunder.

8.7 Notice of Payment by Trustee

Not less than 15 days' notice shall be given in the manner provided in Section 13.2 by the Trustee to the Debentureholders of any payment to be made under this Article 8. Such notice shall state the time when and place where such payment is to be made and also the liability under this Indenture to which it is to be applied. After the day so fixed, unless payment shall have been duly demanded and have been refused, the Debentureholders will be entitled to interest only on the balance (if any) of the principal monies, premium (if any) and interest due (if any) to them, respectively, on the Debentures, after deduction of the respective amounts payable in respect thereof on the day so fixed.

8.8 Trustee May Demand Production of Debentures

The Trustee shall have the right to demand production of the Debentures in respect of which any payment of principal, interest or premium required by this Article 8 is made and may cause to be endorsed on the same a memorandum of the amount so paid and the date of payment, but the Trustee may, in its discretion, dispense with such production and endorsement, upon such indemnity being given to it and to the Corporation as the Trustee shall deem sufficient.

8.9 Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee, or upon or to the holders of Debentures is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

8.10 Judgment Against the Corporation

The Corporation covenants and agrees with the Trustee that, in case of any judicial or other proceedings to enforce the rights of the Debentureholders, judgment may be rendered against it in favour of the Debentureholders or in favour of the Trustee, as trustee for the Debentureholders, for any amount which may remain due in respect of the Debentures and premium (if any) and the interest thereon and any other monies owing hereunder.

8.11 Immunity of Directors, Officers and Others

The Debentureholders and the Trustee hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer, director or employee of the Corporation or holder of Common Shares of the Corporation or of any successor for the payment of the principal of or premium or interest on any of the Debentures or on any covenant, agreement, representation or warranty by the Corporation contained herein or in the Debentures.

ARTICLE 9
SATISFACTION AND DISCHARGE

9.1 Cancellation and Destruction

All Debentures shall forthwith after payment thereof be delivered to the Trustee and cancelled by it (subject to any deemed cancellation under Article 4). All Debentures cancelled or required to be cancelled under this or any other provision of this Indenture shall be destroyed by the Trustee and, if required by the Corporation, the Trustee shall furnish to it a destruction certificate setting out the designating numbers of the Debentures so destroyed.

9.2 Non-Presentation of Debentures

In case the holder of any Debenture shall fail to present the same for payment on the date on which the principal of, premium (if any) or the interest thereon or represented thereby becomes payable either at maturity or otherwise or shall not accept payment on account thereof and give such receipt therefor, if any, as the Trustee may require:

(a) the Corporation shall be entitled to pay or deliver to the Trustee and direct it to set aside; or

(b) in respect of monies or Common Shares in the hands of the Trustee which may or should be applied to the payment of the Debentures, the Corporation shall be entitled to direct the Trustee to set aside; or

(c) if the redemption was pursuant to notice given by the Trustee, the Trustee may itself set aside;

the monies or Common Shares, as the case may be, in trust to be paid to the holder of such Debenture upon due presentation or surrender thereof in accordance with the provisions of this Indenture; and thereupon the principal of, premium (if any) or the interest payable on or represented by each Debenture in respect whereof such monies or Common Shares, if applicable, have been set aside shall be deemed to have been paid and the holder thereof shall thereafter have no right in respect thereof except that of receiving delivery and payment of the monies or Common Shares, if applicable, so set aside by the Trustee upon due presentation and surrender thereof, subject always to the provisions of Section 9.3.

9.3 Repayment of Unclaimed Monies or Common Shares

Subject to applicable law, any monies or Common Shares, if applicable, set aside under Section 9.2 and not claimed by and paid to holders of Debentures as provided in Section 9.2 within six years less one day after the date of such setting aside shall be repaid and delivered to the Corporation by the Trustee at the written request of the Corporation and thereupon the Trustee shall be released from all further liability with respect to such monies or Common Shares, if applicable, and thereafter the holders of the Debentures in respect of which such monies or Common Shares, if applicable, were so repaid to the Corporation shall have no rights in respect thereof except to obtain payment and delivery of the monies or Common Shares, if applicable, from the Corporation subject to any limitation provided by the laws of the Province of Ontario.

9.4 Discharge

The Trustee shall at the written request of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of, premium (if any) and interest (including interest on amounts in default, if any), on all the Debentures and all other monies payable hereunder have been paid or satisfied or that all the Debentures having matured or having been duly called for redemption, payment of the principal of and interest (including interest on amounts in default, if any) on such Debentures and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

9.5 Satisfaction

(a) The Corporation shall be deemed to have fully paid, satisfied and discharged all of the outstanding Debentures and the Trustee, at the expense of the Corporation, shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of such Debentures, when, with respect to all of the outstanding Debentures or all of the outstanding Debentures, as applicable:

(i) the Corporation has deposited or caused to be deposited with the Trustee as trust funds or property in trust for the purpose of making payment on such Debentures, an amount in money or Common Shares, if applicable, sufficient to pay, satisfy and discharge the entire amount of principal of, premium, if any, and interest, if any, to maturity, or any repayment date or Redemption Dates, or upon conversion or otherwise as the case may be, of such Debentures;

(ii) the Corporation has deposited or caused to be deposited with the Trustee as trust property in trust for the purpose of making payment on such Debentures:

(A) if the Debentures are issued in Canadian dollars, such amount in Canadian dollars of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or Common Shares, if applicable; or

(B) if the Debentures are issued in a currency or currency unit other than Canadian dollars, cash in the currency or currency unit in which the Debentures are payable and/or such amount in such currency or currency unit of direct obligations of, or obligations the principal and interest of which are guaranteed by, the Government of Canada or the government that issued the currency or currency unit in which the Debentures are payable or Common Shares, if applicable;

as will be sufficient to pay and discharge the entire amount of principal of, premium, if any on, and accrued and unpaid interest to maturity or any repayment date, as the case may be, of all such Debentures; or

(iii) all Debentures Authenticated and delivered (other than (A) Debentures which have been destroyed, lost or stolen and which have been replaced as provided in Section 2.7 and (B) Debentures for whose payment has been deposited in trust and thereafter repaid to the Corporation as provided in Section 9.3) have been delivered to the Trustee for cancellation;

so long as in any such event:

(iv) the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Trustee for the payment of all other sums payable or which may be payable with respect to all of such Debentures (together with all applicable expenses of the Trustee in connection with the payment of such Debentures); and

(v) the Corporation has delivered to the Trustee an Officers' Certificate stating that all conditions precedent herein provided relating to the payment, satisfaction and discharge of all such Debentures have been complied with.

Any deposits with the Trustee referred to in this Section 9.5 shall be irrevocable, subject to Section 9.6, and shall be made under the terms of an escrow and/or trust agreement in form and substance satisfactory to the Trustee and which provides for the due and punctual payment of the principal of, premium, if any, and interest on the Debentures being satisfied.

(b) Upon the satisfaction of the conditions set forth in this Section 9.5 with respect to all the outstanding Debentures, the terms and conditions of the Debentures, including the terms and conditions with respect thereto set forth in this Indenture (other than those contained in Articles Article 2 and Article 4 and the provisions of Article 1 pertaining to Articles Article 2 and Article 4) shall no longer be binding upon or applicable to the Corporation.

(c) Any funds or obligations deposited with the Trustee pursuant to this Section 9.5 shall be denominated in the currency or denomination of the Debentures in respect of which such deposit is made.

(d) If the Trustee is unable to apply any money or securities in accordance with this Section 9.5 by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Corporation's obligations under this Indenture and the affected Debentures shall be revived and reinstated as though no money or securities had been deposited pursuant to this Section 9.5 until such time as the Trustee is permitted to apply all such money or securities in accordance with this Section 9.5, provided that if the Corporation has made any payment in respect of principal of, premium, if any, or interest on Debentures or, as applicable, other amounts because of the reinstatement of its obligations, the Corporation shall be subrogated to the rights of the holders of such Debentures to receive such payment from the money or securities held by the Trustee.

9.6 Continuance of Rights, Duties and Obligations

(a) Where trust funds or trust property have been deposited pursuant to Section 9.5, the holders of Debentures and the Corporation shall continue to have and be subject to their respective rights, duties and obligations under Article 2 and Article 4.

(b) In the event that, after the deposit of trust funds or trust property pursuant to Section 9.5 in respect of the Debentures (the "**Defeased Debentures**"), any holder of any of the Defeased Debentures from time to time converts its Debentures to Common Shares or other securities of the Corporation in accordance with Subsection 2.3(e), Article 6 or any other provision of this Indenture, the Trustee shall upon receipt of a Written Direction of the Corporation return to the Corporation from time to time the proportionate amount of the trust funds or other trust property deposited with the Trustee pursuant to Section 9.5 in respect of the Defeased Debentures which is applicable to the Defeased Debentures so converted (which amount shall be based on the applicable principal amount of the Defeased Debentures being converted in relation to the aggregate outstanding principal amount of all the Defeased Debentures).

ARTICLE 10
SUCCESSORS

10.1 Corporation may Consolidate, etc., Only on Certain Terms

(a) The Corporation may not, without the consent of the holders by way of an Extraordinary Resolution, consolidate with or amalgamate or merge with or into any Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) or sell, convey, transfer or lease all or substantially all of the properties and assets of the Corporation to another Person (other than a directly or indirectly wholly-owned Subsidiary of the Corporation) unless:

(i) the Person formed by such consolidation or into which the Corporation is amalgamated or merged, or the Person which acquires by sale, conveyance, transfer or lease all or substantially all of the properties and assets of the Corporation (such Person being referred to as a "**Successor Entity**") expressly assumes, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the obligations of the Corporation under the Debentures and this Indenture and the performance or observance of every covenant and provision of this Indenture and the Debentures required on the part of the Corporation to be performed or observed and the conversion rights shall be provided for in accordance with Article 6, by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee, by the Successor Entity (if other than the Corporation or the continuing corporation resulting from the amalgamation of the Corporation with another corporation under the laws of Canada or any province or territory thereof) formed by such consolidation or into which the Corporation shall have been merged or by the Person which shall have acquired the Corporation's assets;

(ii) after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(iii) if the Corporation or the continuing corporation resulting from the amalgamation or merger of the Corporation with another Person under the laws of Canada or any province or territory thereof or the laws of the United States or any state thereof will not be the resulting, continuing or surviving corporation, the Corporation shall have, at or prior to the effective date of such consolidation, amalgamation, merger or sale, conveyance, transfer or lease, delivered to the Trustee an Officers' Certificate and an opinion of Counsel, each stating that such consolidation, merger or transfer complies with this Article and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) For purposes of the foregoing, the sale, conveyance, transfer or lease (in a single transaction or a series of related transactions) of the properties or assets of one or more Subsidiaries of the Corporation (other than to the Corporation or another wholly-owned Subsidiary of the Corporation), which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, shall be deemed to be the sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

10.2 Successor Substituted

Upon any consolidation of the Corporation with, or amalgamation or merger of the Corporation into, any other Person or any sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation and its Subsidiaries, taken as a whole, in accordance with Section 10.1, the Successor Entity formed by such consolidation or into which the Corporation is amalgamated or merged or to which such sale, conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under this Indenture with the same effect as if such Successor Entity had been named as the Corporation herein, and thereafter, except in the case of a lease, and except for obligations the predecessor Person may have under a supplemental indenture entered into pursuant to Section (iii), the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Debentures.

ARTICLE 11
COMPULSORY ACQUISITION

11.1 Definitions

In this Article:

(a) “**Affiliate**” and “**Associate**” have the respective meanings ascribed thereto in the *Securities Act* (Ontario).

(b) “**Dissenting Debentureholders**” means a Debentureholder who does not accept an Offer referred to in Section 11.2 and includes any assignee of the Debenture of a Debentureholder to whom such an Offer is made, whether or not such assignee is recognized under this Indenture.

(c) “**Offer**” means an offer to acquire outstanding Debentures, which is a takeover bid for Debentures within the meaning ascribed thereto in the *Securities Act* (Ontario), where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the Offeror’s Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures.

(d) “**offer to acquire**” includes an acceptance of an offer to sell.

(e) “**Offeror**” means a Person, or two or more Persons acting jointly or in concert, who make an Offer to acquire Debentures.

(f) “**Offeror’s Debentures**” means Debentures beneficially owned, or over which control or direction is exercised, on the date of an Offer by the Offeror, any Affiliate or Associate of the Offeror or any Person or company acting jointly or in concert with the Offeror.

(g) “**Offeror’s Notice**” means the notice described in Section 11.3.

11.2 Offer for Debentures

If an Offer for all of the outstanding Debentures (other than Debentures held by or on behalf of the Offeror or an Affiliate or Associate of the Offeror) is made and:

(a) within the time provided in the Offer for its acceptance or within 120 days after the date the Offer is made, whichever period is the shorter, the Offer is accepted by Debentureholders representing at least 90% of the outstanding principal amount of the Debentures, other than the Offeror’s Debentures;

(b) the Offeror is bound to take up and pay for, or has taken up and paid for the Debentures of the Debentureholders who accepted the Offer; and

(c) the Offeror complies with Sections 11.3 and 11.4;

the Offeror is entitled to acquire, and the Dissenting Debentureholders are required to sell to the Offeror, the Debentures held by the Dissenting Debentureholder for the same consideration per Debenture payable or paid, as the case may be, under the Offer.

11.3 Offeror's Notice to Dissenting Shareholders

Where an Offeror is entitled to acquire Debentures held by Dissenting Debentureholders pursuant to Section 11.2 and the Offeror wishes to exercise such right, the Offeror shall send by registered mail within 30 days after the date of termination of the Offer a notice (the "**Offeror's Notice**") to each Dissenting Debentureholder and the Trustee stating that:

(a) Debentureholders holding at least 90% of the principal amount of all outstanding Debentures, other than Offeror's Debentures, have accepted the Offer;

(b) the Offeror is bound to take up and pay for, or has taken up and paid for, the Debentures of the Debentureholders who accepted the Offer;

(c) Dissenting Debentureholders must transfer their respective Debentures to the Offeror on the terms on which the Offeror acquired the Debentures of the Debentureholders who accepted the Offer within 21 days after the date of the sending of the Offeror's Notice; and

(d) Dissenting Debentureholders must send their respective Certificated Debenture(s), or such other documents as the Trustee may require in lieu thereof, to the Trustee within 21 days after the date of the sending of the Offeror's Notice.

11.4 Payment of Consideration to Trustee

Within 21 days after the Offeror sends an Offeror's Notice pursuant to Section 11.3, the Offeror shall pay or transfer to the Trustee, or to such other Person as the Trustee may direct, the cash or other consideration that is payable to Dissenting Debentureholders pursuant to Section 11.2. The acquisition by the Offeror of all Debentures held by all Dissenting Debentureholders shall be effective as of the time of such payment or transfer.

11.5 Consideration to be held in Trust

The Trustee, or the Person directed by the Trustee, shall hold in trust for the Dissenting Debentureholders the cash or other consideration they or it receives under Section 11.4. The Trustee, or such Persons, shall deposit cash in a separate account in a Canadian chartered bank, or other body corporate, any of whose deposits are insured by the Canada Deposit Insurance Corporation, and shall place other consideration in the custody of a Canadian chartered bank or such other body corporate.

11.6 Completion of Transfer of Debentures to Offeror

Within 30 days after the date of the sending of an Offeror's Notice pursuant to Section 11.3, the Trustee, if the Offeror has complied with Section 11.4, shall:

(a) do all acts and things and execute and cause to be executed all instruments as in the Trustee's opinion, relying on the advice of Counsel, may be necessary or desirable to cause the transfer of the Debentures of the Dissenting Debentureholders to the Offeror;

(b) send to each Dissenting Debentureholder who has complied with Section 11.3(c) the consideration to which such Dissenting Debentureholder is entitled under this Article 11; and

(c) send to each Dissenting Debentureholder who has not complied with Section 11.3(c) a notice stating that:

(i) his or her Debentures have been transferred to the Offeror;

(ii) the Trustee or some other Person designated in such notice are holding in trust the consideration for such Debentures; and

(iii) the Trustee, or such other Person, will send the consideration to such Dissenting Debentureholder as soon as possible after receiving such Dissenting Debentureholder's Certificated Debenture(s) or such other documents as the Trustee or such other person may require in lieu thereof;

and the Trustee is hereby appointed the agent and attorney of the Dissenting Debentureholders for the purposes of giving effect to the foregoing provisions.

11.7 Communication of Offer to the Corporation

An Offeror cannot make an Offer for Debentures unless, concurrent with the communication of the Offer to any Debentureholder, a copy of the Offer is provided to the Corporation.

ARTICLE 12
MEETINGS OF DEBENTUREHOLDERS

12.1 Right to Convene Meeting

The Trustee or the Corporation may at any time and from time to time, and the Trustee shall, on receipt of a Written Direction of the Corporation or a written request signed by the holders of not less than 25% of the principal amount of the Debentures then outstanding and upon receiving funding and being indemnified to its reasonable satisfaction by the Corporation or by the Debentureholders signing such request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Debentureholders. In the event of the Trustee failing, within 30 days after receipt of any such request and such funding and indemnity, to give notice convening a meeting, the Corporation or such Debentureholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Toronto, Ontario or by electronic means such that the meeting is held entirely or partially virtually or at such other place as may be approved or determined by the Trustee.

12.2 Notice of Meetings

At least 21 days' notice of any meeting shall be given to the Debentureholders in the manner provided in Section 13.2 and a copy of such notice shall be sent by post to the Trustee, unless the meeting has been called by it. Such notice shall state the time when and the place where the meeting is to be held and shall state briefly the general nature of the business to be transacted thereat and it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Article. The accidental omission to give notice of a meeting to any holder of Debentures shall not invalidate any resolution passed at any such meeting. A holder may waive notice of a meeting either before or after the meeting.

12.3 Chairman

Some person, who need not be a Debentureholder, nominated in writing by the Trustee shall be chairman of the meeting and if no person is so nominated, or if the person so nominated is not present within 15 minutes from the time fixed for the holding of the meeting, a majority of the Debentureholders present in person or by proxy shall choose some person present to be chairman.

12.4 Quorum

Subject to the provisions of Section 12.12, at any meeting of the Debentureholders a quorum shall consist of Debentureholders present in person or by proxy and representing at least 25% in principal amount of the outstanding Debentures. If a quorum of the Debentureholders shall not be present within 30 minutes from the time fixed for holding any meeting, the meeting, if summoned by the Debentureholders or pursuant to a request of the Debentureholders, shall be dissolved, but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day in which case it shall be adjourned to the next following Business Day thereafter) at the same time and place and no notice shall be required to be given in respect of such adjourned meeting. At the adjourned meeting, the Debentureholders present in person or by proxy shall, subject to the provisions of Section 12.12, constitute a quorum and may transact the business for which the meeting was originally convened notwithstanding that they may not represent 25% of the principal amount of the outstanding Debentures. Any business may be brought before or dealt with at an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless the required quorum is present at the commencement of business.

12.5 Power to Adjourn

The chairman of any meeting at which a quorum of the Debentureholders is present may, with the consent of the holders of a majority in principal amount of the Debentures represented thereat, adjourn any such meeting and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

12.6 Show of Hands

Every question submitted to a meeting shall, subject to Section 12.7, be decided in the first place by a majority of the votes given on a show of hands except that votes on Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Debentures, if any, held by him.

12.7 Poll

On every Extraordinary Resolution, and on any other question submitted to a meeting when demanded by the chairman or by one or more Debentureholders or proxies for Debentureholders, a poll shall be taken in such manner and either at once or after an adjournment as the chairman shall direct. Questions other than Extraordinary Resolutions shall, if a poll be taken, be decided by the votes of the holders of a majority in principal amount of the Debentures represented at the meeting and voted on the poll.

12.8 Voting

On a show of hands every person who is present and entitled to vote, whether as a Debentureholder or as proxy for one or more Debentureholders or both, shall have one vote. On a poll

each Debentureholder present in person or represented by a proxy duly appointed by an instrument in writing shall be entitled to one vote in respect of each $1,000 principal amount of Debentures of which he shall then be the holder. In the case of any Debenture denominated in a currency or currency unit other than Canadian dollars, the principal amount thereof for these purposes shall be computed in Canadian dollars on the basis of the conversion of the principal amount thereof at the applicable spot buying rate of exchange for such other currency or currency unit as reported by the Bank of Canada at the close of business on the Business Day next preceding the meeting. Any fractional amounts resulting from such conversion shall be rounded to the nearest $100. A proxy need not be a Debentureholder. In the case of joint holders of a Debenture, any one of them present in person or by proxy at the meeting may vote in the absence of the other or others but in case more than one of them be present in person or by proxy, they shall vote together in respect of the Debentures of which they are joint holders.

12.9 Proxies

A Debentureholder may be present and vote at any meeting of Debentureholders by an authorized representative. The Corporation (in case it convenes the meeting) or the Trustee (in any other case) for the purpose of enabling the Debentureholders to be present and vote at any meeting without producing their Debentures, and of enabling them to be present and vote at any such meeting by proxy and of lodging instruments appointing such proxies at some place other than the place where the meeting is to be held, may from time to time make and vary such regulations as it shall think fit providing for and governing any or all of the following matters:

(a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any person signing on behalf of a Debentureholder;

(b) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may, in the notice convening the meeting, direct and the time, if any, before the holding of the meeting or any adjournment thereof by which the same must be deposited; and

(c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, cabled, telegraphed or sent by other electronic means before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as the holders of any Debentures, or as entitled to vote or be present at the meeting in respect thereof, shall be Debentureholders and persons whom Debentureholders have by instrument in writing duly appointed as their proxies.

12.10 Persons Entitled to Attend Meetings

The Corporation and the Trustee, by their respective officers and directors, the Auditors of the Corporation and the legal advisors of the Corporation, the Trustee or any Debentureholder may attend any meeting of the Debentureholders, but shall have no vote as such.

12.11 Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject in the case of the matters in paragraphs (a), (b), (c), (d) and (l) of this

Section 12.11 to receipt of the prior approval of the CSE or such other exchange on which the Debentures are then listed, if applicable:

(a) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium, or interest, the payment of which is extended, is at the time due or overdue;

(b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or the Trustee against the Corporation, or against its property, whether such rights arise under this Indenture or the Debentures or otherwise;

(c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

(d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation, arrangement, combination or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Section 10.1 shall have been complied with;

(e) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

(f) power to waive, and direct the Trustee to waive, any default hereunder and/or cancel any declaration made by the Trustee pursuant to Section 8.1 either unconditionally or upon any condition specified in such Extraordinary Resolution;

(g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;

(h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding to stay or discontinue or otherwise deal with the same upon payment, if the taking of such suit, action or proceeding shall have been permitted by Section 8.5, of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;

(i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation;

(j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make

regulations respecting its quorum, the calling of its meetings and the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

(k) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture;

(l) power to sanction the exchange of the Debentures for or the conversion thereof into shares, bonds, debentures or other securities or obligations of the Corporation or of any other Person formed or to be formed;

(m) power to authorize the distribution in specie of any shares or securities received pursuant to a transaction authorized under the provisions of Section 12.11(l); and

(n) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to Section 12.11(j).

12.12 Meaning of "Extraordinary Resolution"

(a) The expression "**Extraordinary Resolution**" when used in this Indenture means, subject as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of not less than 25% of the principal amount of the Debentures then outstanding are present in person or by proxy and passed by the favourable votes of the holders of not less than 66 2/3% of the principal amount of the Debentures, present or represented by proxy at the meeting and voted upon on a poll on such resolution.

(b) If, at any such meeting, the holders of not less than 25% of the principal amount of the Debentures then outstanding are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 14 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 13.2. Such notice shall state that at the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of not less than 66⅔% of the principal amount of the Debentures present or represented by proxy at the meeting voted upon on a poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of not less than 25% in principal amount of the Debentures then outstanding are not present in person or by proxy at such adjourned meeting.

12.13 Powers Cumulative

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

12.14 Minutes

Minutes of all resolutions and proceedings at every meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or secretary of the meeting at which such resolutions were passed or proceedings had, or by the chairman or secretary of the next succeeding meeting of the Debentureholders, shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting, in respect of the proceedings of which minutes shall have been made, shall be deemed to have been duly held and convened, and all resolutions passed thereat or proceedings taken thereat to have been duly passed and taken.

12.15 Instruments in Writing

All actions which may be taken and all powers that may be exercised by the Debentureholders at a meeting held as hereinbefore in this Article provided may also be taken and exercised by the holders of 66⅔% of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

12.16 Binding Effect of Resolutions

Every resolution and Extraordinary Resolution passed in accordance with the provisions of this Article at a meeting of Debentureholders shall be binding upon all the Debentureholders, whether present at or absent from such meeting, and every instrument in writing signed by Debentureholders in accordance with Section 12.15 shall be binding upon all the Debentureholders, whether signatories thereto or not, and each and every Debentureholder and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect accordingly to every such resolution, Extraordinary Resolution, and instrument in writing.

12.17 Evidence of Rights Of Debentureholders

(a) Any request, direction, notice, consent or other instrument which this Indenture may require or permit to be signed or executed by the Debentureholders may be in any number of concurrent instruments of similar tenor signed or executed by such Debentureholders.

(b) The Trustee may, in its discretion, require proof of execution in cases where it deems proof desirable and may accept such proof as it shall consider proper.

ARTICLE 13
NOTICES

13.1 Notice to Corporation

Any notice to the Corporation under the provisions of this Indenture shall be valid and effective if delivered to the Corporation at: 82 Richmond Street East, Toronto, Ontario, M5C 1P1, Attention: Chief Executive Officer, and a copy delivered to Cassels Brock & Blackwell LLP, 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2, Attention: Greg Hogan, or if given by registered letter, postage

prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Trustee in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Indenture.

13.2 Notice to Debentureholders

All notices to be given hereunder with respect to the Debentures shall be deemed to be validly given to the holders thereof if sent by first class mail, postage prepaid, by letter or circular addressed to such holders at their post office addresses appearing in any of the registers hereinbefore mentioned and shall be deemed to have been effectively given three days following the day of mailing. Accidental error or omission in giving notice or accidental failure to mail notice to any Debentureholder or the inability of the Corporation to give or mail any notice due to anything beyond the reasonable control of the Corporation shall not invalidate any action or proceeding founded thereon.

If any notice given in accordance with the foregoing paragraph would be unlikely to reach the Debentureholders to whom it is addressed in the ordinary course of post by reason of an interruption in mail service, whether at the place of dispatch or receipt or both, the Corporation shall give such notice by publication at least once in the city of Toronto, Ontario (or such as, in the opinion of the Trustee, is sufficient in the particular circumstances), each such publication to be made in a daily newspaper of general circulation in the Toronto.

Any notice given to Debentureholders by publication shall be deemed to have been given on the day on which publication shall have been effected at least once in each of the newspapers in which publication was required.

All notices with respect to any Debenture may be given to whichever one of the holders thereof (if more than one) is named first in the registers hereinbefore mentioned, and any notice so given shall be sufficient notice to all holders of any Persons interested in such Debenture.

13.3 Notice to Trustee

Any notice to the Trustee under the provisions of this Indenture shall be valid and effective if delivered to the Trustee at its principal office in the City of Calgary, at 1230, 300 5th Avenue S.W., Calgary, Alberta T2P 3C4, Attention: Corporate Trust, or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Trustee may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Trustee for all purposes of this Indenture.

13.4 Mail Service Interruption

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 13.3, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 13.3.

ARTICLE 14
CONCERNING THE TRUSTEE

14.1 No Conflict of Interest

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture there exists no material conflict of interest between the role of the Trustee as a trustee hereunder and its role in any other capacity but if, notwithstanding the provisions of this Section 14.1,

such a material conflict of interest exists, or hereafter arises, the validity and enforceability of this Indenture, and the Debentures issued hereunder, shall not be affected in any manner whatsoever by reason only that such material conflict of interest exists or arises but the Trustee shall, within 30 days after ascertaining that it has a material conflict of interest, either eliminate such material conflict of interest or resign in the manner and with the effect specified in Section 14.2.

14.2 Replacement of Trustee

The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Corporation 90 days' notice in writing or such shorter notice as the Corporation may accept as sufficient. If at any time a material conflict of interest exists in the Trustee's role as a fiduciary hereunder the Trustee shall, within 30 days after ascertaining that such a material conflict of interest exists, either eliminate such material conflict of interest or resign in the manner and with the effect specified in this Section 14.2. The validity and enforceability of this Indenture and of the Debentures issued hereunder shall not be affected in any manner whatsoever by reason only that such a material conflict of interest exists. In the event of the Trustee resigning or being removed or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Trustee unless a new Trustee has already been appointed by the Debentureholders. Failing such appointment by the Corporation, the retiring Trustee or any Debentureholder may apply to a Judge of the Ontario Superior Court of Justice, on such notice as such Judge may direct at the Corporation's expense, for the appointment of a new Trustee but any new Trustee so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Debentureholders and the appointment of such new Trustee shall be effective only upon such new Trustee becoming bound by this Indenture. Any new Trustee appointed under any provision of this Section 14.2 shall be a corporation authorized to carry on the business of a trust company in one or more of the Provinces of Canada. On any new appointment the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Trustee.

Any company into which the Trustee may be merged or, with or to which it may be consolidated, amalgamated or all of its corporate trust business is sold, or any company resulting from any merger, consolidation, sale or amalgamation to which the Trustee shall be a party, shall be the successor trustee under this Indenture without the execution of any instrument or any further act. Nevertheless, upon the written request of the successor Trustee or of the Corporation, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property and money held by such Trustee to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Corporation be required by any new Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and instruments in writing shall on request of said new Trustee, be made, executed, acknowledged and delivered by the Corporation.

14.3 Duties of Trustee

In the exercise of the rights, duties and obligations prescribed or conferred by the terms of this Indenture, the Trustee shall act honestly and in good faith and exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

14.4 Reliance Upon Declarations, Opinions, etc.

In the exercise of its rights, duties and obligations hereunder the Trustee may, if acting in good faith, rely, as to the truth of the statements and accuracy of the opinions expressed therein, upon statutory declarations, opinions, reports or certificates furnished pursuant to any covenant, condition or requirement of this Indenture or required by the Trustee to be furnished to it in the exercise of its rights and duties hereunder, if the Trustee examines such statutory declarations, opinions, reports or certificates and determines that they comply with Section 14.5, if applicable, and with any other applicable requirements of this Indenture. The Trustee may nevertheless, in its discretion, require further proof in

cases where it deems further proof desirable. Without restricting the foregoing, the Trustee may rely on an opinion of Counsel satisfactory to the Trustee notwithstanding that it is delivered by a solicitor or firm which acts as solicitors for the Corporation. The Trustee shall be entitled to rely, and act upon, on any direction, order, instruction, notice or other communication provided to it hereunder which is sent to it by facsimile transmission or electronic delivery.

14.5 Evidence and Authority to Trustee, Opinions, etc.

The Corporation shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this Indenture relating to any action or step required or permitted to be taken by the Corporation or the Trustee under this Indenture or as a result of any obligation imposed under this Indenture, including without limitation, the Authentication and delivery of Debentures hereunder, the satisfaction and discharge of this Indenture and the taking of any other action to be taken by the Trustee at the request of or on the application of the Corporation, forthwith if and when: (a) such evidence is required by any other Section of this Indenture to be furnished to the Trustee in accordance with the terms of this Section 14.5, or (b) the Trustee, in the exercise of its rights and duties under this Indenture, gives the Corporation written notice requiring it to furnish such evidence in relation to any particular action or obligation specified in such notice.

Such evidence shall consist of:

(a) a certificate made by any two officers or directors of the Corporation, stating that any such condition precedent has been complied with in accordance with the terms of this Indenture;

(b) in the case of a condition precedent compliance with which is, by the terms of this Indenture, made subject to review or examination by a solicitor, an opinion of Counsel that such condition precedent has been complied with in accordance with the terms of this Indenture; and

(c) in the case of any such condition precedent compliance with which is subject to review or examination by auditors or accountants, an opinion or report of the Auditors of the Corporation whom the Trustee for such purposes hereby approves, that such condition precedent has been complied with in accordance with the terms of this Indenture.

Whenever such evidence relates to a matter other than the Authentication and delivery of Debentures and the satisfaction and discharge of this Indenture, and except as otherwise specifically provided herein, such evidence may consist of a report or opinion of any solicitor, auditor, accountant, engineer or appraiser or any other Person whose qualifications give authority to a statement made by him, provided that if such report or opinion is furnished by a trustee, officer or employee of the Corporation it shall be in the form of a statutory declaration. Such evidence shall be, so far as appropriate, in accordance with the immediately preceding paragraph of this Section.

Each statutory declaration, certificate, opinion or report with respect to compliance with a condition precedent provided for in the Indenture shall include (a) a statement by the Person giving the evidence that he has read and is familiar with and understands those provisions of this Indenture relating to the condition precedent in question, (b) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in such evidence are based, (c) a statement that, in the belief of the Person giving such evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein, and (d) a statement whether in the opinion of such Person the conditions precedent in question have been complied with or satisfied.

The Corporation shall furnish or cause to be furnished to the Trustee at any time if the Trustee reasonably so requires, its certificate that the Corporation has complied with all covenants, conditions or

other requirements contained in this Indenture, the non-compliance with which would, with the giving of notice or the lapse of time, or both, or otherwise, constitute an Event of Default, or if such is not the case, specifying the covenant, condition or other requirement which has not been complied with and giving particulars of such non-compliance. The Corporation shall, whenever the Trustee so requires, furnish the Trustee with evidence by way of statutory declaration, opinion, report or certificate as specified by the Trustee as to any action or step required or permitted to be taken by the Corporation or as a result of any obligation imposed by this Indenture.

14.6 Officers' Certificates Evidence

Except as otherwise specifically provided or prescribed by this Indenture, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee, if acting in good faith, may rely upon an Officers' Certificate.

14.7 Experts, Advisers and Agents

The Trustee may:

(a) employ or retain and act and rely on the opinion or advice of or information obtained from any solicitor, auditor, valuer, engineer, surveyor, appraiser or other expert, whether obtained by the Trustee or by the Corporation, or otherwise, and shall not be liable for acting, or refusing to act, in good faith on any such opinion or advice and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid; and

(b) employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it (and shall be entitled to receive reasonable remuneration for all services performed by it) in the discharge of the trusts hereof and compensation for all disbursements, costs and expenses made or incurred by it in the discharge of its duties hereunder and in the management of the trusts hereof and any solicitors employed or consulted by the Trustee may, but need not be, solicitors for the Corporation. The Trustee shall not be responsible for the actions of such agents provided that it has selected such agents with due care and in a commercially reasonable manner.

14.8 Trustee May Deal in Debentures

Subject to Sections 14.1 and 14.3, the Trustee may, in its personal or other capacity, buy, sell, lend upon and deal in the Debentures and generally contract and enter into financial transactions with the Corporation or otherwise, without being liable to account for any profits made thereby.

14.9 Investment of Monies Held by Trustee

Unless otherwise provided in this Indenture, any monies held by the Trustee, which, under the trusts of this Indenture, may or ought to be invested or which may be on deposit with the Trustee or which may be in the hands of the Trustee, may be invested and reinvested in the name or under the control of the Trustee in securities in which, under the laws of the Province of Ontario, trustees are authorized to invest trust monies, provided that such securities are expressed to mature within two years or such shorter period selected to facilitate any payments expected to be made under this Indenture, after their purchase by the Trustee, and unless and until the Trustee shall have declared the principal of and interest on the Debentures to be due and payable, the Trustee shall so invest such monies at the Written Direction of the Corporation given in a reasonably timely manner. Pending the investment of any monies as hereinbefore provided, such monies may be deposited in the name of the Trustee in any chartered bank of Canada or, with the consent of the Corporation, in the deposit department of the Trustee or any

other loan or trust company authorized to accept deposits under the laws of Canada or any Province thereof at the rate of interest, if any, then current on similar deposits.

Unless and until the Trustee shall have declared the principal of and interest on the Debentures to be due and payable, the Trustee shall pay over to the Corporation all interest received by the Trustee in respect of any investments or deposits made pursuant to the provisions of this Section.

14.10 Trustee Not Ordinarily Bound

Except as provided in Section 8.2 and as otherwise specifically provided herein, the Trustee shall not, subject to Section 14.3, be bound to give notice to any Person of the execution hereof, nor to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations herein imposed upon the Corporation or of the covenants on the part of the Corporation herein contained, nor in any way to supervise or interfere with the conduct of the Corporation’s business, unless the Trustee shall have been required to do so in writing by the holders of not less than 25% of the aggregate principal amount of the Debentures then outstanding or by any Extraordinary Resolution of the Debentureholders passed in accordance with the provisions contained in Article 12, and then only after it shall have been funded and indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

14.11 Trustee Not Required to Give Security

The Trustee shall not be required to give any bond or security in respect of the execution of the trusts and powers of this Indenture or otherwise in respect of the premises.

14.12 Trustee Not Bound to Act on Corporation’s Request

Except as in this Indenture otherwise specifically provided, the Trustee shall not be bound to act in accordance with any direction or request of the Corporation until a duly authenticated copy of the instrument or resolution containing such direction or request shall have been delivered to the Trustee, and the Trustee shall be empowered to act upon any such copy purporting to be authenticated and believed by the Trustee to be genuine.

14.13 Conditions Precedent to Trustee’s Obligations to Act Hereunder

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing the rights of the Trustee and of the Debentureholders hereunder shall be conditional upon the Debentureholders furnishing when required by notice in writing by the Trustee, sufficient funds to commence or continue such act, action or proceeding and indemnity reasonably satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified as aforesaid.

The Trustee may, before commencing or at any time during the continuance of any such act, action or proceeding require the Debentureholders at whose instance it is acting to deposit with the Trustee the Debentures held by them for which Debentures the Trustee shall issue receipts.

14.14 Authority to Carry on Business

The Trustee represents to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business required of it as Trustee in the provinces of Alberta and British Columbia but if, notwithstanding the provisions of this Section 14.14, it ceases to be so

authorized to carry on business, the validity and enforceability of this Indenture and the securities issued hereunder shall not be affected in any manner whatsoever by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business required of it as Trustee in either of the provinces of Alberta or British Columbia, either become so authorized or resign in the manner and with the effect specified in Section 14.2.

14.15 Compensation and Indemnity

(a) The Corporation shall pay to the Trustee from time to time compensation for its services hereunder as agreed separately by the Corporation and the Trustee, and shall pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in the administration or execution of its duties under this Indenture (including the reasonable and documented compensation and disbursements of its Counsel and all other advisers and assistants not regularly in its employ), both before any default hereunder and thereafter until all duties of the Trustee under this Indenture shall be finally and fully performed. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust.

(b) The Corporation hereby indemnifies and saves harmless the Trustee and its directors, officers and employees from and against any and all loss, damages, charges, expenses, claims, demands, actions or liability whatsoever which may be brought against the Trustee or which it may suffer or incur as a result of or arising out of the performance of its duties and obligations hereunder save only in the event of gross negligence, wilful misconduct or bad faith of the Trustee. This indemnity will survive the termination or discharge of this Indenture and the resignation or removal of the Trustee. The Trustee shall notify the Corporation promptly of any claim for which it may seek indemnity. The Corporation shall defend the claim and the Trustee shall co-operate in the defence. The Trustee may have separate Counsel and the Corporation shall pay the reasonable fees and expenses of such Counsel. The Corporation need not pay for any settlement made without its consent, which consent must not be unreasonably withheld. This indemnity shall survive the resignation or removal of the Trustee or the discharge of this Indenture.

(c) The Trustee shall notify the Corporation promptly of any claim for which it may seek indemnity. The Corporation shall defend the claim and the Trustee shall co-operate in the defence. The Trustee may have separate Counsel and the Corporation shall pay the reasonable fees and expenses of such Counsel. The Corporation need not pay for any settlement made without its consent, which consent must not be unreasonably withheld.

14.16 Acceptance of Trust

The Trustee hereby accepts the trusts in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth and to hold all rights, privileges and benefits conferred hereby and by law in trust for the various Persons who shall from time to time be Debentureholders, subject to all the terms and conditions herein set forth.

14.17 Third Party Interests

Each party to this Indenture (in this paragraph referred to as a "**representing party**") hereby represents to the Trustee that any account to be opened by, or interest to held by, the Trustee in connection with this Indenture, for or to the credit of such representing party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such representing party hereby agrees to complete, execute and deliver forthwith to the Trustee a declaration, in the Trustee's prescribed form or in such other form as may be satisfactory to it, as to the particulars of such third party.

14.18 Anti-Money Laundering

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, acting reasonably, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, acting reasonably, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' prior written notice sent to the Corporation provided that:

(a) the Trustee's written notice shall describe the circumstances of such non-compliance; and

(b) if such circumstances are rectified to the Trustee's satisfaction within such 10-day period, then such resignation shall not be effective.

14.19 Privacy Laws

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, "**Privacy Laws**") applies to certain obligations and activities under this Indenture. Notwithstanding any other provision of this Indenture, neither party shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and to comply with applicable laws and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved or as permitted by Privacy Laws; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

14.20 Force Majeure; Limitation of Trustee Liability

(a) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war (declared or undeclared) or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, fire, riot, embargo and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, government action, including any laws, ordinances, regulations or the like which delay, restrict or prohibit the providing of the services contemplated by this Indenture; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(b) The Trustee shall not be liable for any consequential, punitive or special damages.

ARTICLE 15
SUPPLEMENTAL INDENTURES

15.1 Supplemental Indentures

Subject to the approval of the CSE (or such other exchange on which the Debentures are then listed), from time to time the Trustee and, when authorized by a resolution of the directors of Corporation, the Corporation, may, and they shall when required by this Indenture, execute, acknowledge and deliver by their proper officers deeds or indentures supplemental hereto which thereafter shall form part hereof, for any one or more of the following purposes:

(a) adding to the covenants of the Corporation herein contained for the protection of the Debentureholders or providing for events of default, in addition to those herein specified;

(b) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder, including the making of any modifications in the form of the Debentures which do not affect the substance thereof and which in the opinion of the Trustee relying on an opinion of Counsel will not be prejudicial to the interests of the Debentureholders;

(c) evidencing the succession, or successive successions, of others to the Corporation and the covenants of and obligations assumed by any such successor in accordance with the provisions of this Indenture;

(d) giving effect to any Extraordinary Resolution passed as provided in Article 12;

(e) giving effect to a reduction in price under Section 6.5(n); and

(f) for any other purpose not inconsistent with the terms of this Indenture.

Unless the supplemental indenture requires the consent or concurrence of Debentureholders by Extraordinary Resolution, the consent or concurrence of Debentureholders shall not be required in connection with the execution, acknowledgement or delivery of a supplemental indenture. The Corporation and the Trustee may amend any of the provisions of this Indenture related to matters of United States law or the issuance of Debentures into the United States in order to ensure that such issuances can be made in accordance with applicable law in the United States without the consent or approval of the Debentureholders. Further, the Corporation and the Trustee may without the consent or concurrence of the Debentureholders by supplemental indenture or otherwise, make any changes or corrections in this Indenture which it shall have been advised by Counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained herein or in any indenture supplemental hereto or any Written Direction of the Corporation provided for the issue of Debentures, providing that in the opinion of the Trustee (relying upon an opinion of Counsel) the rights of the Debentureholders are in no way prejudiced thereby.

ARTICLE 16
EXECUTION AND FORMAL DATE

16.1 Execution

This Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

16.2 Formal Date

For the purpose of convenience this Indenture may be referred to as bearing the formal date of November 23, 2021 irrespective of the actual date of execution hereof.

[signature page follows]

IN WITNESS whereof the parties hereto have executed these presents by the hands of their proper officers in that behalf.

CHALICE BRANDS LTD.

By: ______________________________
Name: Andrew Marchington
Title: Chief Financial Officer

ODYSSEY TRUST COMPANY

By: ______________________________
Name: Dan Sander
Title: President, Corporate Trust

By: ______________________________
Name: Amy Douglas
Title: Director, Corporate Trust

IN WITNESS whereof the parties hereto have executed these presents by the hands of their proper officers in that behalf.

CHALICE BRANDS LTD.

By: ______________________
Name: Andrew Marchington
Title: Chief Financial Officer

ODYSSEY TRUST COMPANY

By: ______________________
Name: Dan Sander
Title: President, Corporate Trust

By: ______________________
Name: Amy Douglas
Title: Director, Corporate Trust

SCHEDULE "A"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

FORM OF DEBENTURE

[INSERT U.S. LEGEND, IF APPLICABLE]

[INSERT CANADIAN PRIVATE PLACEMENT LEGEND, IF APPLICABLE]

CUSIP [**15756RAB0] [for initial tranche]**
ISIN CA [15756RAB02][for initial tranche]

No. • **$•**

CHALICE BRANDS LTD.

(A corporation incorporated under the laws of Ontario)

UNSECURED SUBORDINATED CONVERTIBLE DEBENTURES

Chalice Brands Ltd. (the "**Corporation**") for value received hereby acknowledges itself indebted and, subject to the provisions of the Debenture Indenture (the "**Indenture**") dated as of November **[23]**, 2021 among the Corporation and Odyssey Trust Company (the "**Trustee**"), promises to pay to the registered holder hereof on November 23, 2024 or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture (any such date, the "**Maturity Date**") the principal sum of ● Dollars ($●) in lawful money of Canada on presentation and surrender of this Debenture at the principal office of the Trustee in Calgary, Alberta in accordance with the terms of the Indenture and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 10% per annum, in like money, in arrears in equal (with the exception of the first interest payment which will include interest from **[NTD: Insert Issue date]**, 2021 as set forth below) semi-annual instalments (less any tax required by law to be deducted) on June 30 and December 31 in each year commencing on December 31, 2021 and the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) to fall due on the Maturity Date and, should the Corporation at any time make default in the payment of any principal, premium, if any, or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. For certainty, the first interest payment will include interest accrued from **[NTD: Insert Issue date]**, 2021 to, but excluding June 30, 2022, which will be equal to $**[●]** for each $1,000 principal amount of the Debentures. For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed under this Debenture on the basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year. For certainty, Debentureholders that redeem any Debentures before December 31, 2021 shall forego any accrued interest thereon and be entitled to redeem only the then-outstanding principal amount of the Debentures.

This Debenture is one of the Unsecured Subordinated Convertible Debentures (referred to herein as the "**Debentures**") of the Corporation issued under the provisions of the Indenture. Reference is hereby expressly made to the Indenture for a description of the terms and conditions upon which the Debentures are or are to be issued and held and the rights and remedies of the holders of the Debentures and of the Corporation and of the Trustee, all to the same effect as if the provisions of the Indenture were herein set forth to all of which provisions the holder of this Debenture by acceptance hereof assents.

The Debentures are issuable only in denominations of $1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Debentures of any denomination may be exchanged for an equal aggregate principal amount of Debentures in any other authorized denomination or denominations.

Any part, being $1,000 or an integral multiple thereof, of the principal of this Debenture, provided that the principal amount of this Debenture is in a denomination in excess of $1,000, is convertible, at the option of the holder hereof, upon surrender of this Debenture at the principal office of the Trustee in Calgary, Alberta, at any time prior to the close of business on the Business Day immediately preceding the Maturity Date or, if this Debenture is called for redemption on or prior to such date, then, to the extent so called for redemption, up to but not after the close of business on the last Business Day immediately preceding the date specified for redemption of this Debenture, into Common Shares (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at a conversion price (the "**Conversion Price**") equal to $1.00, all subject to the terms and conditions and in the manner set forth in the Indenture, including adjustment to the Conversion Price in accordance with Section 6.5 thereof. No Debentures may be converted during the five Business Days preceding and including June 30 and December 31 in each year, commencing December 31, 2021, as the registers of the Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Common Shares will be issued on any conversion and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number, and in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the market price of such fractional interest determined in accordance with the Indenture. Debentureholders converting their Debentures will receive accrued and unpaid interest thereon. If a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the person or persons entitled to receive Common Shares in respect of the Debentures so surrendered for conversion shall not become the holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

This Debenture may be redeemed at the option of the Corporation on the terms and conditions set out in the Indenture. Beginning on the date that is four months and one day following the Issue Date and any time prior to the Maturity Date, provided that the daily VWAP of the Common Shares for 10 consecutive trading days equals or exceeds $1.50, all of the principal amount of the outstanding Debentures may be redeemed at the option of the Corporation in whole or in part from time to time at a price equal to $1,000 per Debenture plus accrued and unpaid interest up to, but excluding, the Redemption Date (the "**Redemption Price**") payable by issuing such number of Common Shares with respect to the principal amount of the Debentures as is obtained by dividing the aggregate principal amount by the Conversion Price plus payment of any interest in cash or Common Shares on the terms and conditions described in the Indenture.

Notwithstanding anything contained herein or in the Indenture, the Corporation may elect to satisfy and pay accrued interest on the Debentures whether on an Interest Payment Date, upon a conversion or otherwise, by delivering: (i) cash, or (ii) that number of Common Shares obtained by dividing the interest amount by 95% of the VWAP for the 20 consecutive trading days ending five trading days preceding the applicable Interest Payment Date or Date of Conversion or Redemption Date, or any combination thereof, the number of Common Shares will be determined by dividing the interest amount by 95% of the VWAP of the Common Shares on the CSE for the preceding 20 consecutive trading days and ending 5 days prior to the applicable interest payment date, provided that if such price is less than the lowest price permitted by the policies of the CSE (the "**Minimum CSE Price**"), the number of Common Shares will be determined by dividing the interest amount by the Minimum CSE Price. If the Corporation elects to satisfy and pay accrued interest on the Debentures by delivery of Common Shares, such Common Shares will be issued within three Business Days of the Interest Payment Date or Date of Conversion or Redemption Date, as applicable.

If an offer is made for the Debentures which is a take-over bid for the Debentures within the meaning of applicable Canadian securities laws and 90% or more of the principal amount of all the Debentures (other than Debentures held at the date of the offer by or on behalf of the Offeror, associates or affiliates of the Offeror or anyone acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Debentures of those holders who did not accept the offer on the same terms as the Offeror acquired the first 90% of the principal amount of the Debentures.

The indebtedness evidenced by this Debenture, and by all other Debentures now or hereafter certified and delivered under the Indenture, is a direct unsecured obligation of the Corporation, and is subordinated in right of payment, to the extent and in the manner provided in the Indenture, only to the prior payment in full of the Senior Indebtedness.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions making binding upon all holders of Debentures outstanding thereunder resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding, which resolutions or instruments may have the effect of amending the terms of this Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Common Shares and officers, directors and employees of the Corporation in respect of any obligation or claim arising out of the Indenture or this Debenture.

This Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in one of the registers to be kept at the principal office of the Trustee in the City of Calgary, Alberta and in such other place or places and/or by such other registrars (if any) as the Corporation with the approval of the Trustee may designate. No transfer of this Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Trustee or other registrar, and upon compliance with such reasonable requirements as the Trustee and/or other registrar may prescribe and upon surrender of this Debenture for cancellation. Thereupon a new Debenture or Debentures in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

This Debenture shall not become obligatory for any purpose until it shall have been Authenticated by the Trustee under the Indenture.

Capitalized words or expressions used in this Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture.

IN WITNESS WHEREOF CHALICE BRANDS LTD. has caused this Debenture to be signed by its authorized representatives as of the _ day of, ____________________, 2021.

CHALICE BRANDS LTD.

By: ____

(FORM OF TRUSTEE'S CERTIFICATE)

This Debenture is one of the Unsecured Subordinated Convertible Debentures due November **[●]**, 2024 referred to in the Indenture within mentioned.

ODYSSEY TRUST COMPANY

By: ____
(Authorized Officer)

FORM OF TRANSFER

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto __________________, whose address and social insurance number, if applicable, are set forth below, this Debenture (or $_________ principal amount hereof*) of CHALICE BRANDS LTD. standing in the name(s) of the undersigned in the register maintained by the Corporation with respect to such Debenture and does hereby irrevocably authorize and direct the Trustee to transfer such Debenture in such register, with full power of substitution in the premises.

Dated: ____

Address of Transferee: ____
(Street Address, City, Province/State and Postal Code)

Social Insurance Number/Taxpayer ID Number of Transferee, if applicable: ________________________

*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided the principal amount (which must be $1,000 or an integral multiple thereof) to be transferred.

1. The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) must be guaranteed by a Canadian chartered bank or trust company or by a member of an acceptable Medallion Guarantee Program. Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: “SIGNATURE GUARANTEED”.

2. The registered holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

______________________________	______________________________
Authorized Officer	Signature of transferring registered holder

____
Name of Institution

SCHEDULE "B"

TO THE CONVERTIBLE DEBENTURE INDENTURE BETWEEN

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

FORM OF REDEMPTION NOTICE

SCHEDULE “B”
Form of Redemption Notice

CHALICE BRANDS LTD.

UNSECURED SUBORDINATED CONVERTIBLE DEBENTURES

REDEMPTION NOTICE – AUTOMATIC CONVERSION

To: Holders of Unsecured Subordinated Convertible Debentures (the “**Debentures**”) of Chalice Brands Ltd. (the “**Corporation**”)

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the “**Indenture**”) dated as of **[●]**, 2021 among the Corporation and Odyssey Trust Company (the “**Trustee**”), unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the Indenture, that an aggregate principal amount of $● of the Debentures outstanding will be redeemed as of ● (the “**Redemption Date**”), upon payment of an aggregate of ● Common Shares in respect of the principal amount and $● in respect of all accrued and unpaid interest thereon up to but excluding the Redemption Date (collectively, the “**Redemption Price**”).

The interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Redemption Price shall not be made on or after the Redemption Date or prior to the setting aside of the Redemption Price pursuant to the Indenture.

The Corporation shall pay the Redemption Price payable to holders of Debentures in accordance with this notice by issuing and delivering to the holders that number of Common Shares obtained by dividing the principal amount of the Debentures by the Conversion Price.

No fractional Common Shares shall be delivered upon the exercise by the Corporation of the above-mentioned redemption right and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number but, in lieu thereof, the Corporation shall pay the fractional amount in cash determined on the basis of the Current Market Price of Common Shares on the Redemption Date (less any tax required to be deducted, if any).

In this connection, the Corporation shall, on the Redemption Date, make the delivery to the Trustee, at the above-mentioned corporate trust office, for delivery to and on account of the holders, of certificates representing the Common Shares to which holders are entitled together with the cash equivalent in lieu of fractional Common Shares, plus such sums of money or that number of Common Shares calculated in accordance with the Indenture as may be sufficient to pay all accrued and unpaid interest thereon up to but excluding the Redemption Date.

DATED: ●

CHALICE BRANDS LTD.

____
(Authorized Director or Officer of
Chalice Brands Ltd.)

SCHEDULE “C”

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

FORM OF NOTICE OF CONVERSION

SCHEDULE “C”
Form of Notice of Conversion

CONVERSION NOTICE

TO: CHALICE BRANDS LTD. (the “**Corporation**”)

c/o Odyssey Trust Company
1230, 300 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the “**Indenture**”) dated as of November **[●]**, 2021 between the Corporation and Odyssey Trust Company, as trustee, unless otherwise indicated.

The undersigned registered holder of Unsecured Subordinated Convertible Debentures (the “**Debentures**”) irrevocably elects to convert such Debentures (or $● principal amount thereof*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Common Shares of the Corporation issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: ______________________________ ______________________________
(Signature of Registered Holder)

* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must be $1,000 or integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: “SIGNATURE GUARANTEED”.

(Print name in which Common Shares are to be issued, delivered and registered)

Name: ______________________________

____
(Address)

____
(City, Province and Postal Code)

Name of guarantor: ______________________

Authorized signature: ______________________

SCHEDULE “D”

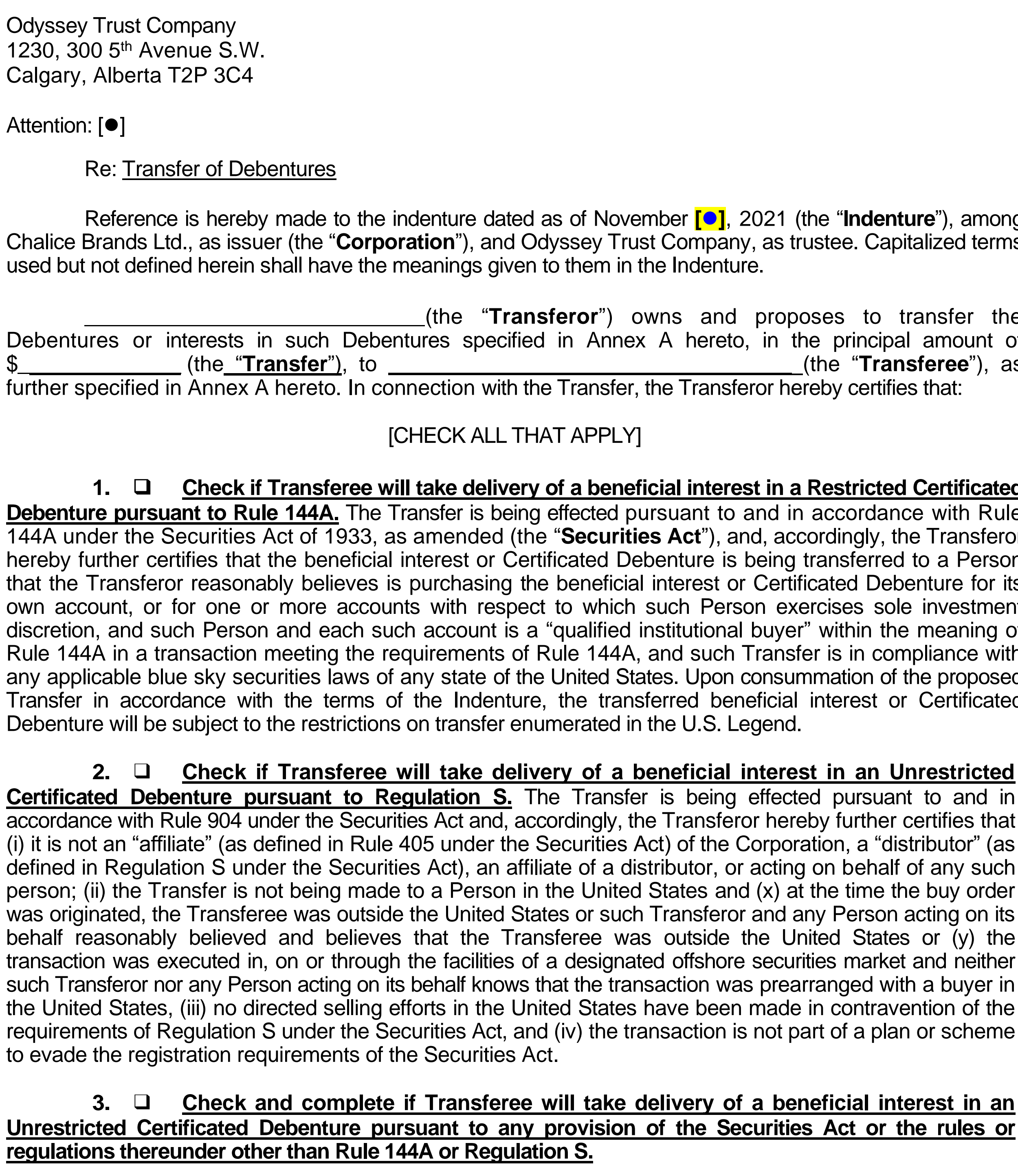
TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

FORM OF CERTIFICATE OF TRANSFER



Chalice Brands Ltd.
82 Richmond Street East
Toronto, Ontario, Canada
M5C 1P1

Odyssey Trust Company
1230, 300 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Attention: [●]

Re: Transfer of Debentures

Reference is hereby made to the indenture dated as of November [●], 2021 (the "**Indenture**"), among Chalice Brands Ltd., as issuer (the "**Corporation**"), and Odyssey Trust Company, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____________________________(the "**Transferor**") owns and proposes to transfer the Debentures or interests in such Debentures specified in Annex A hereto, in the principal amount of $_____________ (the "**Transfer**"), to ___________________________________(the "**Transferee**"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ❑ **Check if Transferee will take delivery of a beneficial interest in a Restricted Certificated Debenture pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Certificated Debenture is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Certificated Debenture for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Debenture will be subject to the restrictions on transfer enumerated in the U.S. Legend.

2. ❑ **Check if Transferee will take delivery of a beneficial interest in an Unrestricted Certificated Debenture pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) it is not an "affiliate" (as defined in Rule 405 under the Securities Act) of the Corporation, a "distributor" (as defined in Regulation S under the Securities Act), an affiliate of a distributor, or acting on behalf of any such person; (ii) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (iii) no directed selling efforts in the United States have been made in contravention of the requirements of Regulation S under the Securities Act, and (iv) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

3. ❑ **Check and complete if Transferee will take delivery of a beneficial interest in an Unrestricted Certificated Debenture pursuant to any provision of the Securities Act or the rules or regulations thereunder other than Rule 144A or Regulation S.**

(a) ❑ **Check if Transfer is pursuant to Rule 144.** (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act, if available, and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United

States and (ii) the restrictions on transfer contained in the Indenture and the U.S. Legend are not required in order to maintain compliance with the Securities Act.

(b) ❑ **Check if Transfer is Pursuant to Other Exemption.** (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144A, Regulation S and Rule 144, and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Debenture will be subject to the restrictions on transfer enumerated in the U.S. Legend.

In connection with requests for Transfer pursuant to item 3(a) or 3(b), the Transferor must deliver to the Corporation and the Trustee an opinion of counsel of recognized standing in form and substance satisfactory to the Trustee and reasonably satisfactory to the Corporation, to the effect that the legend is no longer required under applicable requirements of the Securities Act or state securities laws.

This certificate and the statements contained herein are made for your benefit and the benefit of the Corporation.

____
[Insert Name of Transferor]

By: ________________________________
Name:
Title:

Dated: ________________________________

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

    [CHECK ONE OF (a) OR (b)]

    (a) ❑ a Restricted Certificated Debenture

    (b) ❑ an Unrestricted Certificated Debenture

2. After the Transfer the Transferee will hold:

    [CHECK ONE OF (a) OR (b)]

    (a) ❑ a Restricted Certificated Debenture

    (b) ❑ an Unrestricted Certificated Debenture

    in accordance with the terms of the Indenture.

SCHEDULE “E”

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

FORM OF CERTIFICATE OF EXCHANGE

Chalice Brands Ltd.
82 Richmond Street East
Toronto, Ontario, Canada
M5C 1P1

Odyssey Trust Company
1230, 300 5th Avenue S.W.
Calgary, Alberta, Canada
T2P 3C4

Attention: [●]

Re: Exchange of Debentures

(CUSIP ___________________)

Reference is hereby made to the Indenture, dated as of November [●], 2021 (the "**Indenture**"), among Chalice Brands Ltd., as issuer (the "**Corporation**"), and Odyssey Trust Company, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

___________________________ (the "**Owner**") owns and proposes to exchange the Debentures or interests in such Debentures specified herein, in the principal amount of $__________ (the "**Exchange**"). In connection with the Exchange, the Owner hereby certifies that:

1. Exchange of Restricted Certificated Debentures or Beneficial Interests in a Restricted Uncertificated Debenture for Unrestricted Certificated Debentures or Beneficial Interests in an Unrestricted Uncertificated Debenture

(a) ❑ **Check if Exchange is from a beneficial interest in a Restricted Uncertificated Debenture to a beneficial interest in an Unrestricted Uncertificated Debenture.** In connection with the Exchange of the Owner's beneficial interest in a Restricted Uncertificated Debenture for a beneficial interest in an Unrestricted Uncertificated Debenture in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Uncertificated Debentures and pursuant to and in accordance with the Securities Act of 1933, as amended (the "**Securities Act**"), (iii) the restrictions on transfer contained in the Indenture and the U.S. Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Uncertificated Debenture is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ❑ **Check if Exchange is from Restricted Certificated Debenture to Unrestricted Certificated Debenture.** In connection with the Owner's Exchange of a Restricted Certificated Debenture for an Unrestricted Certificated Debenture, the Owner hereby certifies (i) the Unrestricted Certificated Debenture is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Certificated Debentures and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the U.S. Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Certificated Debenture is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Beneficial Interests in an Unrestricted Uncertificated Debenture for Beneficial Interests in a Restricted Uncertificated Debenture

In connection with the Exchange of the Owner's beneficial interest in an Unrestricted Uncertificated Debenture for a beneficial interest in a Restricted Uncertificated Debenture in an equal principal amount, the Owner hereby certifies that the beneficial interest is being acquired for the Owner's own account without transfer.

In connection with requests for Exchanges pursuant to item 1(a) or 1(b), the Owner must deliver to the Corporation and the Trustee an opinion of counsel of recognized standing in form and substance satisfactory to the Trustee and reasonably satisfactory to the Corporation, to the effect that the legend is no longer required under applicable requirements of the Securities Act or state securities laws.

This certificate and the statements contained herein are made for your benefit and the benefit of the Corporation.

____
[Insert Name of Transferor]

By: ________________________________
Name:
Title:

Dated: __________________________

SCHEDULE "F"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

U.S. COMMON SHARE LEGENDS

F-1

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE 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 OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (i) SECTION 4(a)(7) THEREOF, (ii) RULE 144 OR (iii) RULE144A THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, (D) IN COMPLIANCE WITH ANOTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, OR (E) UNDER AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, PROVIDED THAT IN THE CASE OF TRANSFERS PURSUANT TO (B), (C), (D) OR (E), ABOVE, A LEGAL OPINION OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE CORPORATION, MUST FIRST BE PROVIDED TO THE CORPORATION TO THE EFFECT THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION, OR IS THE SUBJECT OF AN EFFECTIVE REGISTRATION STATEMENT, UNDER THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

SCHEDULE "G"

TO THE CONVERTIBLE DEBENTURE INDENTURE AMONG

CHALICE BRANDS LTD.

AND

ODYSSEY TRUST COMPANY

RULE 904 RESALE CERTIFICATION

Terms Used Herein Have the Meanings Given to Them By Rule 902 of SEC Regulation S (See Below).

To: CHALICE BRANDS LTD. (the "**Corporation**") and **ODYSSEY TRUST COMPANY**, as the Transfer Agent for the Common Shares of the Corporation.

SECTION I.

PLEASE COMPLETE THE FOLLOWING SECTION I OF THIS DECLARATION ***ONLY*** *IF YOU ARE* ***NOT*** *AN "AFFILIATE" OF THE CORPORATION, OR ARE SUCH AN "AFFILIATE" SOLELY BECAUSE YOU ARE AN OFFICER AND/OR A DIRECTOR. For these purposes, an "affiliate" has the meaning given in Rule 405 under the 1933 Act and includes, among others, any officer, director or 10% or more shareholder of the Corporation, or one who otherwise controls the Corporation.*

The undersigned Seller certifies: (A) that the sale of ___________ of the Corporation's common shares, represented by certificate number _____________, to which this declaration relates, has been made in reliance on Rule 904 of Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "1933 Act"); (B) that (1) the undersigned Seller is either (a) not an "affiliate" (as defined in Rule 405 under the 1933 Act) of the Corporation or (b) such an "affiliate" of the Corporation solely by virtue of being an officer and/or director thereof; (2) the offer of such securities was not made to a "U.S. Person" or 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 the Canadian Securities Exchange or another "designated offshore securities market" within the meaning of Rule 902 under Regulation S, and neither the seller nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States; (3) neither the Seller nor any person acting on its behalf engaged in any directed selling efforts in connection with the offer and sale of such securities; (4) if the Seller is an officer and/or director of the Corporation, no selling concession, fee or other remuneration will be paid in connection with this offer and sale other than the usual and customary broker's commission; (5) 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 1933 Act), (6) the Seller does not intend to replace such securities with fungible unrestricted securities and (7) the 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 scheme to evade the registration provisions of the 1933 Act.. Terms used herein have the meanings given to them by Regulation S.

AFFIRMATION BY SELLER'S BROKER-DEALER

We have read the foregoing representations of our customer, _______________________ (the "Seller") with regard to our sale, for such Seller's account, of the securities described therein, and we hereby affirm that, following due inquiry, we are of the belief that (1) the buyer is not a "U.S. Person," and (2) that, to the best of our knowledge and belief, all other statements made therein are full, true and correct.

Terms used herein have the meanings given to them by Rule 902 of Regulation S (see below).

____

Name of Firm

By: ____

Signature of Authorized Officer

____

Name of Authorized Officer (Please Print)

Date: ____

SECTION II.

*PLEASE COMPLETE THE FOLLOWING SECTION II OF THIS DECLARATION **ONLY** IF YOU ARE AN "AFFILIATE" OF THE CORPORATION **OTHER THAN** SOLELY BY VIRTUE OF BEING ITS OFFICER AND/OR A DIRECTOR. For these purposes, an "affiliate" has the meaning given in Rule 405 under the 1933 Act and includes, among others, any officer, director or 10% or more shareholder of the Corporation, or one who otherwise controls the Corporation.*

The undersigned Seller (A) acknowledges that the sale of ____________ of the Corporation's common shares, represented by certificate number _________, to which this declaration relates, has been made in reliance on Rule 903(b)(1) of Regulation S under the United States Securities Act of 1933, as amended (the "1933 Act"), **and** (B) certifies that (1) the Seller and any person acting on the Seller's behalf reasonably believe, following due inquiry, that the offer of such securities was not made to a U.S. Person or a person in the United States, **and** (2) 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, **and** (3) neither the Seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, **and** (4) that neither the Seller nor any person acting on the Seller's behalf has engaged in any "directed selling efforts" in connection with the offer and sale of such securities.

AFFIRMATION BY SELLER'S BROKER-DEALER [if any]

We have read the foregoing representations of our customer, ______________________ (the "Seller") with regard to our sale, for such Seller's account, of the securities described therein, and we hereby affirm that, following due inquiry, we are of the belief that (1) the buyer is not a "U.S. Person," and (2) that, to the best of our knowledge and belief, all other statements made therein are full, true and correct.

Terms used herein have the meanings given to them by Rule 902 of Regulation S (see below).

____

Name of Firm

By: ____

Signature of Authorized Officer

____

Name of Authorized Officer (Please Print)

Date: ____

Certain Terms Defined in Regulation S

Rule 902(c). ***Directed selling efforts.*** "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 any of the securities being offered in reliance on SEC Regulation S (Rule 901 through Rule 905, and Preliminary Notes). Such activity includes placing an advertisement in a publication with a general circulation in the United States that refers to the offering of securities being made in reliance upon this Regulation S.

Rule 902(k). ***U.S. Person.*** "U.S. Person" means:

(i) Any natural person resident in the United States;

(ii) Any partnership or corporation organized or incorporated under the laws of the United States;

(iii) Any estate of which any executor or administrator is a U.S. person;

(iv) Any trust of which any trustee is a U.S. person;

(v) Any agency or branch of a foreign entity located in the United States;

(vi) Any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;

(vii) Any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and

(viii) Any partnership or corporation if:

A. Organized or incorporated under the laws of any foreign jurisdiction; and

B. Formed by a U.S. person principally for the purpose of investing in securities not registered under the Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a)) who are not natural persons, estates or trusts.

The following are not "U.S. persons":

(i) Any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States;

(ii) Any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if:

A. An executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and

B. The estate is governed by foreign law;

(iii) Any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person;

(iv) An employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;

(v) Any agency or branch of a U.S. person located outside the United States if:

A. The agency or branch operates for valid business reasons; and

B. The agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and

(vi) The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans.

Rule 902(l). *United States.*

"United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

THIS IS EXHIBIT "O" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

SECURED PROMISSORY NOTE

USD$5,850,000, July __, 2022

FOR VALUE RECEIVED, CF Bliss LLC, an Oregon limited liability company, having its principal office at 13315 NE Airport Way, Suite 700, Portland, Oregon 97230, or its permitted assigns ("**Borrower**"), hereby unconditionally promises to pay to the order of High Street Capital Partners, LLC, a Delaware limited liability company (and assignee of HSCP Oregon, LLC, an Oregon limited liability company, 22nd and Burn Inc, an Oregon corporation, East 11th Incorporated, an Oregon corporation, and The Firestation 23 Inc, an Oregon corporation), having an office at 366 Madison Avenue, 11th Floor, New York, NY 10017, or its assigns ("**Lender**"), the principal sum of FIVE MILLION EIGHT HUNDRED AND FIFTY THOUSAND AND 00/100 DOLLARS ($5,850,000) (the "**Loan Amount**") at Lender's office, or at such other place as Lender may from time to time designate in writing, in lawful money of the United States, together with all accrued interest thereon as provided in this Secured Promissory Note (this "**Note**"). This Note is being executed and delivered in connection with that certain Asset Purchase Agreement dated as of September 16, 2021 as amended by that certain Asset Purchase Agreement Amendment, dated as of June 13, 2022, between Borrower, Lender and the other Seller Parties (as defined therein) (as such agreement may from time to time hereafter be amended, the "**Purchase Agreement**"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

This Note is the "Promissory Note" referred to in the Purchase Agreement, to be delivered to Lender at the Closing, and is subject to the provisions of the Purchase Agreement.

1. Payments; Interest Rate. Borrower shall make payments as follows:

1.1 Quarterly Interest-Only Payments. For entire term of this Note, the outstanding Loan Amount shall accrue interest at a rate per annum equal to twelve percent (12%) (together the "Interest Rate"). Borrower will make quarterly payments of interest in arrears on the first day of each calendar quarter commencing on January 1, 2023 and continuing on the first day of each calendar quarter thereafter. If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Lender's office indicated above is located, such payment shall be made on the next succeeding Business Day

1.2 Balloon Payments. Borrower shall make the following balloon payments to Lender at the end of each calendar year:

1.2.1 Year 1. At the end of Year 1 (January 1, 2024), Borrower shall pay $1,000,000 toward the outstanding balance of the Loan Amount, if any;

1.2.2 Year 2. At the end of Year 2 (January 1, 2025), Borrower shall pay $1,000,000 toward the outstanding balance of the Loan Amount, if any; and

1.2.3 Year 3. At the end of Year 3 (January 1, 2026), Borrower shall pay all amounts owed to Lender under this Note, if any.

2. **Acceleration**. In the event that the cannabis retail stores acquired from the Seller Parties have positive operating income after tax ("Excess Income"), Borrower agrees to pay twenty-five percent (25%) of said Excess Income toward the principal of this Note. Borrower shall make estimated quarterly Excess Income payments to Lender that are reconciled at the end of each calendar year by Borrower and Lender. Following the Closing (as defined under the Purchase Agreement), and so long as any amount remains outstanding under this Note, Borrower shall provide Lender with quarterly financials broken out by store in a format that allows Borrower to review whether there has been any Excess Income from the previous quarter.

3. **Borrower Raises**. Borrower agrees that, in the event Borrower initiates one or more capital raises during a calendar year, either through equity or debt (a "Capital Raise"), Borrower shall provide Lender with seven days' prior written notice before each Capital Raise closes and shall make principal repayments to the Lender using such the funds from a Capital Raise to this Note as follows:

3.1 $0-5 million raised in the aggregate during a calendar year: Borrower shall not be required to apply any funds raised to this Note.

3.2 $5-20 million raised in the aggregate during a calendar year: Borrower shall apply ten percent (10%) of all funds raised to this Note, or until the amount outstanding under this Note is paid in full.

3.3 Over $20 million raised in the aggregate during a calendar year: Borrower shall apply twenty percent (20%) of all funds raised to this Note, or until the amount outstanding under this Note is paid in full.

4. **Optional Prepayments**. Borrower may at any time and from time to time prepay the Loan Amount, in whole or in part, without premium or penalty, upon irrevocable notice delivered to Lender no later than 11:00 AM at least three (3) Business Days prior thereto, which notice shall specify the date and amount of such prepayment. If any notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with the accrued interest to such date on the amount prepaid. Excess payments or prepayments will not be credited as future scheduled payments required by this Note.

5. **Change in Control**. The Parties acknowledge and agree that, should Borrower, or Chalice Brands Ltd., as the parent company of the Borrower (collectively for purposes of this Section 5, the "Borrower Entities"), experience a "Change in Control" (as defined below), Lender shall have the right to immediately accelerate this Note to be due and payable in full upon the closing of such Change in Control. For purposes of this Agreement, "Change in Control" shall mean the occurrence of any of the following events: (i) an acquisition of one of the Borrower Entities by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation but excluding any merger effected exclusively for the purpose of changing the domicile of one of the Borrower Entities)(collectively, a "Merger"), and the relevant Borrower Entity's equity holders with voting securities in such Borrower Entity immediately prior to such Merger will, immediately after such Merger, hold less than fifty percent (50%) of the voting securities of the surviving entity, or (ii) a sale of all or

substantially all of the assets of one of the Borrower Entities. For purposes of this Section 5, it shall not be considered a Change in Control for either and/or both of the Borrower Entities to be acquired and/or merged with subsidiaries and/or affiliates of the Borrower Entities solely as a part of a corporate reorganization.

6. **Application of Payment**. All payments made hereunder shall be applied first, to accrued interest at the Interest Rate set for in Section 1.1, as applicable; and second, to the payment of the principal amount outstanding under the Note. However, after an Event of Default, all payments made hereunder may be applied by Lender in such order, priority and in such proportion as Lender shall elect in its sole discretion. No amount repaid hereunder may be re-borrowed.

7. **Late Fee**. If any amount payable under this Note is not paid when due, the overdue amount shall bear interest at the Interest Rate plus two percent (2%) (the "**Late Fee**") from the date payment was due until such delinquent payment is paid in full. If the Late Fee is triggered as a result of an Event of Default and Borrower subsequently cures the Event of Default, then all amounts owing hereunder will resume bearing interest at the Interest Rate, on the date the Event of Default is cured. This provision shall not imply that Borrower may cure any default or Event of Default or reinstate the loan after an Event of Default other than as expressly permitted under the terms of this Note, nor shall this provision imply that Borrower has a right to delay or extend the dates upon which payments are due under this Note or any Loan Document. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or default, and such Late Fee is a reasonable estimate of those damages and does not constitute a penalty. The remedies of Lender in this Note or in the Loan Documents, or at law or in equity, shall be cumulative and concurrent, and may be pursued singly, successively, or together in Lender's discretion.

8. **Savings Clause**. The agreements made by Borrower with respect to this Note are expressly limited so that in no event shall the amount of interest received, charged, or contracted for by Lender exceed the highest lawful amount of interest permissible under the laws applicable to the loan. If at any time performance of any provision of this Note results in the highest lawful rate of interest permissible under applicable laws being exceeded, then the amount of interest received, charged, or contracted for by Lender shall automatically and without further action by any party be deemed to have been reduced to the highest lawful amount of interest then permissible under applicable laws. If Lender shall ever receive, charge, or contract for, as interest, an amount which is unlawful, at Lender's election, the amount of unlawful interest shall be refunded to Borrower (if actually paid) or applied to reduce the then unpaid Loan Amount.

9. **Events of Default**. The occurrence of any of the following events shall constitute anevent of default (an "**Event of Default**") under this Note:

9.1 **Failure to Pay**. Borrower fails to make any payment required by this Note when due, and such failure continues for ten (10) Business Days after the date when due.

9.2 **Default Under Security Agreements**. Borrower or Guarantor (as defined below) fails to perform any other material obligation or covenant set forth in this Note or theSecurity Agreements (as defined below) and shall fail to cure such default within fifteen (15)days after Lender shall have notified Borrower or Guarantor (as applicable) in writing

of the specific obligation or covenant as to which such failure has occurred.

9.3 **Representations and Warranties**. If any material representation, warranty, statement or certificate made or furnished to Borrower in connection with this Note, the Purchase Agreement, or any other document, agreement or instrument furnished to Lender byBorrower shall be materially false, incorrect, or incomplete, when made or furnished.

9.4 **Validity and Enforceability**. Borrower contests the validity or enforceability of this Note or denies that such Borrower has any further liability or obligation hereunder.

9.5 **Insolvency**. Borrower or Guarantor shall make an assignment for the benefit of creditors or a composition with creditors, admit in writing Borrower's or Guarantor's inabilityto pay debts when due, or commence any proceeding relating to his under any bankruptcy, insolvency, reorganization, readjustment of debt, receivership, dissolution or liquidation law or statute of any jurisdiction; or there shall be commenced against Borrower or Guarantor anysuch proceeding which is not dismissed or stayed within 90 days.

10. **Remedies**. Upon the occurrence of an Event of Default and at any time thereafter, Lender may at its option: (a) declare the entire principal amount of this Note, together with all accrued interest thereon, immediately due and payable; and (b) exercise any or all of its rights, powers, or remedies under the Security Agreements or applicable law or available in equity; provided, however, that if an Event of Default described in Section 8.5 shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable automatically and without any notice, declaration, or other act on the part of Lender. The remedies of Lender, as provided in this Note and the Security Agreements, and applicable law, shall be cumulative and concurrent and may be pursued singly, successively, or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

11. **Secured by Security Agreement and Parent Guaranty**. This Note is secured by a Security Agreement of even date herewith in favor of Lender, as beneficiary, and by a Guaranty Agreement of even date herewith issued by Greenpoint Holdings Delaware, Inc. ("**Guarantor**") in favor of Lender, as beneficiary (together the "**Security Agreements**"). Lender will be entitled to the benefits of the security provided by the Security Agreements and will have the right to enforce the covenants and agreements therein. The covenants, conditions, and agreements contained in the Security Agreements are made part of this instrument. The Security Agreements, together with this Note of even date herewith among Borrower and Lender and any other documents to or of which Lender is a party or beneficiary now or hereafter evidencing, securing, guarantying, modifying, or otherwise relating to the Secured Indebtedness evidenced hereby, are herein referred to collectively as the "**Loan Documents**." The obligations of Borrower under this Note are subject to the terms and conditions of the Security Agreements and any other Loan Documents.

12. **No Waiver**. No failure to exercise and no delay in exercising on the part of Lender,

of any right, remedy, power, or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege. No waiver by Lender of any of its rights or of any such breach, default, or failure of condition shall be effective, unless the waiver is expressly stated in a writing signed by Lender.

13. **Notices**. All notices which Lender or Borrower may be required or permitted to give hereunder shall be made in the same manner as set forth in Section 9.02 of the PurchaseAgreement.

14. **Governing Law**. This Note and any claim, controversy, dispute, or cause of action (whether in contract, equity, tort, or otherwise) based upon, arising out of, or relating to this Note and the transactions contemplated hereby shall be governed by the laws of the State of Oregon without giving effect to its principles of choice of law or conflicts of law.

15. **Jurisdiction and Venue**.

15.1 Borrower hereby irrevocably and unconditionally: (a) agrees that any legal action, suit, or proceeding arising out of or relating to this Note may be brought in the courtsof the State of Oregon sitting in Multnomah County, and of the United States District Court, District of Oregon; and (b) submits to the jurisdiction of any such court in any such action, suit, or proceeding. Final judgment against Borrower in any action, suit, or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

15.2 Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note in any court referred to in Section 14.1 and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

16. **Waiver of Jury Trial**. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE, THE LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY WHETHER BASED ON CONTRACT, EQUITY, TORT, OR ANY OTHER THEORY. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN BY BORROWER, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

17. **Miscellaneous**.

17.1 **Time of Essence**. Time shall be of the essence with respect to all of Borrower'sobligations under this Note.

17.2 **Integration**. This Note and the documents described herein constitute the entire understanding of Borrower and Lender with respect to the matters discussed herein,

and supersede all prior and contemporaneous discussions, agreements, and representations, whether oral or written. This Note may only be modified in a writing signed by Lender, or itsloan servicing agent, and Borrower.

17.3 **Severability**. If any term or provision of this Note is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such termor provision in any other jurisdiction.

17.4 **Successors and Assigns**. This Note may be assigned or transferred, in whole or in part, by Lender to any person at any time without notice to or the consent of Borrower. Borrower may not assign or transfer this Note or any of its rights hereunder to any other entitynot a subsidiary and wholly owned by Guarantor without the prior written consent of Lender.This Note shall inure to the benefit of and be binding upon the parties hereto and their permitted assigns.

[*Signature page follows*]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth on the first page hereof.

BORROWER:

CF BLISS LLC

By: Greenpoint Holdings Delaware Inc.
Its: Member

By:_________________________
Name:
Title:

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EXHIBIT A

SECURED PROMISSORY NOTE

The Secured Promissory Note contained in Exhibit A to the Agreement shall be replaced in its entirety and shall now read as follows:

"USD$5,850,000, June 13th, 2022

FOR VALUE RECEIVED, CF Bliss LLC, an Oregon limited liability company, having its principal office at 13315 NE Airport Way, Suite 700, Portland, Oregon 97230, or its permitted assigns ("**Borrower**"), hereby unconditionally promises to pay to the order of [●], a [●] having an office at [●] or its assigns ("**Lender**"), the principal sum of FIVE MILLION EIGHT HUNDRED AND FIFTY THOUSAND AND 00/100 DOLLARS ($5,850,000) (the "**Loan Amount**") at Lender's office, or at such other place as Lender may from time to time designate in writing, in lawful money of the United States, together with all accrued interest thereon as provided in this Secured Promissory Note (this "**Note**"). This Note is being executed and delivered in connection with that certain Asset Purchase Agreement and Asset Purchase Agreement Amendment, dated as of June __, 2022, between Borrower, Lender and the other Seller Parties (as defined therein) (as such agreement may from time to time hereafter be amended, the "**Purchase Agreement**"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

This Note is the "Promissory Note" referred to in the Purchase Agreement, to be delivered to Lender at the Closing, and is subject to the provisions of the Purchase Agreement.

1. Payments; Interest Rate. Borrower shall make payments as follows:

1.1 Quarterly Interest-Only Payments. For entire term of this Note, the outstanding Loan Amount shall accrue interest at a rate per annum equal to twelve percent (12%) (together the "Interest Rate"). Borrower will make quarterly payments of interest in arrears on the first day of each calendar quarter commencing on January 1, 2023 and continuing on the first day of each calendar quarter thereafter. If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Lender's office indicated above is located, such payment shall be made on the next succeeding Business Day

1.2 Balloon Payments. Borrower shall make the following balloon payments to Lender at the end of each calendar year:

1.2.1 Year 1. At the end of Year 1 (January 1, 2024), Borrower shall pay $1,000,000 toward the outstanding balance of the Loan Amount, if any;

1.2.2 Year 2. At the end of Year 2 (January 1, 2025), Borrower shall pay $1,000,000 toward the outstanding balance of the Loan Amount, if any; and

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1.2.3 **Year 3**. At the end of Year 3 (January 1, 2026), Borrower shall pay all amounts owed to Lender under this Note, if any.

2. **Acceleration**. In the event that the cannabis retail stores acquired from the Seller Parties have positive operating income after tax ("Excess Income"), Borrower agrees to pay twenty-five percent (25%) of said Excess Income toward the principal of this Note. Borrower shall make estimated quarterly Excess Income payments to Lender that are reconciled at the end of each calendar year by Borrower and Lender. Following the Closing (as defined under the Purchase Agreement), and so long as any amount remains outstanding under this Note, Borrower shall provide Lender with quarterly financials broken out by store in a format that allows Borrower to review whether there has been any Excess Income from the previous quarter.

3. **Borrower Raises**. Borrower agrees that, in the event Borrower initiates one or more capital raises during a calendar year, either through equity or debt (a "Capital Raise"), Borrower shall provide Lender with seven days' prior written notice before each Capital Raise closes and shall make principal repayments to the Lender using such the funds from a Capital Raise to this Note as follows:

3.1 $0-5 million raised in the aggregate during a calendar year: Borrower shall not be required to apply any funds raised to this Note.

3.2 $5-20 million raised in the aggregate during a calendar year: Borrower shall apply ten percent (10%) of all funds raised to this Note, or until the amount outstanding under this Note is paid in full.

3.3 Over $20 million raised in the aggregate during a calendar year: Borrower shall apply twenty percent (20%) of all funds raised to this Note, or until the amount outstanding under this Note is paid in full.

4. **Optional Prepayments**. Borrower may at any time and from time to time prepay the Loan Amount, in whole or in part, without premium or penalty, upon irrevocable notice delivered to Lender no later than 11:00 AM at least three (3) Business Days prior thereto, which notice shall specify the date and amount of such prepayment. If any notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with the accrued interest to such date on the amount prepaid. Excess payments or prepayments will not be credited as future scheduled payments required by this Note.

5. **Change in Control**. The Parties acknowledge and agree that, should Borrower, or Chalice Brands Ltd., as the parent company of the Borrower (collectively for purposes of this Section 5, the "Borrower Entities"), experience a "Change in Control" (as defined below), Lender shall have the right to immediately accelerate this Note to be due and payable in full upon the closing of such Change in Control. For purposes of this Agreement, "Change in Control" shall mean the occurrence of any of the following events: (i) an acquisition of one of the Borrower Entities by another entity by means of any transaction or series of related transactions (including, without limitation, any reorganization, merger or consolidation but excluding any merger effected exclusively for the purpose of changing the domicile of one of the Borrower Entities)(collectively, a "Merger"), and the relevant Borrower Entity's equity holders with voting securities in such

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Borrower Entity immediately prior to such Merger will, immediately after such Merger, hold less than fifty percent (50%) of the voting securities of the surviving entity, or (ii) a sale of all or substantially all of the assets of one of the Borrower Entities. For purposes of this Section 5, it shall not be considered a Change in Control for either and/or both of the Borrower Entities to be acquired and/or merged with subsidiaries and/or affiliates of the Borrower Entities solely as a part of a corporate reorganization.

6. Application of Payment. All payments made hereunder shall be applied first, to accrued interest at the Interest Rate set for in Section 1.1, as applicable; and second, to the payment of the principal amount outstanding under the Note. However, after an Event of Default, all payments made hereunder may be applied by Lender in such order, priority and in such proportion as Lender shall elect in its sole discretion. No amount repaid hereunder may be re-borrowed.

7. Late Fee. If any amount payable under this Note is not paid when due, the overdue amount shall bear interest at the Interest Rate plus two percent (2%) (the "**Late Fee**") from the date payment was due until such delinquent payment is paid in full. If the Late Fee is triggered as a result of an Event of Default and Borrower subsequently cures the Event of Default, then all amounts owing hereunder will resume bearing interest at the Interest Rate, on the date the Event of Default is cured. This provision shall not imply that Borrower may cure any default or Event of Default or reinstate the loan after an Event of Default other than as expressly permitted under the terms of this Note, nor shall this provision imply that Borrower has a right to delay or extend the dates upon which payments are due under this Note or any Loan Document. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or default, and such Late Fee is a reasonable estimate of those damages and does not constitute a penalty. The remedies of Lender in this Note or in the Loan Documents, or at law or in equity, shall be cumulative and concurrent, and may be pursued singly, successively, or together in Lender's discretion.

8. Savings Clause. The agreements made by Borrower with respect to this Note are expressly limited so that in no event shall the amount of interest received, charged, or contracted for by Lender exceed the highest lawful amount of interest permissible under the laws applicable to the loan. If at any time performance of any provision of this Note results in the highest lawful rate of interest permissible under applicable laws being exceeded, then the amount of interest received, charged, or contracted for by Lender shall automatically and without further action by any party be deemed to have been reduced to the highest lawful amount of interest then permissible under applicable laws. If Lender shall ever receive, charge, or contract for, as interest, an amount which is unlawful, at Lender's election, the amount of unlawful interest shall be refunded to Borrower (if actually paid) or applied to reduce the then unpaid Loan Amount.

9. Events of Default. The occurrence of any of the following events shall constitute anevent of default (an "**Event of Default**") under this Note:

9.1 Failure to Pay. Borrower fails to make any payment required by this Note when due, and such failure continues for ten (10) Business Days after the date when due.

9.2 Default Under Security Agreements. Borrower or Guarantor (as defined below) fails to perform any other material obligation or covenant set forth in this Note or

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theSecurity Agreements (as defined below) and shall fail to cure such default within fifteen (15)days after Lender shall have notified Borrower or Guarantor (as applicable) in writing of the specific obligation or covenant as to which such failure has occurred.

9.3 **Representations and Warranties**. If any material representation, warranty, statement or certificate made or furnished to Borrower in connection with this Note, the Purchase Agreement, or any other document, agreement or instrument furnished to Lender byBorrower shall be materially false, incorrect, or incomplete, when made or furnished.

9.4 **Validity and Enforceability**. Borrower contests the validity or enforceability of this Note or denies that such Borrower has any further liability or obligation hereunder.

9.5 **Insolvency**. Borrower or Guarantor shall make an assignment for the benefit of creditors or a composition with creditors, admit in writing Borrower's or Guarantor's inabilityto pay debts when due, or commence any proceeding relating to his under any bankruptcy, insolvency, reorganization, readjustment of debt, receivership, dissolution or liquidation law or statute of any jurisdiction; or there shall be commenced against Borrower or Guarantor anysuch proceeding which is not dismissed or stayed within 90 days.

10. **Remedies**. Upon the occurrence of an Event of Default and at any time thereafter, Lender may at its option: (a) declare the entire principal amount of this Note, together with all accrued interest thereon, immediately due and payable; and (b) exercise any or all of its rights, powers, or remedies under the Security Agreements or applicable law or available in equity; provided, however, that if an Event of Default described in Section 8.5 shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable automatically and without any notice, declaration, or other act on the part of Lender. The remedies of Lender, as provided in this Note and the Security Agreements, and applicable law, shall be cumulative and concurrent and may be pursued singly, successively, or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

11. **Secured by Security Agreement and Parent Guaranty**. This Note is secured by a Security Agreement of even date herewith in favor of Lender, as beneficiary, and by a Guaranty Agreement of even date herewith issued by Greenpoint Holdings Delaware, Inc. ("**Guarantor**") in favor of Lender, as beneficiary (together the "**Security Agreements**"). Lender will be entitled to the benefits of the security provided by the Security Agreements and will have the right to enforce the covenants and agreements therein. The covenants, conditions, and agreements contained in the Security Agreements are made part of this instrument. The Security Agreements, together with this Note of even date herewith among Borrower and Lender and any other documents to or of which Lender is a party or beneficiary now or hereafter evidencing, securing, guarantying, modifying, or otherwise relating to the Secured Indebtedness evidenced hereby, are herein referred to collectively as the "**Loan Documents**." The obligations of Borrower under this Note are subject to the terms and conditions of the Security Agreements and any other Loan Documents.

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12. **No Waiver**. No failure to exercise and no delay in exercising on the part of Lender, of any right, remedy, power, or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege. No waiver by Lender of any of its rights or of any such breach, default, or failure of condition shall be effective, unless the waiver is expressly stated in a writing signed by Lender.

13. **Notices**. All notices which Lender or Borrower may be required or permitted to give hereunder shall be made in the same manner as set forth in Section 9.02 of the PurchaseAgreement.

14. **Governing Law**. This Note and any claim, controversy, dispute, or cause of action (whether in contract, equity, tort, or otherwise) based upon, arising out of, or relating to this Note and the transactions contemplated hereby shall be governed by the laws of the State of Oregon without giving effect to its principles of choice of law or conflicts of law.

15. **Jurisdiction and Venue**.

15.1 Borrower hereby irrevocably and unconditionally: (a) agrees that any legal action, suit, or proceeding arising out of or relating to this Note may be brought in the courtsof the State of Oregon sitting in Multnomah County, and of the United States District Court, District of Oregon; and (b) submits to the jurisdiction of any such court in any such action, suit, or proceeding. Final judgment against Borrower in any action, suit, or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

15.2 Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note in any court referred to in Section 14.1 and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

16. **Waiver of Jury Trial**. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE, THE LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY WHETHER BASED ON CONTRACT, EQUITY, TORT, OR ANY OTHER THEORY. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN BY BORROWER, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

17. **Miscellaneous**.

17.1 **Time of Essence**. Time shall be of the essence with respect to all of Borrower'sobligations under this Note.

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17.2 Integration. This Note and the documents described herein constitute the entire understanding of Borrower and Lender with respect to the matters discussed herein, and supersede all prior and contemporaneous discussions, agreements, and representations, whether oral or written. This Note may only be modified in a writing signed by Lender, or itsloan servicing agent, and Borrower.

17.3 Severability. If any term or provision of this Note is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Note or invalidate or render unenforceable such termor provision in any other jurisdiction.

17.4 Successors and Assigns. This Note may be assigned or transferred, in whole or in part, by Lender to any person at any time without notice to or the consent of Borrower. Borrower may not assign or transfer this Note or any of its rights hereunder to any other entitynot a subsidiary and wholly owned by Guarantor without the prior written consent of Lender.This Note shall inure to the benefit of and be binding upon the parties hereto and their permitted assigns.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth on the first page hereof.

BORROWER:

CF BLISS LLC

By: Greenpoint Holdings Delaware Inc.
Its: Member

DocuSigned by:
By: Jeff Yapp
820FD9CB94604AB...
Name: Jeff Yapp
Title: Chief Executive Officer"

THIS IS EXHIBIT "P" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (as amended, restated, supplemented, or otherwise modified from time to time, this "**Agreement**") is made as of July 1, 2022 between CF Bliss LLC, an Oregon limited liability company (the "**Grantor**"), and High Street Capital Partners, LLC, a Delaware limited liability company or its designee (the "**Secured Party**").

Background

Reference is hereby made to that certain Asset Purchase Agreement, dated September 16, 2021, among Grantor, Secured Party, and the other parties thereto (as the same may be amended, restated, modified or supplemented, the "**APA**").

Delivered pursuant to the APA, the Grantor issued that certain Secured Promissory Note dated as of the date hereof (as the same may be amended, restated, modified, supplemented and/or replaced from time to time, the "**Note**"), pursuant to which the Secured Party has agreed to finance a portion of the Grantor's Purchase Price (as defined in the APA) on the terms and conditions described therein.

One of the conditions to the obligations of Secured Party under the Note is the execution and delivery of this Agreement.

Accordingly, Grantor, intending to be legally bound, hereby agrees with Secured Party as follows:

1. DEFINITIONS. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Note. The following terms, as used herein, shall have the following meanings:

"**Account**" shall be used herein as defined in the Uniform Commercial Code.

"**Cannabis Approval**" means approval from the applicable Government Authorities of the jurisdictions in which Grantor or its affiliate holds each Cannabis License for the granting of Liens in favor of Secured Party on each Cannabis License and equity interests of Grantor or the entity that holds the Cannabis Licenses.

"**Cannabis License**" means a license or permit for the sale, processing or cultivation of cannabis or cannabis-related products now or hereafter held by Grantor or by a third-party in connection with a Services Agreement with Grantor permitting Grantor to undertake the sale, processing or cultivation of cannabis or cannabis-related products pursuant to the Cannabis License held by such third-party. Schedule 3 sets forth each Cannabis License held by Grantor or held by such a third-party, and if held by such a third-party, the applicable Services Agreement.

"**Chattel Paper**" shall be used herein as defined in the Uniform Commercial Code.

"**Collateral**" shall have the meaning ascribed to such term in Section 2.

"**Commercial Tort Claims**" shall be used herein as defined in the Uniform Commercial Code and shall include those claims listed (including plaintiff, defendant and a description of the claim) on Schedule 6 attached hereto.

"**Deposit Account**" shall be used herein as defined in the Uniform Commercial Code, but in any event shall include, but not be limited to, any demand, time, savings, passbook or similar account; provided, however, but notwithstanding the foregoing or anything to the contrary contained in this Agreement, no Excluded Account shall be deemed to be a Deposit Account.

"**Document**" shall be used herein as defined in the Uniform Commercial Code.

"**Equipment**" shall be used herein as defined in the Uniform Commercial Code.

"**Excluded Account**" means deposit accounts maintained solely as (a) payroll and other employee wage and benefit accounts and (b) tax accounts, including, without limitation, sales tax accounts.

"**Excluded Collateral**" means (a) motor vehicles and other assets subject to certificates of title or ownership to the extent a security interest therein cannot be perfected by a filing of a financing statement, and (b) Excluded Accounts. Notwithstanding the foregoing, "Excluded Collateral" shall not include any Proceeds, products, substitutions or replacements of any Excluded Collateral (unless such Proceeds, products, substitutions or replacements would constitute Excluded Collateral).

"**Event of Default**" shall be used herein as defined in the Note.

"**Fixtures**" shall be used herein as defined in the Uniform Commercial Code.

"**General Intangibles**" shall be used herein as defined in the Uniform Commercial Code.

"**Goods**" shall be used herein as defined in the Uniform Commercial Code.

"**Governmental Authority**" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"**Instruments**" shall be used herein as defined in the Uniform Commercial Code.

"**Inventory**" shall be used herein as defined in the Uniform Commercial Code.

"**Investment Property**" shall be used herein as defined in the Uniform Commercial Code.

"**Letter-of-Credit Right**" shall be used herein as defined in the Uniform Commercial Code.

"**Law**" means all common law and all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"**Lien**" means with respect to any asset, any mortgage, lien, pledge, adverse claim, charge, security interest or other encumbrance, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset.

"**Material Adverse Effect**" means (a) a material adverse effect on the business, operations, results of operations, assets, liabilities or financial condition of Grantor, (b) a material adverse effect on the ability of Grantor to perform its payment obligations under any Loan Document to which it is a party, or (c) a material adverse effect on the rights and remedies of the Secured Party under any Loan Document; provided, that in determining whether a Material Adverse Effect has occurred, there shall be excluded (i) any change in GAAP; (ii) any effect that results from the failure by Grantor to meet predictions, projections or forecasts of revenue, net income or other results; (iii) the taking of any action approved or consented to by the Secured Party; or (iv) any event, circumstance, development, change, occurrence or effect to the extent resulting from, arising out of, or relating to any epidemic, pandemic or disease outbreak (including the COVID-19 virus).

"**Proceeds**" shall be used herein as defined in the Uniform Commercial Code.

"**Secured Obligations**" shall mean any obligations of Grantor under the Note but in any event shall include, without limitation, any amounts due from time to time in respect of loans and interest thereon under the Note, fees payable under the Note and other Loan Documents and expenses and indemnifications provided for, and other amounts payable, under the Note or other Loan Documents.

"Services Agreement" means a Management Services Agreement or similar arrangement between Grantor and any third party holder of a Cannabis License; the Services Agreements to which Grantor is a party as of the date hereof are described on Schedule 3 attached hereto.

"**Software**" shall be used herein as defined in the Uniform Commercial Code but in any event, shall include, but not be limited to, any computer program or supporting information provided in connection with the transaction relating to the program, but does not include a computer program that is included in the definition of Goods.

"**Uniform Commercial Code**" shall mean the Uniform Commercial Code in effect on the date hereof and as amended from time to time, and as enacted in the State of Delaware or in any state or states which, pursuant to the Uniform Commercial Code as enacted in the State of Delaware, has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that the definitions set forth above should be construed in their broadest sense so that Collateral will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the Uniform Commercial Code that broaden the definitions, they are incorporated herein and if existing definitions in the Uniform Commercial Code are broader than the amended definitions, the existing ones shall be controlling.

2. GRANT OF SECURITY INTEREST. Until such time the Note is paid in full according to its terms, as security for the payment and performance of the Secured Obligations, Grantor hereby grants to Secured Party, and creates in favor of Secured Party, a security interest in all the following property in which Grantor now or hereafter has or will have any right, title or interest or has the power to transfer any rights, in all its form, in each case whether now or hereafter existing, or hereafter acquired, created or arising, and wherever located (collectively, but without duplication, the "**Collateral**"):

(a) All Equipment;

(b) All Inventory and other Goods;

(c) All Accounts;

(d) All General Intangibles, including, without limitation, all Management Service Agreements or similar agreements now or hereafter entered into by a Grantor;

(e) All the Cannabis Licenses and permits acquired by Grantor under the APA relating to Grantor's rights to cultivate, process, package, sell or distribute cannabis, marijuana, tetrahydrocannabinol or any other cannabis derivative or products or inventory consisting of or containing marijuana, tetrahydrocannabinol or any other cannabis derivative of Grantor;

(f) All intellectual property, including, without limitation, the trademarks listed on Schedule 7 attached hereto, the copyrights listed on Schedule 8 attached hereto, the domain names listed on Schedule 9 attached hereto and the license agreements listed on Schedule 10 attached hereto;

(g) All Fixtures;

(h) All Documents, Letters of Credit, Letter-of-Credit Rights, Supporting Obligations and Chattel Paper;

(i) All money and Deposit Accounts, including, without limitation, the deposit accounts listed on Schedule 4 attached hereto;

(j) All Instruments and Investment Property, including, without limitation, the investment property and instruments listed on Schedule 5 attached hereto;

(k) All Commercial Tort Claims; and

(l) All securities and uncertificated securities;

(m) All books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records relating to the Collateral and any General Intangibles at any time evidencing or relating to any of the foregoing; and

(n) To the extent not covered by any of the foregoing, all other assets, personal property and rights of such Grantor, whether tangible or intangible, all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect any and all of the foregoing.

Notwithstanding the foregoing or anything to the contrary contained in this Agreement, (i) the Collateral shall not include any Excluded Collateral, provided that, if any Excluded Collateral would have otherwise constituted Collateral, when such property shall cease to be Excluded Collateral, such property shall be deemed at all times from and after the date hereof to constitute Collateral and (ii) if on account of the failure to obtain a Cannabis Approval results in the applicable Government Authority threatening to revoke or terminate the Cannabis License issued by such state, then the grant of the Lien on such Cannabis License (and on the related regulated Collateral pertaining to Grantor) shall automatically be conditioned upon receipt of such Cannabis Approval.

3. REPRESENTATIONS AND WARRANTIES OF GRANTOR. Grantor represents and warrants as set forth below. The representations and warranties in this Section 3 (including those concerning the location of tangible Collateral) shall in no way be deemed to limit or qualify the description of Collateral. Further, they shall survive execution of this Agreement and shall not be affected or waived by any examination or inspection made by Secured Party. Grantor hereby represents and warrants:

(a) Status. Grantor is duly organized, validly existing and in good standing as a corporation or limited liability company under the Laws of its jurisdiction of incorporation or formation.

(b) Authority to Execute Agreement; Binding Agreement. Grantor has the corporate and other power to execute, deliver and perform its obligations under this Agreement and each Loan Document to which it is, or is to be, a party (including, without limitation, the right and power to give Secured Party a security interest in the Collateral) and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each Loan Document to which it is, or is to be, a party. This Agreement has been duly executed by Grantor. This Agreement constitutes the legal, valid and

binding obligation of Grantor, enforceable against Grantor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar Laws of general application relating to or affecting the rights and remedies of creditors.

(c) Grantor's Title. Except for the security interests granted hereunder, Grantor is, as to all Collateral presently owned, and shall be as to all Collateral hereafter acquired, the owner or in the case of leased or licensed assets, the lessee or licensee, of said Collateral free from any Lien. Grantor has not acquired any of the Collateral except in the ordinary course of its business.

(d) Intellectual Property. Schedules 7, 8, and 9 list all of the trademarks, trademark applications, registered copyrights and domain names owned by Grantor as of the date hereof. All material patents and trademarks of Grantor have been duly recorded at the United States Patent and Trademark Office and all material copyrights of Grantor have been duly recorded at the United States Copyright Office. Schedule 10 lists all license agreements under which Grantor is either the licensee or the licensor (other than for off-the-shelf Software) which are necessary for the conduct of the business as presently conducted.

(e) Location of Collateral. As of the date hereof, the Collateral is located at the locations specified on Schedule 1 attached hereto; provided, however, that such Schedule does not include any locations at which Collateral having a value of less than $50,000 is located. Grantor is the record owner of the real property where such Collateral is located, and there exist no mortgages or other Liens on any such real property except as specifically set forth on said Schedule 1.

(f) Account Debtors. As of the date hereof, none of the account debtors or other Persons obligated on any of the Collateral is a Governmental Authority covered by the Federal Assignment of Claims Act or any similar federal, state or local statute or rule in respect of such Collateral.

(g) Instruments and Certificates. As of the date hereof, all Instruments which are certificated and all certificates representing securities that are included in the Collateral and required to be delivered to Secured Party hereunder, together with all necessary endorsements, have been delivered to Secured Party.

(h) Names Used by Grantor. As of the date hereof: (i) the actual corporate name of Grantor is the name set forth in the preamble above; (ii) Grantor has not had any name other than that stated in the preamble hereto or as set forth on Schedule 2 for the preceding five years: and (iii) no entity has merged into Grantor or been acquired by Grantor within the past five years except as set forth on Schedule 2 or otherwise as expressly permitted by the Note or the APA.

(i) Perfected Security Interest. This Agreement creates a valid, first priority security interest in the Collateral, securing payment of the Secured Obligations. Upon the filing of the Uniform Commercial Code financing statements delivered by Grantor to

Secured Party, in the relevant jurisdiction and, if applicable, the recordation of this Agreement (or a short form hereof) at the United States Copyright Office, all security interests granted under this Agreement which may be perfected by filing shall have been duly perfected.

(j) Absence of Conflicts with Other Agreements, Etc. Neither the pledge of the Collateral hereunder nor any of the provisions hereof (including, without limitation, the remedies provided hereunder) violates any of the provisions of any Organizational Documents of Grantor, or any judgment, decree, order or award of any court, governmental body or arbitrator or any applicable Law, rule or regulation applicable to Grantor or any of its property, or in any material respect any other agreement to which Grantor or any of its property is a party or is subject.

(k) Collateral Information. All information set forth herein, including the Schedules annexed hereto, and all information contained in any perfection certificates, documents, schedules and lists heretofore delivered to the Secured Party, in connection with this Agreement, in each case, relating to the Collateral, is accurate and complete. The Collateral described on the Schedules hereof constitutes all of the property of such type of Collateral owned or held by Grantor.

4. COVENANTS OF GRANTOR. Grantor covenants that:

(a) Filing of Financing Statements and Preservation of Interests. Grantor hereby authorizes Secured Party, and appoints Secured Party as its attorney-in-fact, to file in such office or offices as Secured Party deems necessary or desirable such financing and continuation statements and amendments and supplements thereto (including, without limitation, an “all assets” filing), and such other documents as Secured Party may require to perfect, preserve and protect the security interests granted herein and ratifies all such actions taken by Secured Party in accordance herewith.

(b) Delivery of Instruments, Etc. At any time and from time to time that any Collateral consists of Instruments or certificated securities that require or permit possession by Secured Party to perfect the security interest created hereby, Grantor shall deliver such Collateral to Secured Party.

(c) Chattel Paper. Grantor shall cause all Chattel Paper constituting Collateral to be delivered to Secured Party. To the extent that any Collateral consists of electronic Chattel Paper, Grantor shall cause the underlying Chattel Paper to be “marked” within the meaning of Section 9-105 of the Uniform Commercial Code (or successor section thereto).

(d) Investment Property and Deposit Accounts. If there are any Investment Property or Deposit Accounts (other than Excluded Accounts) included as Collateral that can be perfected by “control” through an account control agreement, Grantor shall cause such an account control agreement, in form and substance in each case satisfactory to Secured Party, to be entered into and delivered to Secured Party.

(e) Letter-of-Credit Rights. To the extent that any Collateral consists of Letter-of-Credit Rights Grantor shall use commercially reasonable efforts to cause the issuer of each underlying letter of credit to consent to the assignment to Secured Party.

(f) Collateral In Possession of Third Parties. To the extent that any Collateral is in the possession of any third party Grantor shall join with Secured Party in notifying such third party of Secured Party's security interest.

(g) Commercial Tort Claims. If Grantor shall at any time hold or acquire a Commercial Tort Claim with a value or more than $25,000, Grantor shall promptly notify Secured Party in a writing signed by Grantor of the particulars thereof and shall grant Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Secured Party.

(h) Notice of Changes in Representations. Grantor shall promptly notify Secured Party in advance of any event or condition which could cause any representations set forth in Section 3 above applicable to Grantor to fail to be true, correct and complete in all material respects and shall at such time update and supplement the Schedules (as modified from time to time pursuant to the terms hereof). Without limiting the generality of the foregoing, Grantor:

(i) shall not, without providing at least thirty (30) days prior written notice to Secured Party, change its name in any respect, its place of business or, if more than one, chief executive office, or its mailing address or any organizational identification number; and

(ii) will not change its type of organization, jurisdiction of organization or other legal structure without prior written consent of Secured Party.

(i) Transfer of Collateral. Other than the disposition of assets in the ordinary course of the applicable Grantor's business as presently conducted or as otherwise permitted under the terms of the Note, Grantor shall not sell, assign, transfer, encumber or otherwise dispose of any Collateral without the prior written consent of Secured Party and Secured Party does not authorize any such disposition. For purposes of this provision, "dispose of any Collateral" shall include, without limitation, the creation of a security interest or other encumbrance (whether voluntary or involuntary) on such Collateral, which is not permitted under the Note.

(j) Defense of Secured Party's Rights. Grantor warrants and will defend Secured Party's right, title and security interest in and to the Collateral against the claims of any Person.

(k) Inspections. Grantor will permit Secured Party, or its designee, to inspect the Collateral, wherever located, in accordance with the Note.

(l) Cannabis Licenses; Contracts. Grantor shall take all reasonable and necessary steps to maintain its Cannabis Licenses in full force and effect. To the extent that the provisions of any license, permit, lease or contract included in the Collateral expressly prohibit (which prohibition is enforceable under applicable Law) any assignment thereof, and the grant of security interest therein, Grantor will in good faith use reasonable efforts to work together with Secured Party in good faith to promptly obtain consent for the creation of a security interest in favor of Secured Party (and to enforcement by Secured Party of such security interest for the benefit of itself or its applicable affiliates or transferees) in the Grantor's rights under such license, permit, lease or contract.

(m) Compliance With Laws. Grantor shall pay promptly when due all claims upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement. All claims imposed upon or assessed against the Collateral have been paid and discharged. In the event Grantor shall fail to make such payment contemplated in the immediately preceding sentence, Secured Party may (following notice to the Grantor, to the extent practicable) do so for the account of Grantor and the Grantors shall promptly reimburse and indemnify the Secured Party for all costs and expenses incurred by the Secured Party under this Section 4(m). Grantor shall comply with all Laws applicable to the Collateral the failure to comply with which could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

(n) Intellectual Property. Without limiting the generality of the other obligations of Grantor hereunder, Grantor shall promptly (i) cause to be registered at the United States Copyright Office all of its material copyrights and shall cause the security interest contemplated hereby with respect to such copyrights to be duly recorded at such office, (ii) cause the security interest contemplated hereby with respect to all intellectual property registered at the United States Patent and Trademark Office to be duly recorded at the applicable office, and (iii) give Secured Party notice whenever it acquires (whether absolutely or by license) or creates any additional material intellectual property. Upon the occurrence and during the continuance of an Event of Default, Grantor shall, at the request of Secured Party, cause the registries for any or all of its domain names to issue an authorization code for the transfer of the applicable domain names and supply such codes to Secured Party or take such other action as may be necessary or desirable to transfer Grantor's interest in such domain names to Secured Party or its designee.

(o) Power of Attorney. Grantor has duly executed and delivered to Secured Party a power of attorney (a "**Power of Attorney**") in substantially the form attached hereto as Annex A. The power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until full and indefeasible payment of the Secured Obligations and the termination of any commitment of the Secured Parties to make financial accommodations to Grantor pursuant to the Note. The powers conferred on Secured Party (for the benefit of Secured Party and the Secured Parties) under the Power of Attorney are solely to protect Secured Party's interests (for the benefit of Secured Party and the Secured Parties) in the Collateral and shall not impose any duty upon Secured Party or any Secured Party to exercise any such powers. Secured Party agrees that, except for the powers granted in clause (i) of the Power of Attorney, it shall not exercise any power or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing. NEITHER SECURED

PARTY NOR ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, OR REPRESENTATIVES SHALL BE RESPONSIBLE TO GRANTOR FOR ANY ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION, AND NONE OF SUCH PARTIES SHALL BE LIABLE FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

(p) Other Assurances. Grantor agrees that at any time and from time to time, at the expense of Grantor, it will promptly execute and deliver all further instruments and documents, and take all further action as may be necessary or desirable, or as Secured Party may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder and with respect to any Collateral or to otherwise carry out the purposes of this Agreement.

5. REMEDIES UPON DEFAULT.

(a) Upon the occurrence and during the continuation of an Event of Default, Secured Party may exercise, in addition to any other rights and remedies provided herein, under other contracts and under Law, all the rights and remedies of a secured party under the Uniform Commercial Code. Without limiting the generality of the foregoing, upon the occurrence and during the continuation of an Event of Default, (i) at the written request of Secured Party, Grantor shall, at its cost and expense, assemble the Collateral owned or used by it as directed by Secured Party; (ii) Secured Party shall have the right (but not the obligation) to notify any account debtors and any obligors under Instruments or Accounts to make payments directly to Secured Party and to enforce Grantor's rights against account debtors and obligors; (iii) Secured Party may (but is not obligated to), without notice except as provided below, sell the Collateral at public or private sale, on such terms as Secured Party deems to be commercially reasonable; (iv) Secured Party may (but is not obligated to) direct any financial intermediary or any other Person holding Investment Property to transfer record ownership of the same to Secured Party or its designee; and (v) Secured Party may (but is not obligated to) transfer any or all intellectual property registered in the name of Grantor at the United States Patent and Trademark Office and/or Copyright Office into the name of Secured Party or any designee or any purchaser of any Collateral. Grantor agrees that seven (7) days' notice of any sale referred to in clause (iii) above shall constitute sufficient notice. Grantor shall be liable to Secured Party for any deficiency amount.

(b) Secured Party may comply with any applicable Law in connection with a disposition of Collateral, and compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Secured Party may sell the Collateral pursuant to paragraph (a) above without giving any warranties and may specifically disclaim such warranties. If Secured Party sells any of the Collateral on credit, the Grantor will only be credited with payments actually made by the purchaser. Secured Party may purchase Collateral at any such sale in accordance with the provisions of the Uniform Commercial Code. In addition, Grantor waives any and all rights that it may have to a judicial hearing in advance of the

enforcement of any of Secured Party's rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

(c) If any Event of Default shall have occurred and be continuing, all payments received by Grantor in respect of the Collateral shall be received in trust for the benefit of Secured Party, shall be segregated from other funds of Grantor and shall be forthwith paid over to Secured Party in the same form as so received (with any necessary endorsement).

(d) If any Event of Default shall have occurred and be continuing, Secured Party may, without notice to Grantor except as required by Law and at any time or from time to time, charge, set off and otherwise apply all or part of the Secured Obligations against any funds deposited with it or held by it.

(e) For the purpose of enabling Secured Party to further exercise rights and remedies under this Section 5 or elsewhere provided by agreement or applicable Law, Grantor hereby grants to Secured Party, for the benefit of Secured Party the irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to Grantor) to use, license or sublicense during the occurrence of an Event of Default, any intellectual property now owned or hereafter acquired by Grantor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, except in each case to the extent that the exercise of any of the foregoing would violate the terms of any such license or sublicense.

6. OBLIGATIONS ABSOLUTE.

(a) Change of Circumstance. THE RIGHTS OF SECURED PARTY HEREUNDER AND THE OBLIGATIONS OF GRANTOR HEREUNDER SHALL BE ABSOLUTE AND UNCONDITIONAL, SHALL NOT BE SUBJECT TO ANY COUNTERCLAIM, SETOFF, RECOUPMENT OR DEFENSE BASED UPON ANY CLAIM THAT GRANTOR OR ANY OTHER PERSON MAY HAVE AGAINST SECURED PARTY AND SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL FULL AND INDEFEASIBLE SATISFACTION OF THE SECURED OBLIGATIONS (OTHER THAN ANY CONTINGENT REIMBURSEMENT OR INDEMNIFICATION OBLIGATIONS FOR WHICH NO CLAIM HAS BEEN MADE) AFTER OR CONCURRENT WITH THE TERMINATION OF ANY COMMITMENT OF SECURED PARTY TO MAKE FINANCIAL ACCOMMODATIONS TO GRANTOR PURSUANT TO THE NOTE. Without limiting the generality of the foregoing, the obligations of Grantor shall not be released, discharged or in any way affected by any circumstance or condition (whether or not Grantor shall have any notice or knowledge thereof) including, without limitation, any amendment or modification of or supplement to the Note, any Notes or any other Loan Document (including, without limitation, increasing the amount or extending the maturity of the Secured Obligations); any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such agreements or instruments, or any exercise or failure to exercise of any right, remedy, power or privilege under or in respect of any such agreements or instruments, or any exercise or failure to

exercise of any right, remedy, power or privilege under or in respect of any such agreements or instruments; any invalidity or unenforceability, in whole or in part, of any term hereof or of the Note, any Notes or any other Loan Document; any failure on the part of Grantor or any other Person for any reason to perform or comply with any term of the Note, any Note or any other Loan Document; any furnishing or acceptance of any additional security or guaranty; any release of Grantor or any other Person or any release of any or all security or any or all guarantees for the Secured Obligations, whether any such release is granted in connection with a bankruptcy or otherwise; any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding with respect to Grantor or any other Person or their respective properties or creditors; the application of payments received by Secured Party from any source that were lawfully used for some other purpose, which lawfully could have been applied to the payment, in full or in part, of the Secured Obligations; or any other occurrence whatsoever, whether similar or dissimilar to the foregoing. Without limiting the generality of the foregoing, at any time that the Note is amended to increase the amount of the Secured Obligations thereunder, the amount of the Secured Obligations shall be accordingly increased.

(b) Reinstatement. Notwithstanding anything to the contrary herein contained, this Agreement and the security interest provided for herein shall continue to be effective or be reinstated, as the case may be, if at any time any payment, or any part thereof, of any or all of the Secured Obligations is rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be restored or returned by Secured Party or its affiliates or transferees in connection with any bankruptcy, reorganization or similar proceeding involving Grantor, any other party liable with respect to the Secured Obligations or otherwise, if the proceeds of any Collateral are required to be returned by Secured Party or its affiliates or transferees under any such circumstances, or if Secured Party or its affiliates or transferees elects to return any such payment or proceeds or any part thereof, all as though such payment had not been made or such proceeds not been received.

(c) Other Waivers. Grantor hereby waives promptness, diligence and notice of acceptance of this Agreement. In connection with any sale or other disposition of Collateral, to the extent permitted by applicable Law, Grantor waives any right of redemption or equity of redemption in the Collateral. Grantor further waives presentment and demand for payment of any of the Secured Obligations, protest and notice of protest, dishonor and notice of dishonor or notice of default or any other similar notice with respect to any of the Secured Obligations, and all other similar notices to which Grantor might otherwise be entitled, except as otherwise expressly provided in the Loan Documents. Secured Party is under no obligation to pursue any rights against third parties with respect to the Secured Obligations and Grantor hereby waives any right it may have to require otherwise. Grantor (to the extent that it may lawfully do so) covenants that it shall not at any time insist upon or plead, or in any manner claim or take the benefit of, any stay, valuation, appraisal or redemption now or at any time hereafter in force that, but for this waiver, might be applicable to any sale made under any judgment, order or decree based on this Agreement or any other Loan Document; and Grantor (to the extent that it may lawfully do so) hereby expressly waives and relinquishes all benefit of any and all such Laws and hereby covenants that it will not hinder, delay or impede the execution of any power in this Agreement or in any other Loan Document delegated to Secured Party, but that

it will suffer and permit the execution of every such power as though no such Law or Laws had been made or enacted.

(d) Grantor further waives to the fullest extent permitted by Law any right it may have to notice (except for notice specifically required hereby) or to a judicial hearing prior to the exercise of any right or remedy provided by this Agreement to Secured Party, and waives its rights, if any, to set aside or invalidate any sale duly consummated in accordance with the foregoing provisions hereof on the grounds (if such be the case) that the sale was consummated without a prior judicial hearing.

(e) GRANTOR'S WAIVERS UNDER THIS SECTION 6 HAVE BEEN MADE VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY AND AFTER SUCH GRANTOR HAS BEEN APPRISED AND COUNSELED BY ITS ATTORNEY AS TO THE NATURE THEREOF AND ITS POSSIBLE ALTERNATIVE RIGHTS.

7. NO IMPLIED WAIVERS. No failure or delay on the part of Secured Party in exercising any right, power or privilege under this Agreement or the other Loan Documents and no course of dealing between Grantor, on the one hand, and Secured Party, on the other hand, shall operate as a waiver of any such right, power or privilege. No single or partial exercise of any right, power or privilege under this Agreement or the other Loan Documents precludes any other or further exercise of any such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies expressly provided in this Agreement and the other Loan Documents are cumulative and not exclusive of any rights or remedies which Secured Party would otherwise have. No notice to or demand on Grantor in any case shall entitle Grantor to any other or further notice or demand in similar or other circumstances or shall constitute a waiver of the right of Secured Party to take any other or further action in any circumstances without notice or demand. Any waiver that is given shall be effective only if in writing and only for the limited purposes expressly stated in the applicable waiver.

8. STANDARD OF CARE.

(a) In General. No act or omission of Secured Party shall give rise to any defense, counterclaim or offset in favor of Grantor or any claim or action against Secured Party, in the absence of gross negligence or willful misconduct of Secured Party or such Secured Party as determined in a final, nonappealable judgment of a court of competent jurisdiction. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Secured Party accords to other Collateral it holds, it being understood that it has no duty to take any action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral or to preserve any rights of any parties and shall only be liable for losses which are a result of it gross negligence or willful misconduct as determined in a final, nonappealable judgment of a court of competent jurisdiction.

(b) No Duty to Preserve Rights. Without limiting the generality of the foregoing, Secured Party has no duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral.

(c) No Duty to Prepare for Sale. Without limiting the generality of the foregoing, Secured Party has no obligation to clean-up or otherwise prepare the Collateral for sale.

(d) Duties Relative to Contracts. Without limiting the generality of the foregoing, Grantor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by such Grantor thereunder. Secured Party shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by Secured Party of any payment relating to any of the Collateral, nor shall Secured Party be obligated in any manner to perform any of the obligations of Grantor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to Secured Party or to which Secured Party may be entitled at any time or times.

9. INDEMNIFICATION. Grantor shall indemnify Secured Party and each applicable affiliate, director, officer, employee, partner, agent, trustee, administrator, manager, advisor and representative thereof (each, an "**Indemnitee**") for any and all losses, damages, liabilities, claims and related expenses (including the reasonable fees and expenses of any counsel for any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by any Person (including Grantor) arising out of, in connection with or resulting from this Agreement (including, without limitation, enforcement of this Agreement) or any failure of any Secured Obligations to be the legal, valid, and binding obligations of Grantor enforceable against Grantor in accordance with their terms, whether brought by a third party or by Grantor, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

10. MISCELLANEOUS.

(a) Successors and Assigns. Except as otherwise provided in the Note, Secured Party may assign or transfer this Agreement and any or all rights or obligations hereunder without the consent of Grantor and without prior notice. Grantor shall not assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of Secured Party or as expressly provided in the Note and any prohibited assignment or transfer shall be null and void. Notwithstanding the foregoing, if there should be any assignment of any rights or obligations by operation of law or in contravention of the terms of this Agreement or otherwise, then all covenants, agreements, representations and warranties made herein or pursuant hereto by or on behalf of Grantor shall bind the successors and assigns of Grantor together with the

preexisting Grantor, whether or not such new or additional Persons execute a joinder hereto or assumption hereof (without the same being deemed a waiver of any default caused thereby) which condition shall not be deemed to be a waiver of any default or Event of Default arising out of such assignment. The rights and privileges of Secured Party under this Agreement shall inure to the benefit of its successors and assigns.

(b) Notices. All notices, requests, demands, directions and other communications provided for herein shall be in writing and shall be delivered or mailed in the manner specified in the Note addressed to a party at its address set forth in or determined pursuant to the Note, as the case may be.

(c) Severability. Every provision of this Agreement is intended to be severable. If any term or provision of this Agreement shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired thereby. Any invalidity, illegality or unenforceability of any term or provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

(d) Costs and Expenses. Without limiting any other cost reimbursement provisions in the Loan Documents, upon demand, Grantor shall pay to Secured Party the amount of any and all reasonable expenses incurred by Secured Party hereunder or in connection herewith, including, without limitation those that may be incurred in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder or (iv) the failure of Grantor to perform or observe any of the provisions hereof.

(e) Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by Secured Party and when Secured Party shall have received counterparts hereof that when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or by e-mail (in .pdf form) shall be effective as delivery of a manually executed counterpart of this Agreement.

(f) Amendments and Waivers. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by Grantor and Secured Party.

(g) Electronic Execution of Loan Documents. The words “execution,” “signed,” “signature,” and words of like import in this Agreement or any other Loan Document

shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act.

(h) Descriptive Headings. The descriptive headings of the several sections of this Agreement are inserted for convenience only and shall not affect the meaning or construction of any of the provisions of this Agreement.

11. RELATIONSHIP WITH NOTE. To the extent that any of the terms hereof is inconsistent with any provision of the Note, the provisions of the Note shall control.

12. GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL.

(a) Governing Law. This Agreement and the other Loan Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of Oregon.

(b) Submission to Jurisdiction. Grantor irrevocably and unconditionally agrees, for itself and its property, that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against Secured Party or any related Party in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of Oregon, and of the United States District Court of the State of Oregon, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such Oregon State court or, to the fullest extent permitted by applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Agreement or in any other Loan Document shall affect any right that Secured Party may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against Grantor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Grantor irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) above. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Waiver of Jury Trial. GRANTOR IRREVOCABLE WAIVES ANY AND ALL RIGHT GRANTOR MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS AGREEMENT, ANY DOCUMENT EXECUTED IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN. GRANTOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

(e) Service of Process. Each Grantor hereby irrevocably waives personal service of any and all legal process, summons, notices and other documents and other service of process of any kind and consents to such service in any suit, action or proceeding brought in the United States with respect to or otherwise arising out of or in connection with any this Agreement or any other Loan Document by any means permitted by applicable Law, including by the mailing thereof (by registered or certified mail, postage prepaid) to the address of Grantor specified herein (and shall be effective when such mailing shall be effective, as provided therein).

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers on behalf of the parties as of the date first above written.

Secured Party:

HIGH STREET CAPITAL PARTNERS, LLC

By: Acreage Holdings America, Inc.,
its Manager

By:________________________________
Name: Dennis Curran
Title: Authorized Person

Grantor:

CF BLISS LLC
an Oregon limited liability company

By:________________________________
Name: Jeffrey Yapp
Title: CEO

DocuSign Envelope ID: 88D0CEDB-8CD3-44A5-A412-88D4A9338F28

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers on behalf of the parties as of the date first above written.

Secured Party:

HIGH STREET CAPITAL PARTNERS, LLC

By: Acreage Holdings America, Inc.,
its Manager

DocuSigned by:
Dennis Curran
B1D6907558C24EC...

By:__________________________________
Name: Dennis Curran
Title: Authorized Person

Grantor:

CF BLISS LLC
an Oregon limited liability company

By:__________________________________
Name:
Title:

Annex A

FORM OF POWER OF ATTORNEY

This Power of Attorney is executed and delivered by CF Bliss, LLC, an Oregon limited liability company ("Grantor"), to _________ ("Attorney"). This Power of Attorney is delivered in connection with and pursuant to a certain Secured Promissory Note dated as of even date herewith between Grantor and Attorney (as the same may be amended or supplemented from time to time, the "Note") and that certain Security Agreement delivered in connection therewith (as the same may be amended or supplemented from time to time, the "Security Agreement"). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement or the Note. No person to whom this Power of Attorney is presented, as authority for Attorney to take any action or actions contemplated hereby, shall be required to inquire into or seek confirmation from Grantor as to the authority of Attorney to take any action described below, or as to the existence of or fulfillment of any condition to this Power of Attorney, which is intended to grant to Attorney unconditionally the authority to take and perform the actions contemplated herein, and Grantor irrevocably waives any right to commence any suit or action, in law or equity, against any person or entity which acts in reliance upon or acknowledges the authority granted under this Power of Attorney. The power of attorney granted hereby is coupled with an interest, and may not be revoked or canceled by Grantor without Attorney's written consent.

Grantor hereby irrevocably constitutes and appoints Attorney (and all officers, employees or Secured Party's designated by Attorney), with full power of substitution, as Grantor's true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in its own name, from time to time in Attorney's discretion, to, during the continuance of an Event of Default, take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Note, the Security Agreement and any and all agreements, documents and instruments executed, delivered or filed in connection therewith from time to time (collectively, the "Loan Documents") and, without limiting the generality of the foregoing, Grantor hereby grants to Attorney the power and right, on behalf of Grantor, without notice to or assent by Grantor, and at any time, to do the following, in each case during the continuance of an Event of Default, in accordance with provisions of applicable law:

(a) change the mailing address of Grantor, open a post office box on behalf of Grantor, open mail for Grantor, and ask, demand, collect, give acquittances and receipts for, take possession of, endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, and notices in connection with any property of Grantor;

(b) receive, endorse Grantor's name on, and collect, any checks, notes, acceptances, money orders, drafts and any other forms of payment or security payable to Grantor, and hold all amounts or proceeds so received or collected as cash collateral in a restricted account for the benefit of the Secured Parties, or apply such amounts or proceeds to the Secured Obligations in accordance with the terms of the Note;

(c) effect any repairs to any equipment of Grantor, or continue or obtain any insurance and pay all or any part of the premiums therefor and costs thereof, and make, settle and adjust all claims under such policies of insurance, and make all determinations and decisions with respect to such policies;

(d) pay or discharge any taxes, liens, security interests, or other encumbrances levied or placed on or threatened against Grantor or its property;

(e) file or prosecute any claim, litigation, suit or proceeding in any court of competent jurisdiction or before any arbitrator, or take any other action otherwise deemed appropriate by Attorney for the purpose of collecting any and all such moneys due to Grantor whenever payable and to enforce any other right in respect of Grantor's property;

(f) cause the certified public accountants then engaged by Grantor to prepare and deliver to Attorney at any time and from time to time, promptly upon Attorney's request, the following reports: (i) a reconciliation of all accounts, (ii) an aging of all accounts, (iii) trial balances, (iv) test verifications of such accounts as Attorney may request, and (v) the results of each physical verification of inventory;

(g) communicate in its own name with any party to any contract with regard to the collateral assignment of the right, title and interest of Grantor in and under the contracts and other matters relating thereto;

(h) to the extent that Grantor's authorization given in the Security Agreement is not sufficient, to file such financing statements with respect to the Collateral as Attorney may deem appropriate and to execute in Grantor's name such financing statements and amendments thereto and continuation statements which may require Grantor's signature; and

(i) execute, deliver and/or record, as applicable, in connection with any sale or other remedy provided for in any Loan Document, any endorsements, assignments or other applications for or instruments of conveyance or transfer with respect to the Collateral and to otherwise direct such sale or resale, all as though Attorney were the absolute owner of the property of Grantor for all purposes, and to do, at Attorney's option and Grantor's expense, at any time or from time to time, all acts and other things that Attorney reasonably deems necessary to perfect, preserve, or realize upon Grantor's property or assets and Attorney's liens thereon, all as fully and effectively as Grantor might do. Grantor hereby ratifies, to the extent permitted by law, all that Attorney shall lawfully do or cause to be done by virtue hereof. Without limiting the generality of the foregoing, Attorney is specifically authorized to execute and file any applications for or instruments of transfer and assignment of any patents, trademarks, copyrights or other intellectual property with the United States Patent and Trademark Office and the United States Copyright Office.

[*Signature page follows*]

IN WITNESS WHEREOF, this Power of Attorney is duly executed on behalf of Grantor this 1 day of July, 2022.

By: ______________________________
Name: Jeffrey Yapp
Title: CEO

NOTARY PUBLIC CERTIFICATE

On this _____ day of ____________, 2022, ______________________________ who is personally known to me appeared before me in his/her capacity as the_________________________ of ("Grantor") and executed on behalf of Grantor the Power of Attorney in favor of High Street Capital Partners, LLC, a Delaware limited liability company, to which this Certificate is attached.

____
Notary Public

Schedule 1

LOCATIONS OF COLLATERAL

1. 2231 W. Burnside St., Portland, Oregon 97210.
2. 588 E. 11th Avenue, Eugene, Oregon 97401.
3. 1917 SE 7th Avenue, Portland, Oregon 97214.
4. 2600 Main Street, Suite E, Springfield, Oregon 97477.

Schedule 2

NAMES USED BY GRANTOR

None.

Schedule 3

CANNABIS LICENSES; SERVICES AGREEMENTS

Cannabis Licenses:

East 11th

1. Marijuana Retailer License, issued by the OLCC, effective January 3, 2021, expiring on January 2, 2022 (license no. 050-1004151A29E).

The Firestation 23 Inc.

1. Marijuana Retailer License, issued by the OLCC, effective January 4, 2021, expiring on January 3, 2022 (license no. 050-1003660E75D).
2. City of Portland Marijuana Regulatory License (license no. 326-20) issued on April 11, 2020 expired April 10, 2021. We have submitted the renewal and we are awaiting new certificates from the City.
3. Department of Agriculture Cannabis Retail Food Establishment License (license no. AG-L1044222CRFE) issued on September 21, 2020 and expiring June 30, 2021.

22nd and Burn

1. Marijuana Retailer License issued by the OLCC, effective December 31, 2020, expiring on December 30, 2021 (license no. 050-1004151A29E).

2. City of Portland Marijuana Regulatory License (license no. 328-20) issued on April 11, 2020 and expired April 10, 2021. We have submitted the renewal and we are awaiting new certificates from the City.

HSCP Oregon, LLC

1. Marijuana Retailer License issued by the OLCC, effective January 10, 2021, expiring on January 9, 2022 (license no. 050-1004152E8C9).
2. City of Springfield Marijuana Recreational License (license no. 17607) expiring on June 30, 2021.

Services Agreements:

None.

Schedule 4

DEPOSIT ACCOUNTS

Grantor shall maintain a deposit account with Salal Credit Union but is awaiting final approval of its application. Grantor shall supply this account information when it is received.

Schedule 5

INSTRUMENTS AND INVESTMENT PROPERTY

None.

Schedule 6

COMMERCIAL TORT CLAIMS

None.

Schedule 7

TRADEMARKS

Mark	Application Filing Number	Filing Date	Registration No.	RegistrationDate	Applicant / RegistrantName	Jurisdiction	Status	Renewal / Material DueDates
CANNABLISS & CO.	50528	06/20/2019	50528	06/20/2019	Acreage IP Oregon, LLC	Oregon	Registered	Renewal due 06/20/2024
CANNABLISS & CO. & Design CANNABLISS & CO.	50586	07/23/2019	50586	07/23/2019	Acreage IP Oregon, LLC	Oregon	Registered	Renewal due 07/23/2024
Flower Design	50585	07/23/2019	50585	07/23/2019	Acreage IP Oregon, LLC	Oregon	Registered	Renewal due 07/23/2024

Schedule 8

COPYRIGHTS

None.

Schedule 9

DOMAIN NAMES

www.cannablissandco.com

<u>Schedule 10</u>

LICENSE AGREEMENTS

None.

THIS IS EXHIBIT "Q" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

NONNEGOTIABLE PROMISSORY NOTE

$400,000.00 December 21, 2021

This Nonnegotiable Promissory Note ("**Note**") is made by Greenpoint Oregon, Inc., an Oregon corporation ("**Maker**") in favor of Tozmoz LLC, an Oregon limited liability company ("**Holder**").

1. **Payment**. Maker promises to pay only to Holder the principal amount of $**400,000.00**, with **interest set at 6 %** in equal payments amortized over 48 equal monthly payments. The first payment is due on the first day of the first full month after Closing and subsequent payments are due on the same day of each following month until forty-seven months after the first payment date, at which time the unpaid principal amount, together with accrued interest, is due in its entirety. The amount of each payment is **$9,394.01**.

2. **Interest Rate**. Maker will pay six percent (6%) interest on the unpaid principal amount per annum. Interest will be calculated on the basis of a year of 365 or 366 days, as applicable.

3. **Application of Payments**. All payments under this Note will be applied first to any costs and expenses due to Holder under this Note, then to accrued interest to date of payment, if applicable, and then to the unpaid principal amount.

4. **Place of Payments**. All payments under this Note will be made to Holder at 12042 SE Sunnyside Rd. #394, Clackamas, OR 97015 or any other address that Holder may designate by notice to Maker.

5. **Prepayments**. Maker may prepay a part or all of the unpaid principal amount at any time.

6. **No Negotiation**. This Note is nonnegotiable and may not be sold, assigned, or otherwise negotiated to any person without the prior written consent of Maker, which Maker may withhold in Maker's sole discretion.

7. **Events of Default**. Each of the following is an event of default under this Note:

   (a) Maker fails to make any payment required by this Note when due, and such failure continues for thirty days after Holder notifies Maker of the failure to make the payment when due;

   (b) Maker:

      (1) makes an assignment for the benefit of creditors;

      (2) commences a voluntary bankruptcy case;

      (3) files a petition or answer seeking for Maker any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or rule;

      (4) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against Maker in any proceeding of this nature; or

      (5) seeks, consents to, or acquiesces in the appointment of a trustee, receiver, or liquidator of Maker for of all or any substantial part of Maker's properties;

(c) an involuntary bankruptcy case against Maker is commenced and is not dismissed on or before the 120th day after the commencement of the case; or

(d) a court:

(1) adjudicates Maker as bankrupt or insolvent; or

(2) appoints, without Maker's consent, a trustee, receiver, or liquidator either of Maker or of all or any substantial part of Maker's properties that is not: (A) vacated or stayed on or before the 90th day after appointment; or (B) vacated on or before the 90th day after expiration of a stay.

8. **Remedies**. On and after an event of default under this Note, Holder may exercise the following remedies, which are cumulative and which may be exercised singularly or concurrently:

(a) upon notice to Maker, the right to accelerate the due dates under this Note so that the unpaid principal amount, together with accrued interest, is immediately due in its entirety;

(b) any remedy available to Holder under any agreement guaranteeing or securing the performance of any of the obligations of Maker under this Note or any of the obligations of any guarantor of this Note; and

(c) any other remedy available to Holder at law or in equity.

9. **Time of Essence**. Time is of the essence with respect to all dates and time periods in this Note.

10. **Amendment**. This Note may be amended only by a written document signed by the party against whom enforcement is sought.

11. **Waiver**.

(a) Maker waives demand, presentment for payment, notice of dishonor or nonpayment, protest, notice of protest, and lack of diligence in collection, and agrees that Holder may extend or postpone the due date of any payment required by this Note without affecting Maker's liability.

(b) No waiver will be binding on Holder unless it is in writing and signed by Holder. Holder's waiver of a breach of a provision of this Note will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision.

12. **Severability**. If a provision of this Note is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Note will not be impaired.

13. **Governing Law**. This Note is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Note.

14. Venue. Any action, suit, or proceeding arising out of the subject matter of this Note will be litigated in courts located in Multnomah County, Oregon. Maker consents and submits to the jurisdiction of any local, state, or federal court located in Multnomah County, Oregon.

Maker:

Greenpoint Oregon, Inc.

By: Andrew Marchington (Dec 21, 2021 11:54 PST)
Andrew Marchington
Its: Secretary

THIS IS EXHIBIT "R" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

November 22, 2022

Greenpoint Workforce, Inc
13315 NE Airport Way #700 Portland, OR 97230

Attention: Jeff Yapp

I am pleased to make available to the Greenpoint Workforce Inc., a wholly owned subsidiary of Chalice Brands Ltd., the Term Loan described below on, and subject to, the terms and conditions described in this letter and the attached Schedule (together, this "**Agreement**").

Borrower: Greenpoint Workforce, Inc. (the "**Borrower**").

Purpose: To fund the Borrowers day to day working capital requirements until such time Borrower receives the ERC refund from the Internal Revenue Service.

Availability: The Term Loan shall be available in a single drawing at any time before December 9th , 2022, at the Borrower's option by way of:

- A direct advance in US dollars bearing interest at a fixed rate

Interest:

A fixed rate of one and one half (1.5) percent per month

Overdue principal, interest, fees and other amounts shall bear interest at 5% per month (the "**Default Rate**"). All such interest shall be calculated daily and due on demand.

Upon the occurrence and during the continuation of any Event of Default, the Borrower shall pay interest on all outstanding obligations (including all amounts of principal or interest, and any fee or other amount) at the Default Rate.

Term and Maturity: The Term Loan shall have a term of five (5) months and will mature on the earlier of (i) April 30, 2023 (the "**Term Loan Maturity Date**"); (ii) the date on which the borrower receives the ERC refund and: (iii) the date on which the Lender demands repayment following the occurrence of an Event of Default.

Repayment:

The Borrower shall repay all obligations under or in connection with the Term Loan, including all principal, accrued interest, fees and other amounts then unpaid with respect thereto in full on the Term Loan Maturity Date and the Term Loan shall be automatically terminated on the Term Loan Maturity Date.

Voluntary Prepayments - Term Loan: Amounts outstanding under the Term Loan may be prepaid, in whole or in part, without premium or penalty, in minimum amounts of $100,000 at the option of the Borrower at any time upon two Business Day's prior written notice, subject to reimbursement of the Lender's breakage costs.

Mandatory Prepayments: The following amounts shall be applied to prepay amounts outstanding under the Credit Facility promptly upon receipt thereof:

(a) 25% of the net cash proceeds of all asset sales or other dispositions of property (other than dispositions of inventory in the usual course of business) by the Borrower or any of their respective subsidiaries.

(b) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of debt.

(c) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of equity securities.

(d) 100% of all extraordinary receipts (including, without limitation, tax refunds, employer retention credits, pension plan reversions, insurance proceeds, indemnity payments, purchase price adjustments under acquisition agreements and other similar receipts) received by the Borrower or any of its subsidiaries.

All mandatory prepayments will be applied to the remaining principal payments under the Term Loan.

Security: All indebtedness, liability and obligations of the Borrower to the Lender under or in connection with this Agreement and the Credit Facility will be evidenced and secured by the following documents (the "**Security Documents**"), in each case in form and substance satisfactory to the Lender and its counsel, and registered or recorded as required by the Lender:

1. General security agreement from the Borrower creating a first priority security interest in all present and after acquired personal property of the Borrower.

2. Pledge agreement executed by the Borrower, pursuant to which the Borrower creates a [first ranking] pledge and security interest in all of its right title and interest in the ERC refund

3. Such other loan and security documents as may reasonably be requested by the Lender.

Conditions Precedent: The Lender's obligation to make any loan or to extend (or continue to extend) any credit under this Agreement is subject to the standard conditions precedent set forth in **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A hereto

Representations and Warranties: The Borrower makes the representations and warranties set out in **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A.

Covenants: The Borrower covenants and agrees that it shall comply with the covenants set out in **Error! Bookmark not defined.Error! Reference source not found.** and **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A.

Events of Default: Events of Default applicable to the Credit Facility are set out in **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A.

Expenses: The Borrower shall pay (a) all reasonable costs and expenses of the Lender incurred in connection with the preparation, due diligence (including third party expenses), negotiation, execution, amendment, delivery, administration of the Credit Facility, this Agreement, the Security Documents and any other document or action contemplated thereby (including, without limitation, the reasonable fees, disbursements and other charges of counsel to the Lender; and (b) all reasonable out-of-pocket expenses of the Lender (including the fees, disbursements and other charges of counsel to the Lender) in connection with any default or Event of Default or the enforcement of this Agreement and the Security Documents.

Governing Law and Forum:	This Agreement and, unless expressly specified otherwise therein, each document or instrument delivered under or in connection with this Agreement, shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in such Province. The Borrower irrevocably submits to the exclusive jurisdiction of the courts of the Province of Ontario with respect to all matters arising from this Agreement.
Waiver of Jury Trial:	Each party acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complex commercial issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.
Acceptance and Expiry of this Agreement:	If the terms and conditions of this Agreement are acceptable to you, please indicate your acceptance by signing where indicated below and return the signed copy of this Agreement to us by no later than December 9th. If not accepted by such date, this offer shall lapse and this Agreement shall be of no further force or effect.

Amount: $ 300,000.00 USD

Yours truly,

________________________	________________________
Name: Gary Zipfel	Name:
Title: Shareholder	Title:

The undersigned hereby acknowledges, accepts and agrees to the terms and conditions of this Agreement (including the Schedule attached hereto) this .... day of ...., 2022

Borrower:

Greenpoint Workforce, Inc

By_________________

Name: Jeffrey Yapp

Title: CEO

November 22, 2022

Greenpoint Workforce, Inc
13315 NE Airport Way #700 Portland, OR 97230

Attention: Jeff Yapp

I am pleased to make available $250,000 to the Greenpoint Workforce Inc., a wholly owned subsidiary of Chalice Brands Ltd., the Term Loan described below on, and subject to, the terms and conditions described in this letter and the attached Schedule (together, this "**Agreement**").

Borrower:	Greenpoint Workforce, Inc. (the "**Borrower**").
Purpose:	To fund the Borrowers day to day working capital requirements until such time Borrower receives the ERC refund from the Internal Revenue Service.
Availability:	The Term Loan shall be available in a single drawing at any time before November 28, 2022, at the Borrower's option by way of: • A direct advance in Canadian dollars bearing interest at a fixed rate
Interest:	**A fixed rate of one and half (1.5%) percent per month** Overdue principal, interest, fees and other amounts shall bear interest at 3.0% per month (the "**Default Rate**"). All such interest shall be calculated daily and due on demand. Upon the occurrence and during the continuation of any Event of Default, the Borrower shall pay interest on all outstanding obligations (including all amounts of principal or interest, and any fee or other amount) at the Default Rate.
Term and Maturity:	The Term Loan shall have a term of five (5) months and will mature on the earlier of (i) April 30, 2023 (the "**Term Loan Maturity Date**"); (ii) the date on which the borrower receives the ERC refund and: (iii) the date on which the Lender demands repayment following the occurrence of an Event of Default.
Repayment:	

The Borrower shall repay all obligations under or in connection with the Term Loan, including all principal, accrued interest, fees and other amounts then unpaid with respect thereto in full on the Term Loan Maturity Date and the Term Loan shall be automatically terminated on the Term Loan Maturity Date.

Voluntary Prepayments - Term Loan: Amounts outstanding under the Term Loan may be prepaid, in whole or in part, without premium or penalty, in minimum amounts of $100,000 at the option of the Borrower at any time upon two Business Day's prior written notice, subject to reimbursement of the Lender's breakage costs.

Mandatory Prepayments: The following amounts shall be applied to prepay amounts outstanding under the Credit Facility promptly upon receipt thereof:

(a) 25% of the net cash proceeds of all asset sales or other dispositions of property (other than dispositions of inventory in the usual course of business) by the Borrower or any of their respective subsidiaries.

(b) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of debt.

(c) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of equity securities.

(d) 100% of all extraordinary receipts (including, without limitation, tax refunds, employer retention credits, pension plan reversions, insurance proceeds, indemnity payments, purchase price adjustments under acquisition agreements and other similar receipts) received by the Borrower or any of its subsidiaries.

All mandatory prepayments will be applied to the remaining principal payments under the Term Loan.

Security: All indebtedness, liability and obligations of the Borrower to the Lender under or in connection with this Agreement and the Credit Facility will be evidenced and secured by the following documents (the "**Security Documents**"), in each case in form and substance satisfactory to the Lender and its counsel, and registered or recorded as required by the Lender:

1. General security agreement from the Borrower creating a first priority security interest in all present and after acquired personal property of the Borrower.

2. Pledge agreement executed by the Borrower, pursuant to which the Borrower creates a first ranking pledge and security interest in all of its right title and interest in the ERC refund

3. Such other loan and security documents as may reasonably be requested by the Lender.

Conditions Precedent: The Lender's obligation to make any loan or to extend (or continue to extend) any credit under this Agreement is subject to the standard conditions precedent set forth in **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A hereto

Representations and Warranties: The Borrower makes the representations and warranties set out in **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A.

Covenants: The Borrower covenants and agrees that it shall comply with the covenants set out in **Error! Bookmark not defined.Error! Reference source not found.** and **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A.

Events of Default: Events of Default applicable to the Credit Facility are set out in **Error! Bookmark not defined.Error! Reference source not found.** of Schedule A.

Expenses: The Borrower shall pay (a) all reasonable costs and expenses of the Lender incurred in connection with the preparation, due diligence (including third party expenses), negotiation, execution, amendment, delivery, administration of the Credit Facility, this Agreement, the Security Documents and any other document or action contemplated thereby (including, without limitation, the reasonable fees, disbursements and other charges of counsel to the Lender; and (b) all reasonable out-of-pocket expenses of the Lender (including the fees, disbursements and other charges of counsel to the Lender) in connection with any default or Event of Default or the enforcement of this Agreement and the Security Documents.

Governing Law and Forum:	This Agreement and, unless expressly specified otherwise therein, each document or instrument delivered under or in connection with this Agreement, shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in such Province. The Borrower irrevocably submits to the exclusive jurisdiction of the courts of the Province of Ontario with respect to all matters arising from this Agreement.
Waiver of Jury Trial:	Each party acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complex commercial issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.
Acceptance and Expiry of this Agreement:	If the terms and conditions of this Agreement are acceptable to you, please indicate your acceptance by signing where indicated below and return the signed copy of this Agreement to us by no later than Nov.22, 2022. If not accepted by such date, this offer shall lapse and this Agreement shall be of no further force or effect.

Yours truly,

______________________________	______________________________
Name: Dan Noonan	Name:
Title:	Title:

The undersigned hereby acknowledges, accepts and agrees to the terms and conditions of this Agreement (including the Schedule attached hereto) this ....19th...... day of ..December, 20.22..

Borrower:

Greenpoint Workforce, Inc

By______________________________

Name: Jeffrey Yapp

Title: CEO

December 15, 2022

Greenpoint Workforce, Inc
13315 NE Airport Way #700 Portland, OR 97230

Attention: Jeff Yapp

I am pleased to make available CDN $125,000 to the Greenpoint Workforce Inc., a wholly owned subsidiary of Chalice Brands Ltd., the Term Loan described below on, and subject to, the terms and conditions described in this letter and the attached Schedule (together, this "**Agreement**").

Borrower:	Greenpoint Workforce, Inc. (the "**Borrower**").
Purpose:	To fund the Borrowers day to day working capital requirements until such time Borrower receives the ERC refund from the Internal Revenue Service.
Availability:	The Term Loan shall be available in a single drawing at any time before December 19, 2022, at the Borrower's option by way of: • A direct advance in Canadian dollars bearing interest at a fixed rate
Interest:	**A fixed rate of one and one half (1.5%) percent per month** Overdue principal, interest, fees and other amounts shall bear interest at 5% per month (the "**Default Rate**"). All such interest shall be calculated daily and due on demand. Upon the occurrence and during the continuation of any Event of Default, the Borrower shall pay interest on all outstanding obligations (including all amounts of principal or interest, and any fee or other amount) at the Default Rate.
Term and Maturity:	The Term Loan shall have a term of five (5) months and will mature on the earlier of (i) April 30, 2023 (the "**Term Loan Maturity Date**"); (ii) the date on which the borrower receives the ERC refund and: (iii) the date on which the Lender demands repayment following the occurrence of an Event of Default.

Repayment:

The Borrower shall repay all obligations under or in connection with the Term Loan, including all principal, accrued interest, fees and other amounts then unpaid with respect thereto in full on the Term Loan Maturity Date and the Term Loan shall be automatically terminated on the Term Loan Maturity Date.

Voluntary Prepayments - Term Loan: Amounts outstanding under the Term Loan may be prepaid, in whole or in part, without premium or penalty, in minimum amounts of $100,000 at the option of the Borrower at any time upon two Business Day's prior written notice, subject to reimbursement of the Lender's breakage costs.

Mandatory Prepayments: The following amounts shall be applied to prepay amounts outstanding under the Credit Facility promptly upon receipt thereof:

(a) 25% of the net cash proceeds of all asset sales or other dispositions of property (other than dispositions of inventory in the usual course of business) by the Borrower or any of their respective subsidiaries.

(b) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of debt.

(c) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of equity securities.

(d) 100% of all extraordinary receipts (including, without limitation, tax refunds, employer retention credits, pension plan reversions, insurance proceeds, indemnity payments, purchase price adjustments under acquisition agreements and other similar receipts) received by the Borrower or any of its subsidiaries.

All mandatory prepayments will be applied to the remaining principal payments under the Term Loan.

Security: All indebtedness, liability and obligations of the Borrower to the Lender under or in connection with this Agreement and the Credit Facility will be evidenced and secured by the following documents (the "**Security Documents**"), in each case in form and substance satisfactory to the Lender and its counsel, and registered or recorded as required by the Lender:

1. General security agreement from the Borrower creating a first priority security interest in all present and after acquired personal property of the Borrower.

2. Pledge agreement executed by the Borrower, pursuant to which the Borrower creates a first ranking pledge and security interest in all of its right title and interest in the ERC refund

3. Such other loan and security documents as may reasonably be requested by the Lender.

Conditions Precedent: The Lender's obligation to make any loan or to extend (or continue to extend) any credit under this Agreement is subject to the standard conditions precedent set forth in of Schedule A hereto

Representations and Warranties: The Borrower makes the representations and warranties set out in Schedule A.

Covenants: The Borrower covenants and agrees that it shall comply with the covenants set out in Schedule A.

Events of Default: Events of Default applicable to the Credit Facility are set out in Schedule A.

Expenses: The Borrower shall pay (a) all reasonable costs and expenses of the Lender incurred in connection with the preparation, due diligence (including third party expenses), negotiation, execution, amendment, delivery, administration of the Credit Facility, this Agreement, the Security Documents and any other document or action contemplated thereby (including, without limitation, the reasonable fees, disbursements and other charges of counsel to the Lender; and (b) all reasonable out-of-pocket expenses of the Lender (including the fees, disbursements and other charges of counsel to the Lender) in connection with any default or Event of Default or the enforcement of this Agreement and the Security Documents.

Governing Law and Forum: This Agreement and, unless expressly specified otherwise therein, each document or instrument delivered under or in connection with this Agreement, shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in such Province. The Borrower irrevocably submits to the exclusive

	jurisdiction of the courts of the Province of Ontario with respect to all matters arising from this Agreement.
Waiver of Jury Trial:	Each party acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complex commercial issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.
Acceptance and Expiry of this Agreement:	If the terms and conditions of this Agreement are acceptable to you, please indicate your acceptance by signing where indicated below and return the signed copy of this Agreement to us by no later than December 19, 2022. If not accepted by such date, this offer shall lapse and this Agreement shall be of no further force or effect.

Yours truly,

________________________	________________________
Name: Dan Noonan	Name:
Title:	Title:

The undersigned hereby acknowledges, accepts and agrees to the terms and conditions of this Agreement (including the Schedule attached hereto) this ....19..... day of ..DEC...., 20.22

Borrower:

Greenpoint Workforce, Inc

By________________________

Name: Jeffrey Yapp

Title: CEO

November 15, 2022

Greenpoint Workforce, Inc
13315 NE Airport Way #700 Portland, OR 97230

Attention: Jeff Yapp

I am pleased to make available to the Greenpoint Workforce Inc., a wholly owned subsidiary of Chalice Brands Ltd., the USD $250,000 Term Loan described below on, and subject to, the terms and conditions described in this letter and the attached Schedule (together, this "**Agreement**").

Borrower:	Greenpoint Workforce, Inc. (the "**Borrower**").
Purpose:	To fund the Borrowers day-to-day working capital requirements until such time Borrower receives the ERC refund from the Internal Revenue Service.
Availability:	The Term Loan shall be available in a single drawing at any time before November 28, 2022, at the Borrower's option by way of: • A direct advance in US dollars bearing interest at a fixed rate
Interest:	**A fixed rate of one and a half (1.5) percent per month** Overdue principal, interest, fees and other amounts shall bear interest at 5% per month (the "**Default Rate**"). All such interest shall be calculated daily and due on demand. Upon the occurrence and during the continuation of any Event of Default, the Borrower shall pay interest on all outstanding obligations (including all amounts of principal or interest, and any fee or other amount) at the Default Rate.
Term and Maturity:	The Term Loan shall have a term of five (5) months and will mature on the earlier of (i) April 30, 2023 (the "**Term Loan Maturity Date**"); (ii) the date on which the borrower receives the ERC refund and: (iii) the date on which the Lender demands repayment following the occurrence of an Event of Default.
Repayment:	

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The Borrower shall repay all obligations under or in connection with the Term Loan, including all principal, accrued interest, fees and other amounts then unpaid with respect thereto in full on the Term Loan Maturity Date and the Term Loan shall be automatically terminated on the Term Loan Maturity Date.

Voluntary Prepayments - Term Loan: Amounts outstanding under the Term Loan may be prepaid, in whole or in part, without premium or penalty, in minimum amounts of $100,000 at the option of the Borrower at any time upon two Business Day's prior written notice, subject to reimbursement of the Lender's breakage costs.

Mandatory Prepayments: The following amounts shall be applied to prepay amounts outstanding under the Credit Facility promptly upon receipt thereof:

(a) 25% of the net cash proceeds of all asset sales or other dispositions of property (other than dispositions of inventory in the usual course of business) by the Borrower or any of their respective subsidiaries.

(b) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of debt.

(c) 100% of the net cash proceeds received by the Borrower or any of its subsidiaries from the issuance of equity securities.

(d) 100% of all extraordinary receipts (including, without limitation, tax refunds, employer retention credits, pension plan reversions, insurance proceeds, indemnity payments, purchase price adjustments under acquisition agreements and other similar receipts) received by the Borrower or any of its subsidiaries.

All mandatory prepayments will be applied to the remaining principal payments under the Term Loan.

Security: All indebtedness, liability and obligations of the Borrower to the Lender under or in connection with this Agreement and the Credit Facility will be evidenced and secured by the following documents (the "**Security Documents**"), in each case in form and substance satisfactory to the Lender and its counsel, and registered or recorded as required by the Lender:

DocuSign Envelope ID: B53645F7-441A-428C-AF69-51CF7A2F40E9

1. General security agreement from the Borrower creating a first priority security interest in all present and after acquired personal property of the Borrower.

2. Pledge agreement executed by the Borrower, pursuant to which the Borrower creates a [first ranking] pledge and security interest in all of its right title and interest in the ERC refund

3. Such other loan and security documents as may reasonably be requested by the Lender.

Conditions Precedent: The Lender's obligation to make any loan or to extend (or continue to extend) any credit under this Agreement is subject to the standard conditions precedent set forth in Schedule A hereto

Representations and Warranties: The Borrower makes the representations and warranties set out in Schedule A.

Covenants: The Borrower covenants and agrees that it shall comply with the covenants set out in Schedule A.

Events of Default: Events of Default applicable to the Credit Facility are set out in Schedule A.

Expenses: The Borrower shall pay (a) all reasonable costs and expenses of the Lender incurred in connection with the preparation, due diligence (including third party expenses), negotiation, execution, amendment, delivery, administration of the Credit Facility, this Agreement, the Security Documents and any other document or action contemplated thereby (including, without limitation, the reasonable fees, disbursements and other charges of counsel to the Lender; and (b) all reasonable out-of-pocket expenses of the Lender (including the fees, disbursements and other charges of counsel to the Lender) in connection with any default or Event of Default or the enforcement of this Agreement and the Security Documents.

Governing Law and Forum: This Agreement and, unless expressly specified otherwise therein, each document or instrument delivered under or in connection with this Agreement, shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in such Province. The Borrower irrevocably submits to the exclusive

	jurisdiction of the courts of the Province of Ontario with respect to all matters arising from this Agreement.
Waiver of Jury Trial:	Each party acknowledges and agrees that any controversy that may arise under this Agreement is likely to involve complex commercial issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.
Acceptance and Expiry of this Agreement:	If the terms and conditions of this Agreement are acceptable to you, please indicate your acceptance by signing where indicated below and return the signed copy of this Agreement to us by no later than December 19, 2022. If not accepted by such date, this offer shall lapse and this Agreement shall be of no further force or effect.

Yours truly,

DocuSigned by: 67C6885615E8483...	12/21/2022
Name: Karl Rickard Miller Trust By: Karl Rickard Miller Jr Title: Trustee	Date Signed

The undersigned hereby acknowledges, accepts, and agrees to the terms and conditions of this Agreement (including the Schedule attached hereto) this 12/21/2022 day of December 2022.

Borrower:

Greenpoint Workforce, Inc

DocuSigned by:

By EC1AA869204C4E9...

Name: Jeffrey Yapp

Title: CEO

THIS IS EXHIBIT "S" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

7COMMERCIAL SECURITY AGREEMENT

Between:	Greenpoint Workforce, Inc., an Oregon corporation	"Grantor"
And:	Dan Noonan, an individual	"Secured Party"
Dated:	May 7th, 2023	

BACKGROUND

On or about November 22, 2022, Grantor and Secured Party entered into a term loan transaction whereby Secured Party agreed to make a loan to Grantor in the original principal amount of CAD$250,000 (the "November 2022 Loan") evidenced by that certain Agreement between Grantor and Secured Party dated as of November 22, 2022 (the "November 2022 Loan Agreement"). On or about December 15, 2022, Grantor and Secured Party entered into a term loan transaction whereby Secured Party agreed to make a loan to Grantor in the original principal amount of CAD$125,000 (the "December 2022 Loan") evidenced by that certain Agreement between Grantor and Secured Party dated as of November 22, 2022 (the "December 2022 Loan Agreement" and together with the November 2022 Loan Agreement the "Loan Agreement"). This Security Agreement sets forth the terms under which Grantor will grant to Secured Party a security interest in certain collateral to secure Grantor's obligations to Secured Party under the Loan Agreement.

AGREEMENT

SECTION 1
DEFINITIONS

1.1 Definitions. The following words will have the following meanings in this Security Agreement.

1.1.1 "Collateral" means the following property or interests in property of Grantor, whether now owned or acquired, and wherever located: (a) Accounts, (b) Chattel Paper (whether tangible or electronic), (c) Commercial Tort Claims, (d) Deposit Accounts, (e) Documents, (f) Equipment, (g) Fixtures, (h) General Intangibles (including payment intangibles, and specifically including any right to receive an Employee Retention Credit from the U.S. Department of Treasury/IRS), (i) Instruments (including promissory notes), G) Investment Property (including all securities), (k) Inventory, (1) Letter-of-Credit Rights (whether or not the Letter-of-Credit is evidenced by a writing), (m) Money (including contract rights or rights to the payment of money), (n) Supporting Obligations, (o) to the extent not listed above as original collateral. proceeds and products of the foregoing. The terms used in this Section 1.1.1. shall have the meanings assigned to them in the Oregon Uniform Commercial Code (the "UCC") as of the date of this agreement.

1.1.2 "Event of Default" means an occurrence of an Event of Default as defined in Section 4 of this Security Agreement.

1.1.3 "Lien" means a charge, pledge, security interest or other encumbrance.

1.1.4 "Obligations" means the obligations of Grantor under the Loan Agreement, without regard to whether recovery upon such agreement may be or hereafter may become barred by any statute of limitations or whether such agreement may be or hereafter may become otherwise unenforceable.

1.1.5 "UCC" means the Uniform Commercial Code as adopted in the State of Oregon, as the same may be amended from time to time.

SECTION 2
GRANT OF SECURITY INTEREST

2.1 Collateral for the Obligations. As security for the payment and satisfaction of the Obligations, Grantor hereby grants to Secured Party a continuing security interest in and assigns to Secured Party all of Grantor's right, title, and interest in the Collateral and all products, profits, rents, and proceeds thereof.

SECTION 3
OBLIGATIONS OF GRANTOR

3.1 Grantor authorizes Secured Party to file such financing statements and will take whatever other actions are requested by Secured Party to perfect and continue Secured Party's security interest in the Collateral. Upon request of Secured Party, Grantor will deliver to Secured Party any and all of the documents evidencing or constituting the Collateral, and Grantor will note Secured Party's interest upon any and all chattel paper if not delivered to Secured Party for possession by Secured Party. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Security Agreement. In addition, to the fullest extent permitted by law, Grantor authorizes Secured Party to, from time to time as Secured Party deems appropriate, file financing statements describing the Collateral or any part thereof. Secured Party may at any time, and without further authorization from Grantor, file a carbon, photographic, or other reproduction of any financing statement or of this Security Agreement for use as a financing statement. This is a continuing security agreement and will continue in effect until all Obligations owing to Secured Party are paid in full and Secured Party has no further liability, liquidated or contingent, under any of the Obligations.

SECTION 4
EVENTS OF DEFAULT

Each of the following will constitute an Event of Default under this Security Agreement:

4.1 Default on Obligations. Failure of Grantor to make any payment when due on any of the Obligations, after the expiration of applicable grace and notice periods as set forth in the Loan Agreement.

SECTION 5
RIGHTS AND REMEDIES ON DEFAULT

If an uncured Event of Default occurs under this Security Agreement, at any time thereafter Secured Party will have all the rights of a secured party under the UCC. In addition and without limitation, Secured Party may exercise any one or more of the following rights and remedies:

5.1 Accelerate Obligations. Secured Party may declare all or any part of the Obligations immediately due and payable, without notice.

5.2 Other Rights and Remedies. Secured Party will have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

5.3 Cumulative Remedies. All of Secured Party's rights and remedies, whether evidenced by this Security Agreement or any agreement or document evidencing the Obligations will be cumulative and may be exercised singularly or concurrently. Election by Secured Party to pursue any remedy will not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Security Agreement, after Grantor's failure to perform, will not affect Secured Party's right to declare a default and to exercise its remedies.

SECTION 6
MISCELLANEOUS PROVISIONS

The following miscellaneous provisions are a part of this Security Agreement:

6.1 Amendments. This Security Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Security Agreement. No alteration of or amendment to this Security Agreement will be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

6.2 Applicable Law. This Security Agreement has been delivered to Secured Party and accepted by Secured Party in the state of Oregon and will be governed by the laws of the state of Oregon. If there is a lawsuit arising out of or related to this Security Agreement, the parties agree to submit to the jurisdiction of the federal and circuit courts of Multnomah County, Oregon.

6.3 Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Secured Party's costs and expenses, including reasonable attorneys' fees and Secured Party's reasonable legal expenses, incurred in connection with the enforcement of this Security Agreement. Secured Party may pay someone else to help enforce this Security Agreement and Grantor will pay the reasonable costs and expenses of such enforcement. Costs and expenses include Secured Party's attorneys' fees and legal expenses incurred upon an uncured Event of Default whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also will pay all court costs and such

additional fees as may be directed by the court in the event Secured Party is the prevailing party in any such court action.

6.4 Caption Headings. Caption headings in this Security Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Security Agreement.

6.5 Notices. All notices required to be given under this Security Agreement will be given in writing pursuant to the notice requirements under the Loan Agreement referenced above. Any party may change its address for notices under this Security Agreement by giving formal written notice to the other party pursuant to the notice requirements under the Loan Agreement, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor will keep Secured Party informed at all times of Grantor's current address for notification purposes.

6.6 Severability. If a court of competent jurisdiction finds any provision of this Security Agreement to be invalid or unenforceable as to any person or circumstance, such finding will not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision will be deemed to be modified to be within the limits of enforceability or validity, however, if the offending provision cannot be so modified, it will be stricken and all other provisions of this Security Agreement in all other respects will remain valid and enforceable.

6.7 Successor Interests. Subject to the limitations set forth above on transfer of the Collateral, this Security Agreement will be binding upon and inure to the benefit of the parties and their successors and assigns. Notwithstanding the foregoing, Grantor may not transfer or assign any of its obligations or rights hereunder without Secured Party's prior written consent. Secured Party may assign or transfer any or all of its rights and obligations hereunder without notice to or consent of Grantor.

6.8 Waiver of Jury Trial. GRANTOR AND SECURED PARTY ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS SECURITY AGREEMENT WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES, AND THEREFORE, GRANTOR AND SECURED PARTY HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING (INCLUDING ACTIONS SOUNDING IN TORT) TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS SECURITY AGREEMENT ARISING FROM THE TRANSACTION CONTEMPLATED HEREUNDER, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE AND NOT BY A JURY.

6.9 Waiver. Secured Party will not be deemed to have waived any rights under this Security Agreement unless such waiver is given in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right will operate as a waiver of such right or any other right. A waiver by Secured Party of a provision of this Security Agreement will not prejudice or constitute a waiver of Secured Party's right otherwise to demand strict compliance with that provision or any other provision of this Security Agreement. No prior

waiver by Secured Party, nor any course of dealing between Secured Party and Grantor, will constitute a waiver of any of Secured Party's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Secured Party is required under this Security Agreement, the granting of such consent by Secured Party in any instance will not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the reasonable discretion of Secured Party or, upon an uncured Event of Default, the sole discretion of Secured Party.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY SECURED PARTY CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE SECURED PARTY TO BE ENFORCEABLE.

[*Signature page to follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officer or representative, all as of the day and year first written above.

GRANTOR: **GREENPOINT WORKFORCE, INC.**
an Oregon corporation

By: ______________________
Name: Jeff Yapp
Its: CEO

SECURED PARTY

By: ______________________
Name: Dan Noonan, an individual

COMMERCIAL SECURITY AGREEMENT

Between:	Greenpoint Workforce, Inc., an Oregon corporation	"Grantor"
And:	Gary Zipfel, an individual	"Secured Party"
Dated:	May 7, 2023	

BACKGROUND

On or about November 22, 2022, Grantor and Secured Party entered into a term loan transaction, whereby Secured Party agreed to make a loan to Grantor in the original principal amount of USD$300,000.00 (the "Loan") evidenced by that certain Agreement between Grantor and Secured Party dated as of November 22, 2022 (the "Loan Agreement"). This Security Agreement sets forth the- terms under which Grantor will grant to Secured Party a security interest in certain collateral to secure Grantor's obligations to Secured Party under the Loan Agreement.

AGREEMENT

SECTION 1
DEFINITIONS

1.1 Definitions. The following words will have the following meanings in this Security Agreement.

1.1.1 "Collateral" means the following property or interests in property of Grantor, whether now owned or acquired, and wherever located: (a) Accounts, (b) Chattel Paper (whether tangible or electronic), (c) Commercial Tort Claims, (d) Deposit Accounts, (e) Documents, (f) Equipment, (g) Fixtures, (h) General Intangibles (including payment intangibles, and specifically including any right to receive an Employee Retention Credit from the U.S. Department of Treasury/IRS), (i) Instruments (including promissory notes), G) Investment Property (including all securities), (k) Inventory, (1) Letter-of-Credit Rights (whether or not the Letter-of-Credit is evidenced by a writing), (m) Money (including contract rights or rights to the payment of money), (n) Supporting Obligations, (o) to the extent not listed above as original collateral, proceeds and products of the foregoing. The terms used in this Section 1.1.1. shall have the meanings assigned to them in the Oregon Uniform Commercial Code (the "UCC") as of the date of this agreement.

1.1.2 "Event of Default" means an occurrence of an Event of Default as defined in Section 4 of this Security Agreement.

1.1.3 "Lien" means a charge, pledge, security interest or other encumbrance.

1.1.4 "Obligations" means the obligations of Grantor under the Loan Agreement, without regard to whether recovery upon such agreement may be or hereafter may

become barred by any statute of limitations or whether such agreement may be or hereafter may become otherwise unenforceable.

1.1.5 "UCC" means the Uniform Commercial Code as adopted in the State of Oregon, as the same may be amended from time to time.

SECTION 2
GRANT OF SECURITY INTEREST

2.1 Collateral for the Obligations. As security for the payment and satisfaction of the Obligations, Grantor hereby grants to Secured Party a continuing security interest in and assigns to Secured Party all of Grantor's right, title, and interest in the Collateral and all products, profits, rents, and proceeds thereof.

SECTION 3
OBLIGATIONS OF GRANTOR

3.1 Grantor authorizes Secured Party to file such financing statements and will take whatever other actions are requested by Secured Party to perfect and continue Secured Party's security interest in the Collateral. Upon request of Secured Party, Grantor will deliver to Secured Party any and all of the documents evidencing or constituting the Collateral, and Grantor will note Secured Party's interest upon any and all chattel paper if not delivered to Secured Party for possession by Secured Party. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Security Agreement. In addition, to the fullest extent permitted by law, Grantor authorizes Secured Party to, from time to time as Secured Party deems appropriate, file financing statements describing the Collateral or any part thereof. Secured Party may at any time, and without further authorization from Grantor, file a carbon, photographic, or other reproduction of any financing statement or of this Security Agreement for use as a financing statement. This is a continuing security agreement and will continue in effect until all Obligations owing to Secured Party are paid in full and Secured Party has no further liability, liquidated or contingent, under any of the Obligations.

SECTION 4
EVENTS OF DEFAULT

Each of the following will constitute an Event of Default under this Security Agreement:

4.1 Default on Obligations. Failure of Grantor to make any payment when due on any of the Obligations, after the expiration of applicable grace and notice periods as set forth in the Loan Agreement.

SECTION 5
RIGHTS AND REMEDIES ON DEFAULT

If an uncured Event of Default occurs under this Security Agreement, at any time thereafter Secured Party will have all the rights of a secured party under the UCC. In addition

and without limitation, Secured Party may exercise any one or more of the following rights and remedies:

5.1 Accelerate Obligations. Secured Party may declare all or any part of the Obligations immediately due and payable, without notice.

5.2 Other Rights and Remedies. Secured Party will have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

5.3 Cumulative Remedies. All of Secured Party's rights and remedies, whether evidenced by this Security Agreement or any agreement or document evidencing the Obligations will be cumulative and may be exercised singularly or concurrently. Election by Secured Party to pursue any remedy will not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Security Agreement, after Grantor's failure to perform, will not affect Secured Party's right to declare a default and to exercise its remedies.

SECTION 6
MISCELLANEOUS PROVISIONS

The following miscellaneous provisions are a part of this Security Agreement:

6.1 Amendments. This Security Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Security Agreement. No alteration of or amendment to this Security Agreement will be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

6.2 Applicable Law. This Security Agreement has been delivered to Secured Party and accepted by Secured Party in the state of Oregon and will be governed by the laws of the state of Oregon. If there is a lawsuit arising out of or related to this Security Agreement, the parties agree to submit to the jurisdiction of the federal and circuit courts of Multnomah County, Oregon.

6.3 Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Secured Party's costs and expenses, including reasonable attorneys' fees and Secured Party's reasonable legal expenses, incurred in connection with the enforcement of this Security Agreement. Secured Party may pay someone else to help enforce this Security Agreement and Grantor will pay the reasonable costs and expenses of such enforcement. Costs and expenses include Secured Party's attorneys' fees and legal expenses incurred upon an uncured Event of Default whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also will pay all court costs and such additional fees as may be directed by the court in the event Secured Party is the prevailing party in any such court action.

6.4 Caption Headings. Caption headings in this Security Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Security Agreement.

6.5 Notices. All notices required to be given under this Security Agreement will be given in writing pursuant to the notice requirements under the Loan Agreement referenced above. Any party may change its address for notices under this Security Agreement by giving formal written notice to the other party pursuant to the notice requirements under the Loan Agreement, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor will keep Secured Party informed at all times of Grantor's current address for notification purposes.

6.6 Severability. If a court of competent jurisdiction finds any provision of this Security Agreement to be invalid or unenforceable as to any person or circumstance, such finding will not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision will be deemed to be modified to be within the limits of enforceability or validity, however, if the offending provision cannot be so modified, it will be stricken and all other provisions of this Security Agreement in all other respects will remain valid and enforceable.

6.7 Successor Interests. Subject to the limitations set forth above on transfer of the Collateral, this Security Agreement will be binding upon and inure to the benefit of the parties and their successors and assigns. Notwithstanding the foregoing, Grantor may not transfer or assign any of its obligations or rights hereunder without Secured Party's prior written consent. Secured Party may assign or transfer any or all of its rights and obligations hereunder without notice to or consent of Grantor.

6.8 Waiver of Jury Trial. GRANTOR AND SECURED PARTY ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS SECURITY AGREEMENT WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES, AND THEREFORE, GRANTOR AND SECURED PARTY HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING (INCLUDING ACTIONS SOUNDING IN TORT) TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS SECURITY AGREEMENT ARISING FROM THE TRANSACTION CONTEMPLATED HEREUNDER, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE AND NOT BY A JURY.

6.9 Waiver. Secured Party will not be deemed to have waived any rights under this Security Agreement unless such waiver is given in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right will operate as a waiver of such right or any other right. A waiver by Secured Party of a provision of this Security Agreement will not prejudice or constitute a waiver of Secured Party's right otherwise to demand strict compliance with that provision or any other provision of this Security Agreement. No prior waiver by Secured Party, nor any course of dealing between Secured Party and Grantor, will constitute a waiver of any of Secured Party's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Secured Party is required under this Security

Agreement, the granting of such consent by Secured Party in any instance will not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the reasonable discretion of Secured Party or, upon an uncured Event of Default, the sole discretion of Secured Party.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY SECURED PARTY CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE SECURED PARTY TO BE ENFORCEABLE.

[*Signature page to follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officer or representative, all as of the day and year first written above.

GRANTOR:

GREENPOINT WORKFORCE, INC.
an Oregon corporation

By: ______________________
Name: Jeff Yapp
Its: CEO

SECURED PARTY

By: ______________________
Name: Gary Zipfel, an individual

COMMERCIAL SECURITY AGREEMENT

Between: Greenpoint Workforce, Inc., an Oregon corporation "Grantor"

And: ~~Rickard Miller,~~ an individual "Secured Party"
Karl Rickard Miller, Jr.

Dated: May 8, 2023

BACKGROUND

On or about November 15, 2022, Grantor and Secured Party entered into a term loan transaction, whereby Secured Party agreed to make a loan to Grantor in the original principal amount of USD$250,000.00 (the "Loan") evidenced by that certain Agreement between Grantor and Secured Party dated as of November 15, 2022 (the "Loan Agreement"). This Security Agreement sets forth the terms under which Grantor will grant to Secured Party a security interest in certain collateral to secure Grantor's obligations to Secured Party under the Loan Agreement.

AGREEMENT

SECTION 1
DEFINITIONS

1.1 Definitions. The following words will have the following meanings in this Security Agreement.

1.1.1 "Collateral" means the following property or interests in property of Grantor, whether now owned or acquired, and wherever located: (a) Accounts, (b) Chattel Paper (whether tangible or electronic), (c) Commercial Tort Claims, (d) Deposit Accounts, (e) Documents, (f) Equipment, (g) Fixtures, (h) General Intangibles (including payment intangibles, and specifically including any right to receive an Employee Retention Credit from the U.S. Department of Treasury/IRS), (i) Instruments (including promissory notes), (j) Investment Property (including all securities), (k) Inventory, (l) Letter-of-Credit Rights (whether or not the Letter-of-Credit is evidenced by a writing), (m) Money (including contract rights or rights to the payment of money), (n) Supporting Obligations, (o) to the extent not listed above as original collateral, proceeds and products of the foregoing. The terms used in this Section 1.1.1. shall have the meanings assigned to them in the Oregon Uniform Commercial Code (the "UCC") as of the date of this agreement.

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by any statute of limitations or whether such agreement may be or hereafter may become otherwise unenforceable.

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2.1 Collateral for the Obligations. As security for the payment and satisfaction of the Obligations, Grantor hereby grants to Secured Party a continuing security interest in and assigns to Secured Party all of Grantor's right, title, and interest in the Collateral and all products, profits, rents, and proceeds thereof.

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3.1 Grantor authorizes Secured Party to file such financing statements and will take whatever other actions are requested by Secured Party to perfect and continue Secured Party's security interest in the Collateral. Upon request of Secured Party, Grantor will deliver to Secured Party any and all of the documents evidencing or constituting the Collateral, and Grantor will note Secured Party's interest upon any and all chattel paper if not delivered to Secured Party for possession by Secured Party. Grantor hereby irrevocably appoints Secured Party as Grantor's attorney-in-fact for the purpose of executing any documents necessary to perfect or to continue the security interest granted in this Security Agreement. In addition, to the fullest extent permitted by law, Grantor authorizes Secured Party to, from time to time as Secured Party deems appropriate, file financing statements describing the Collateral or any part thereof. Secured Party may at any time, and without further authorization from Grantor, file a carbon, photographic, or other reproduction of any financing statement or of this Security Agreement for use as a financing statement. This is a continuing security agreement and will continue in effect until all Obligations owing to Secured Party are paid in full and Secured Party has no further liability, liquidated or contingent, under any of the Obligations.

SECTION 4
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Each of the following will constitute an Event of Default under this Security Agreement:

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SECTION 5
RIGHTS AND REMEDIES ON DEFAULT

If an uncured Event of Default occurs under this Security Agreement, at any time thereafter Secured Party will have all the rights of a secured party under the UCC. In addition and without limitation, Secured Party may exercise any one or more of the following rights and remedies:

5.1 Accelerate Obligations. Secured Party may declare all or any part of the Obligations immediately due and payable, without notice.

5.2 Other Rights and Remedies. Secured Party will have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

5.3 Cumulative Remedies. All of Secured Party's rights and remedies, whether evidenced by this Security Agreement or any agreement or document evidencing the Obligations will be cumulative and may be exercised singularly or concurrently. Election by Secured Party to pursue any remedy will not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Security Agreement, after Grantor's failure to perform, will not affect Secured Party's right to declare a default and to exercise its remedies.

SECTION 6
MISCELLANEOUS PROVISIONS

The following miscellaneous provisions are a part of this Security Agreement:

6.1 Amendments. This Security Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Security Agreement. No alteration of or amendment to this Security Agreement will be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

6.2 Applicable Law. This Security Agreement has been delivered to Secured Party and accepted by Secured Party in the state of Oregon and will be governed by the laws of the state of Oregon. If there is a lawsuit arising out of or related to this Security Agreement, the parties agree to submit to the jurisdiction of the federal and circuit courts of Multnomah County, Oregon.

6.3 Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Secured Party's costs and expenses, including reasonable attorneys' fees and Secured Party's reasonable legal expenses, incurred in connection with the enforcement of this Security Agreement. Secured Party may pay someone else to help enforce this Security Agreement and Grantor will pay the reasonable costs and expenses of such enforcement. Costs and expenses include Secured Party's attorneys' fees and legal expenses incurred upon an uncured Event of Default whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also will pay all court costs and such additional fees as may be directed by the court in the event Secured Party is the prevailing party in any such court action.

6.4 Caption Headings. Caption headings in this Security Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Security Agreement.

6.5 Notices. All notices required to be given under this Security Agreement will be given in writing pursuant to the notice requirements under the Loan Agreement referenced above.

Any party may change its address for notices under this Security Agreement by giving formal written notice to the other party pursuant to the notice requirements under the Loan Agreement, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor will keep Secured Party informed at all times of Grantor's current address for notification purposes.

6.6 Severability. If a court of competent jurisdiction finds any provision of this Security Agreement to be invalid or unenforceable as to any person or circumstance, such finding will not render that provision invalid or unenforceable as to any other persons or circumstances. If feasible, any such offending provision will be deemed to be modified to be within the limits of enforceability or validity, however, if the offending provision cannot be so modified, it will be stricken and all other provisions of this Security Agreement in all other respects will remain valid and enforceable.

6.7 Successor Interests. Subject to the limitations set forth above on transfer of the Collateral, this Security Agreement will be binding upon and inure to the benefit of the parties and their successors and assigns. Notwithstanding the foregoing, Grantor may not transfer or assign any of its obligations or rights hereunder without Secured Party's prior written consent. Secured Party may assign or transfer any or all of its rights and obligations hereunder without notice to or consent of Grantor.

6.8 Waiver of Jury Trial. GRANTOR AND SECURED PARTY ACKNOWLEDGE AND AGREE THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS SECURITY AGREEMENT WOULD BE BASED UPON DIFFICULT AND COMPLEX ISSUES, AND THEREFORE, GRANTOR AND SECURED PARTY HEREBY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING (INCLUDING ACTIONS SOUNDING IN TORT) TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS SECURITY AGREEMENT ARISING FROM THE TRANSACTION CONTEMPLATED HEREUNDER, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE AND NOT BY A JURY.

6.9 Waiver. Secured Party will not be deemed to have waived any rights under this Security Agreement unless such waiver is given in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right will operate as a waiver of such right or any other right. A waiver by Secured Party of a provision of this Security Agreement will not prejudice or constitute a waiver of Secured Party's right otherwise to demand strict compliance with that provision or any other provision of this Security Agreement. No prior waiver by Secured Party, nor any course of dealing between Secured Party and Grantor, will constitute a waiver of any of Secured Party's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Secured Party is required under this Security Agreement, the granting of such consent by Secured Party in any instance will not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the reasonable discretion of Secured Party or, upon an uncured Event of Default, the sole discretion of Secured Party.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY SECURED PARTY CONCERNING LOANS AND OTHER CREDIT EXTENSIONS

WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE SECURED PARTY TO BE ENFORCEABLE.

[*Signature page to follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officer or representative, all as of the day and year first written above.

GRANTOR: **GREENPOINT WORKFORCE, INC.**
an Oregon corporation

By: ______________________________
Name: Jeff Yapp
Its: CEO

SECURED PARTY

By: ______________________________
Name: ~~Rickard Miller~~, an individual
Karl Rickard Miller, Jr.

THIS IS EXHIBIT "T" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

UCC Summary Chart

Entity Name	Jurisdiction	Secured Party	Result	Date of Registration	Thru Date
CHALICE BRANDS LTD.	WA	-	Clear	-	5/11/2023
	OR	1. Alicia Smith	Records found	1/19/2022	5/3/2023
		2. Jillian Smith		1/19/2022	
		3. Marcena Sorrels		1/19/2022	
GOLDEN LEAF HOLDINGS LTD.	WA		Clear	-	5/11/2023
	OR	1. N54AP LLC	Records found	6/18/2020	5/2/2023
		2.**Real Solutions Organization Inc.		11/23/2020	
		3. Alicia Smith		1/19/2022	
		4. Jillian Smith		1/19/2022	
		5. Marcena Sorrels		1/19/2022	
		6. Bobsled Extracts LLC		10/25/2022	
		7. Gary Zipfel		3/31/2023	
		8. Mike Genovese		3/31/2023	
		9. William Simpson		3/31/2023	

Legend:	
(green)	OR UCC Search
(blue)	WA UCC Search

**A UCC filing was registered in respect of Real Solutions Organization Inc. on November 23, 2020 in respect of an equipment lease. The equipment was subsequently returned to the lessor, which lessor subsequently ceased doing business.

THIS IS EXHIBIT "U" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

NOTIFICATION OF DISPOSITION OF COLLATERAL
(ORS 79.0613)

<u>To</u>: All Parties listed in attached Exhibit A.

<u>From Secured Parties</u>: Alicia Smith
11505 Sombrero Drive
Austin, Texas 78748
Telephone number: (971) 304-4730;

Jillian Smith
11505 Sombrero Drive
Austin, Texas 78748
Telephone number: (512) 576-2343; and

Marcena Sorrels,
628 Crosswater Lane
Dripping Springs, Texas 78620
Telephone Number: (512) 826-2703.

<u>Name of Debtors</u>: Chalice Brands Ltd., a Canadian corporation fka Golden Leaf Holdings, Ltd., a Canadian corporation; and Greenpoint Holdings Delaware Inc., a Delaware corporation (the "Debtors").

<u>Collateral</u>: the Oregon Liquor and Cannabis Commission ("OLCC") license numbers 1016995D03E, 11016993F313, 10169922BD5, 1016990CA13, and 10169911EE0 (collectively the "Licenses"); all of the inventory and finished goods in the possession, custody, or control of Debtors arising from, derived from, and/or related to the Licenses (together, the "Inventory"), and all proceeds thereof, including money and deposit accounts; books of account and records relating to the Licenses and Inventory; and contract rights or rights to the payment of money, insurance claims, and proceeds relating to or from the Licenses or Inventory.

The Secured Parties will sell or lease or license, as applicable the above defined Collateral privately sometime after <u>Wednesday, May 24, 2023</u>.

You are entitled to an accounting of the unpaid indebtedness secured by the property that we intend to sell or lease or license. You may request an accounting by calling Secured Parties' counsel, Allison C. Bizzano of Lotus Law Group, LLC, at (503) 606-8930.

EXHIBIT A

Chalice Brands Ltd., fka Golden Leaf Holdings, Ltd. 13315 NE Airport Way, Suite 700 Portland, Oregon 97230	Greenpoint Holdings Delaware Inc. 13315 NE Airport Way, Suite 700 Portland, Oregon 97230
Chalice Brands Ltd., fka Golden Leaf Holdings, Ltd. & Greenpoint Holdings Delaware Inc. c/o Emerge Law Group Attn: Blake Marvis and Jake Cormier 108 NW 9th Avenue, Suite 300 Portland, Oregon 97209	Chalice Brands Ltd., fka Golden Leaf Holdings, Ltd. & Greenpoint Holdings Delaware Inc. c/o Cosgrave Vergeer Kester LLP Attn: Jake Cormier and Jay Richardson 900 SW 5th Ave, 24th Floor Portland, Oregon 97204
Chalice Brands Ltd., fka Golden Leaf Holdings, Ltd. & Greenpoint Holdings Delaware Inc. c/o Jeffrey Yapp and Andrew Marchington 13315 NE Airport Way, Suite 700 Portland, Oregon 97230	Golden Leaf Holdings, Ltd. nka Chalice Brands Ltd. c/o ERA Services LLC, its Registered Agent 108 NW 9th Avenue, Suite 300 Portland, Oregon 97209
Greenpoint Holdings Delaware Inc. c/o Unisearch, Inc., its Registered Agent 800 North State Street, Suite 403 Dover, Delaware 19901	Bobsled Extracts LLC c/o TT Administrative Services, LLC, its Registered Agent 888 SW Fifth Ave, Suite 1600 Portland, Oregon 97204
Bobsled Extracts LLC 1952 SE Ochoco Street Portland, Oregon 97222	N54AP LLC 401 Highway 74 North Peachtree City, Georgia 30269
N54AP, LLC c/o Charles McLawhorn, its Registered Agent 340 NE Crest Street, Unit 10 Sublimity, Oregon 97385	Real Solutions Organization Inc. c/o Fairchild Record Search Ltd, its Registered Agent 3400 Capitol Blvd SE Tumwater, Washington 98501
Real Solutions Organization Inc. 23632 Hwy 99, Suite F451 Edmonds, Washington 98026	Mike Genovese 3300 NW 185th Avenue, #163 Portland, Oregon 97229
William Simpson P.O. Box 510 Lawai, Hawaii 96765	Gary Zipfel 1551 Penstemon Court Grayslake, Illinois 60030
	United States Department of Treasury Advisory Consolidated Receipts 7940 Kentucky Drive Stop 2850F Florence, Kentucky 41042

THIS IS EXHIBIT "V" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

Allison C. Bizzano, Attorney
Lotus Law Group, LLC
2 Centerpointe Drive, Suite 345
Lake Oswego, OR 97035
503-606-8930
allison@lotuslawgroup.com
www.lotuslawgroup.com
Licensed in Oregon and Washington

May 3, 2023

Sent Via First-Class Mail and Email

Oregon Liquor and Cannabis Commission
9079 SE McLoughlin Blvd.
Portland, Oregon 97222
Marijuana.Licensing@oregon.gov
OLCC.Marijuana@oregon.gov

Oregon Liquor and Cannabis Commission
Attn: Linn County Regional Manager
260 SW Madison Avenue, Suite 108
Corvallis, Oregon 97333

Oregon Liquor and Cannabis Commission
Attn: Joel Lujan
Marion/Polk County Regional Manager
200 Hawthorne Ave SE, Suite B-210
Salem, Oregon 97301
Joel.Lujan@oregon.gov

Sent Via Email

Oregon Liquor and Cannabis Commission
Attn: Denise Byram
Marijuana Licensing Technician
Denise.Byram@oregon.gov

Oregon Liquor and Cannabis Commission
Attn: Michelle Cate
Multnomah County Regional Manager
Michelle.Cate@oregon.gov

Re: Request For Temporary Authority To Operate OLCC License Numbers 1016995D03E, 11016993F313, 10169922BD5, 1016990CA13, and 10169911EE0 (collectively the "OLCC Licenses")

Dear Oregon Liquor and Cannabis Commission:

This firm represents Alicia Smith, Jillian Smith, and Marcena Sorrels (collectively, the "Secured Creditors"). This letter is to inform Oregon Liquor and Cannabis Commission ("OLCC") that Secured Creditors have begun the process of nonjudicially foreclosing on certain assets of Greenpoint Holdings Delaware, Inc. and/or Chalice Brands Ltd. fka Golden Leaf Holdings Ltd. (jointly referred to as "Chalice") and, therefore, Secured Creditors are seeking OLCC approval for temporary authority to operate the OLCC Licenses for the reasons more fully set forth below and the enclosed supporting documents, pursuant to OAR 845-025-1260(1).

Secured Creditors seek temporary authority to operate the OLCC Licenses as part of the nonjudicial foreclosure process on certain assets of Chalice as a result of Chalice's default under

a Secured Promissory Note dated May 19, 2021 (the "Note") and Security Agreement dated May 19, 2021 (the "Security Agreement") executed by Chalice and the Secured Creditors. A true copy of the Note is attached hereto and incorporated herein as Exhibit 1. A true copy of the Security Agreement is attached hereto and incorporated herein as Exhibit 2.

On July 19, 2022, the Secured Creditors issued a Notice of Default and Right to Cure (the "Notice of Default") to Chalice after Chalice failed to pay the July payment due under the Note. Attached hereto and incorporated herein as Exhibit 3 is a true copy of the Notice of Default.

On or about July 28, 2022, Chalice responded to the Notice of Default in a letter (the "Response Letter") stating that Chalice was unable to make the required payments under the Note. A true copy of the Response Letter is attached hereto and incorporated herein as Exhibit 4.
On August 2, 2022, the Secured Creditors issued a Notice of Acceleration, accelerating the entire balance due under the Note. A true copy of the Notice of Acceleration is attached hereto and incorporated herein as Exhibit 5.

On August 8, 2022, the Secured Creditors initiated an arbitration with American Arbitration Association ("AAA") against Chalice related to Chalice's defaults under the Note and Security Agreement. On November 11, 2022, the Secured Creditors filed an Amended Statement of Claim before AAA. A true copy (with exhibits omitted) of the Amended Statement of Claim is attached hereto and incorporated herein as Exhibit 6. On December 9, 2022, Chalice filed its Answer and Affirmative Defenses to the Amended Statement of Claim (the "Answer"). A true copy of the Answer is attached hereto and incorporated herein as Exhibit 7. In paragraph 26 of the Amended Statement of Claim, Secured Creditors alleged that Chalice failed to pay them the July 1, 2022 and August 1, 2022 payments due under the Note. See Exhibit 6, page 7. Chalice admits in paragraph 26 of its Answer, that it did not pay the Secured Creditors. See Exhibit 7, page 5.

Secured Creditors recently voluntarily dismissed the arbitration before AAA to move forward with a nonjudicial foreclosure of the collateral set forth in the Security Agreement. A true copy of the Notification of Disposition of Collateral (ORS 97.0613) (the "Nonjudicial Foreclosure Notice") issued to debtors and other creditors referenced therein is attached hereto and incorporated herein as Exhibit 8.

Chalice is required to grant the Secured Creditors access to the licensed premises of each of the OLCC Licenses after a default, under Section 2.2(c) of the Security Agreement. See Exhibit 2, page 4.

Therefore, the Secured Creditors require OLCC approval to formally obtain temporary authority to operate the OLCC Licenses, until they are able to dispose of their interest in the foreclosed OLCC Licenses and assets of the OLCC Licenses to a third-party on or after May 25, 2023.

Secured Creditors prefer OLCC contact them regarding this letter through undersigned counsel. However, in compliance with OAR 845-025-1260(1)(b)(D), each of Secured Creditors' addresses and telephone numbers are as follows:

Alicia Smith 11505 Sombrero Drive Austin, Texas 78748 Telephone number: (971) 304-4730	Jillian Smith 11505 Sombrero Drive Austin, Texas 78748 Telephone number: (512) 576-2343
Marcena Sorrels, 628 Crosswater Lane Dripping Springs, Texas 78620 Telephone Number: (512) 826-2703	

Yours Truly,

Allison C. Bizzano
Enclosures

Cc:
Sent First-Class U.S. Mail:

Chalice Brands Ltd. and Greenpoint Holdings Delaware Inc.
13315 NE Airport Way, Suite 700
Portland, Oregon 97230

Greenpoint Holdings Delaware Inc.
c/o Unisearch, Inc., its Registered Agent
800 North State Street, Suite 403
Dover, Delaware 19901

Chalice Brands Ltd. & Greenpoint Holdings Delaware Inc.
c/o Cosgrave Vergeer Kester LLP
Attn: Jake Cormier and Jay Richardson
900 SW 5th Ave, 24th Floor
Portland, Oregon 97204

Chalice Brands Ltd. & Greenpoint Holdings Delaware Inc.
c/o Jeffrey Yapp and Andrew Marchington
13315 NE Airport Way, Suite 700
Portland, Oregon 97230

Golden Leaf Holdings, Ltd. nka Chalice Brands Ltd.
c/o ERA Services LLC, its Registered Agent
108 NW 9th Avenue, Suite 300
Portland, Oregon 97209

Sent Via Email and First-Class U.S. Mail:

Chalice Brands Ltd. & Greenpoint Holdings Delaware Inc.
c/o Emerge Law Group
Attn: Blake Marvis and Jake Cormier
108 NW 9th Avenue, Suite 300
Portland, Oregon 97209
blake@emergelawgroup.com
jake@emergelawgroup.com

THIS IS EXHIBIT "W" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

BLAKE T.E. MARVIS
Admitted in Oregon
USDC, District of Oregon
(503) 688 1152
blake@emergelawgroup.com

108 NW 9th Avenue, Suite 300, Portland, OR 97209

May 10, 2023

VIA E-MAIL AND U.S. MAIL

Oregon Liquor and Cannabis Commission
Attn: Denise Byram, Marijuana Licensing Technician
Attn: Michelle Cate, Multnomah County Regional Manager
9079 SE McLoughlin Blvd.
Portland, Oregon 97222
Marijuana.Licensing@oregon.gov
OLCC.Marijuana@oregon.gov
Denise.Byram@oregon.gov
Michelle.Cate@oregon.gov

Oregon Liquor and Cannabis Commission
Attn: Linn County Regional Manager
260 SW Madison Ave, Suite 108
Corvallis, Oregon 97333

Oregon Liquor and Cannabis Commission
Attn: Joel Lujan
Marion/Polk County Regional Manager
200 Hawthorne Ave SE, Suite B-210
Salem, Oregon 97301
Joel.Lujan@oregon.gov

Re: Response Letter to Allison Bizzano Letter dated May 3, 2023 re *Request for Temporary Authority to Operate OLCC License Numbers 1016995D03E, 11016993F313, 10169922BD5, 1016990CA13, and 10169911EE0 (collectively the "OLCC Licenses")*

Dear Oregon Liquor and Cannabis Commission:

This firm represents Greenpoint Holdings Delaware, Inc., Chalice Brands Ltd., and SMS Ventures, LLC (collectively, "Chalice") regarding the above-referenced matter. Please direct all communication related to this matter to our office. Additionally, Chalice demands that all communications sent to Ms. Bizzano related to this matter also be directed to Chalice's counsel.

As explained in Ms. Bizzano's May 3, 2023, Letter, her firm represents Alicia Smith, Jillian Smith, and Marcena Sorrels (collectively, "Secured Creditors").

Chalice disputes the Secured Creditors ability to obtain temporary authority pursuant to OAR 845-025-1260(1) to operate the OLCC Licenses. Specifically, the Secured Creditors have not provided proof of legal access to the various OLCC Licenses' premises as required by OAR 845-025-1260(1)(b)(C).

Further, Chalice either lacks the authority to grant the Secured Creditors legal access to the relevant premises and/or, absent a court order requiring Chalice to grant legal access to the Secured Creditors, will not grant legal access to

the Secured Creditors due to the numerous complexities involved in a foreclosure of a OLCC licenses, which Chalice believes requires court supervision.

As a result, we request that no action be taken related to this matter unless a court order indicates otherwise.

Please do not hesitate to contact our office with any questions or concerns.

Sincerely,

Blake T.E. Marvis
Attorney

cc: Jake Cormier, Attorney

Sent Via Email and U.S. Mail
Alicia Smith, Jillian Smith & Marcena Sorrels
c/o Lotus Law Group
Attn: Allison Bizanno
2 Centerpointe Drive, Suite 345
Lake Oswego, OR 97035
allison@lotuslawgroup.com

THIS IS EXHIBIT "X" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

KENNETH S. EILER, P.C

Receiver
Attorney at Law
Bankruptcy Panel Trustee

PMB 810
515 NW Saltzman Rd.
Portland, Oregon 97229

kenneth.eiler7@gmail.com
Phone 503.292.6020
Fax 503.297.9402

RESUME

Born:	February 14, 1953		
College:	Davidson College	Graduate 1975	BA
Law School:	Willamette University	Graduate 1978	JD
Bankruptcy Trustee	1982-1988		
Bankruptcy Panel Trustee:	1988 to Present (the Panel Trustee program commenced in 1988)		
Sub Chapter V Trustee: (Region 18)	2020 to Present		
Member:	Oregon State Bar Oregon Debtor Creditor Section National Assn. Bankruptcy Trustees		
Current Employer:	Kenneth S. Eiler, PC		

I practiced general law beginning in 1979 in a two person firm that eventually expanded into a four person firm before disbanding in 1995 following my law partner's heart attack. My practice ran the gamut from criminal law to domestic relations to wills and probate to business law to land use planning. During that time, I not only served as a Bankruptcy Panel Trustee, but also represented debtors and creditors in proceedings under Chapter 7, 11, 12, and 13. In addition, I served for ten years on a contract basis as County Counsel for Clatsop County, Oregon and did extensive land use work, both for the County and for the private sector.

In 2000, I limited my practice to work as a bankruptcy panel trustee and representing the trustee in bankruptcy court proceedings. Over the years, I have administered, on average, over 1,000 Chapter 7 cases annually. In addition, I have served as Chapter 11 Trustee and Chapter 11 Disbursing Agent as requested. I was recently approved to serve as Trustee for cases filed under the recently enacted Sub Chapter V of Chapter 11 of the U.S. Bankruptcy Code. I have also served as a both a federal court and state court appointed receiver, as an assignee under an assignment for the benefit of creditors, and as a receiver/disbursing agent to administer out of court settlements.

During my years as a Trustee and Receiver, I have been called upon to liquidate and manage many different types of assets in all types of circumstances including operating businesses, occupied real property, vacant land and related developments, permitting and

construction of residential improvements, public transit company, cannabis processor, heavy equipment, automobile dealerships, aircraft manufacturing, mortgage brokerage, golf course, art gallery, waste recycling, radio station, coffee shops; retirement communities, patents and other intellectual property, patented and unpatented mining claims, accounts receivable, 401k Plans, and livestock. I have experience with liquidating environmentally contaminated sites and, in particular, working, with state and federal regulatory agencies to obtain and comply with no further action letters. My activities have included not only the management and liquidation of debtor assets, but also soliciting, auditing and settling creditor claims, distributing sale proceeds, investigating accounting records, and filing tax returns. I have been appointed to serve as a Receiver by both Oregon and Washington courts, as well as the U.S. District Court in Portland.

Should you need any additional information please contact me at the numbers above.

THIS IS EXHIBIT "Y" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

____

Commissioner for Taking Affidavits

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT* ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

CONSENT

KSV RESTRUCTURING INC. ("**KSV**") hereby consents to act as the court-appointed monitor of Chalice Brands Ltd. (the "**Applicant**") in accordance with an order, substantially in the form of the order included in the application record of the Applicant, returnable May 23, 2023, as such order may be amended in a manner satisfactory to KSV.

DATED this 20th day of May, 2023

KSV RESTRUCTURING INC.

Per: ___________________________________

Name: Noah Goldstein

Title: Managing Director

THIS IS EXHIBIT "Z" REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD, SWORN BEFORE ME OVER VIDEO CONFERENCE THIS MAY 22, 2023.

Commissioner for Taking Affidavits

May 12, 2023

Chalice Brands Ltd.
13315 NE Airport Way, Suite 700
Portland, Oregon 97230
Email: rickm@roguevp.com

Attention: Rickard Miller, Director, Chalice Brands Ltd.

Dear Sir:

Re: Engagement with respect to Chalice Brands Ltd.

1. Introduction

This letter confirms and sets forth the terms and conditions of the engagement between Chalice Brands Ltd. ("**Chalice**") and Cardinal Advisory Services Inc. ("**Cardinal**"), pursuant to which Cardinal will provide the services of Scott Secord to act as the chief restructuring officer (the **"CRO**") of Chalice and its direct and indirect subsidiaries (collectively, the **"Chalice Group**").

2. Background

Chalice requires advice in connection with certain proceedings under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") that it is contemplating. In light of such contemplated CCAA proceeding, Chalice has identified the need for a chief restructuring officer to assist the Chalice Group in managing its business and operations and in connection with a restructuring effort.

In connection with any such CCAA proceeding, the Chalice Group may commence a sale and investment solicitation process (the **"SISP"**) to explore potential strategic options and alternatives, including the review of potential sale, investment, financing, recapitalization, restructuring or other material transactions involving the Chalice Group and its business and assets (a "**Restructuring**").

3. Term of Engagement

The term of this engagement shall commence on the date of this engagement letter and, unless sooner terminated pursuant to the provisions of this letter agreement, shall continue in full force and effect for nine (9) months following the date of this engagement letter (the "**Initial Term**"). At the expiration of the Initial Term, this engagement shall automatically renew for successive three (3) month periods unless sooner terminated pursuant to the provisions of this agreement (the "**Term**").

4. Scope of the Engagement

Notwithstanding anything to the contrary in this agreement, Scott Secord, on behalf of Cardinal, shall act as an advisor to the Chalice Group until such time as the Court grants the Amended and Restated Initial Order (as defined below). Until the issuance of the Amended

and Restated Initial Order, any reference herein to the CRO shall be deemed to be a reference to Scott Secord solely in his capacity as an advisor.

Cardinal shall be retained by Chalice pursuant to the terms of this engagement letter to provide the following services to the Chalice Group:

(a) reviewing the financial, liquidity and operational challenges facing the Chalice Group;

(b) providing advice to the board of directors of Chalice (the "**Board**") and management on the strategic, financial and operational issues and options of the Chalice Group;

(c) overseeing the conduct and implementation of the SISP, if any, including participating in discussions and negotiations with participants in that process and evaluating any Restructuring options that may arise;

(d) reviewing and assisting in the preparation of cash flow forecasts;

(e) reviewing or assisting in the provision of reporting required pursuant to an initial order granted by the supervising CCAA court (the "**Court**") in connection with a proceeding under the CCAA (the "**Initial Order**") or an amended and restated Initial Order (the "**Amended and Restated Initial Order**");

(f) assisting the Board and management in managing stakeholder relations;

(g) engaging in discussions and updates with the Court-appointed monitor of the CCAA Debtors (the "**Monitor**") in connection with all matters relating to the CCAA proceedings and the Restructuring;

(h) taking such actions as may be required pursuant to Court order; and

(i) providing such other services as may be appropriate to address the financial and operational challenges of the Chalice Group and to advance the Restructuring and the CCAA proceedings.

Without limiting the generality of the foregoing, (i) the CRO shall exercise decision-making authority in respect of Restructuring matters, subject to Board approval where appropriate, and (ii) the CRO shall be at liberty to engage in unfettered communications with the Monitor and its professional advisors and representatives, in connection with the CCAA proceedings, the Restructuring, the SISP, if any, and matters relating to the Chalice Group's business, operations and assets, subject to any restrictions that may be imposed by Court order.

5. Cooperation and Information

Chalice agrees to authorize and direct the officers, employees, representatives, agents and advisors of the Chalice Group to:

(a) cooperate fully with the CRO in the exercise of the duties set out herein;

(b) provide the CRO with complete, timely and unrestricted access to its premises and to all information, records and files that the CRO may request from time to time in connection with his engagement;

(c) meet with the CRO to provide whatever analysis and explanations the CRO may reasonably require; and

(d) use reasonable skill, care and attention to ensure that all information provided to the CRO is accurate and complete and to promptly notify the CRO if they subsequently learn that the information provided is incorrect, inaccurate or otherwise should not be relied upon.

6. Acknowledgments Regarding Activities

Chalice acknowledges that the CRO's analysis will be based on information supplied by the Chalice Group and supplemented by discussions with management, the Board, and other advisors. Chalice understands that, although all information gathered will be reviewed for reasonableness, the CRO will not be independently verifying the accuracy or completeness of such information or conducting an audit as part of this engagement. Therefore, the activities of the CRO will not necessarily disclose any errors, irregularities, or improprieties, if any exist, relating to the Chalice Group or its officers, employees, representatives, agents or advisors.

As part of this engagement, the CRO will be required to assist the Chalice Group in discussions with the Chalice Group's stakeholders.

The Chalice Group is responsible for all information it provides to third parties directly or indirectly through the CRO.

If the CRO determines, with the Board's approval, that additional outside agents, including appraisers, are required, the fees and reasonable expenses of such third parties will be paid by Chalice.

Chalice acknowledges that, in providing the services described herein, the CRO may implement and/or effect the Chalice Group's restructuring initiatives, perform management functions, make management decisions and act as an agent for the Chalice Group, but that such actions and decisions will only be undertaken after consideration and approval of the Board and/or approval of the Court in circumstances where such Board or Court approval is necessary or appropriate.

7. Reporting

The CRO shall report directly to the Board and shall receive instructions from the Board.

8. Compensation

(a) As compensation for the services of the CRO, Chalice shall pay to Cardinal:

(i) a consulting fee of USD$30,000.00 plus HST per month (the "**Consulting Fees**") payable in quarterly installments in advance by wire transfer starting on the date of this letter and then every three months thereafter (being May 11, August 11, November 11, etc); provided, that the first quarterly installment of Consulting Fees for the period from the date of this letter up to but excluding the next quarterly installment, shall be paid within three (3) business days of this letter. In the event that this agreement terminates prior to the end of the applicable Term, no further Consulting Fee payments will be made in respect of this agreement; however, any advance payments are non-refundable.

(ii) a success fee of USD$100,000.00 plus HST (the "**Success Fee**" and together with the Consulting Fees, the "**CRO Fees**"), which payment shall be triggered on the occurrence of a sale, transfer, or assumption, on a going concern basis, or all or substantially all of the Chalice Group's operations and assets to any person, group of persons, partnership, corporation or other entity (including, without limitation, existing creditors, employees, affiliates, and/or shareholders of the Chalice Group), provided however that a liquidation of the Chalice Group's assets by auctioneers or other liquidators shall not be a triggering event.

(b) The Success Fee will be payable if the events in Section 8(a)(ii) are completed or implemented (as the case may be) during the term of this engagement or within a period of six (6) months following: (i) the termination of this engagement by Chalice other than as a result of a breach of this agreement by Cardinal or (ii) the termination of this engagement by Cardinal as a result of the breach of this agreement by Chalice.

(c) Chalice shall reimburse Cardinal for all reasonable expenses and disbursements incurred by the CRO in connection with undertaking this engagement, including expenses and disbursements relating to parking, taxis, train fare, air fare, subway, hotels, meals and auto mileage at a rate of 60 cents per kilometre, provided that the CRO shall obtain the prior consent of Chalice before incurring any particular expense or disbursement in excess of USD$2,000.

(d) Cardinal shall deliver an invoice to Chalice every second Friday starting from the date of this agreement setting out the Consulting Fees, expenses and disbursements payable by Chalice in respect of the period since the previous invoice issued, which invoice shall be paid by Chalice within three (3) business days of receipt.

(e) Within three (3) business days of the execution of this engagement letter, Chalice shall pay to Cardinal a non-refundable retainer of USD$90,000.00 plus HST (the "**Retainer**"), representing three (3) months of Consulting Fees. Cardinal will hold the Retainer and apply it to the payment of Consulting Fees and disbursements as a final settlement at the completion of the engagement. Any amount of the Retainer remaining after the final settlement of all Consulting Fees and disbursements owing to Cardinal will be repaid to Chalice.

9. Court Approval and Protections

(a) On or prior to May 31, 2023, Chalice shall seek the Amended and Restated Initial Order, which shall, among other things: (i) approve this engagement letter, including the engagement of Cardinal and the CRO and the payment of the fees and expenses contemplated by this engagement letter *nunc pro tunc*; (ii) provide that Cardinal and Mr. Secord are entitled to the benefit of a charge obtained in the CCAA proceedings in respect of any obligations of Chalice under this engagement letter, including the indemnity of Cardinal and the CRO contained herein; and (iii) provide other customary protections to Cardinal and the CRO.

(b) Neither Cardinal nor the CRO shall have any liability or obligation to the Chalice Group for any Losses (as defined below) in connection with the engagement contemplated herein or the actions or omissions of the CRO in connection with such engagement, except and solely to the extent that a court of competent jurisdiction determines that such Losses resulted from the gross negligence or willful misconduct of Cardinal or the CRO, as applicable. In no event shall the quantum of any liability of Cardinal or the CRO to the Chalice Group exceed the quantum of the CRO Fees paid to Cardinal.

(c) Chalice hereby agrees to indemnify and hold harmless each of Cardinal and the CRO from and against any Losses that are suffered, incurred or sustained by Cardinal or the CRO in connection with the engagement contemplated herein or the actions or omissions of the CRO in connection with such engagement ("**Indemnified Loss**"), except and solely to the extent that a court of competent jurisdiction determines that such Indemnified Loss resulted from the gross negligence or willful misconduct of Cardinal or the CRO.

For purposes of this Section 9, "**Losses**" means all costs, disbursements, charges, awards, expenses, losses, damages, fees (including any legal, professional or advisory fees or disbursements), liabilities, obligations, amounts paid to address, settle or dispose of any claim or satisfy any judgment, and any related fines, penalties or interest, whether arising or asserted directly or indirectly or through contribution or indemnity,

10. Termination

(a) This engagement may be terminated by Chalice or Cardinal upon 30 days' advance written notice to the other party.

(b) Cardinal may terminate this agreement and the CRO may resign immediately in the event that it determines, in its sole discretion, that:

(i) the Board or the Chalice Group is (i) committing acts of wrong-doing or misfeasance; or (ii) taking action or omitting to take action that prevents the CRO from properly discharging its duties and obligations;

(ii) if the Court-ordered protections afforded to Cardinal or the CRO pursuant to the Amended and Restated Initial Order are modified or amended in any manner that adversely affects Cardinal or the CRO; or

(iii) circumstances arise that unduly or materially alter the nature of the engagement, the role of the CRO, or the ability of the CRO to carry out its mandate.

11. Notices

All notices and other communications provided for in this engagement agreement shall be in writing and shall be sent to the respective address set forth below (or, as to each party, at such other address as shall be designated by such party in a writing to the other party)

if to Cardinal, to it at the following address:

Cardinal Advisory Services Inc.
120 Adelaide Street West, Suite 2210
Toronto, ON M5T 1H1
Email: scottlsecord@gmail.com

if to Chalice Brands Inc., to it at the following address:

Chalice Brands Inc.
13315 NE Airport Way, Suite 700
Portland, Oregon 97230
Email: rickm@roguevp.com

12. Governing Law

This engagement agreement is governed by the laws of the province of Ontario and the laws of Canada applicable therein. Any dispute pertaining to this engagement will be dealt with exclusively by the Court.

[*Signature page follows*]

IN WITNESS WHEREOF the undersigned agree to the terms of this engagement letter as of the date first written above.

CARDINAL ADVISORY SERVICES INC.

Per: ________________________

Name: Scott Secord
Title: President/CEO

CHALICE BRANDS LTD.

Per: ________________________

Name: Rickard Miller
Title: Lead Director

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36, AS AMENDED

Court File No.

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT

OSLER, HOSKIN & HARCOURT LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto ON M5X 1B8

Marc Wasserman (LSO# 44066M)
Tel: 416.862.4908
Email: mwasserman@osler.com

Shawn Irving (LSO# 50035U)
Tel: 416.862.4733
Email: sirving@osler.com

Kathryn Esaw (LSO# 58264F)
Tel: 416.862.4905
Email: kesaw@osler.com

Fabian Suárez-Amaya (LSO# 80301W)
Tel: 416.862.6416
Email: fsuarezamaya@osler.com

Lawyers for the Applicant,
Chalice Brands Ltd.

TAB 3

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM	)	TUESDAY, THE 23RD
	)	
JUSTICE KIMMEL	)	DAY OF MAY, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

INITIAL ORDER

THIS APPLICATION, made by Chalice Brands Ltd. (the "**Applicant**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day by videoconference via Zoom in Toronto, Ontario.

ON READING the affidavit of Scott Secord sworn May 22, 2023 and the Exhibits thereto (the "**Secord Affidavit**"), the pre-filing report of the proposed monitor, KSV Restructuring Inc. ("**KSV**"), dated May 22, 2023 (the "**Pre-Filing Report**"), and on hearing the submissions of counsel for the Applicant, counsel for KSV and those other parties listed on the Counsel Slip, and on reading the consent of KSV to act as the monitor (the "**Monitor**"),

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as the Applicant deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system currently in place as described in the Secord Affidavit or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement that may be filed with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that, with the consent of the Monitor, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of Business and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing expenses; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of this proceeding at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, with the consent of the Monitor, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior

to the date of this Order but not required to be remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business of the Applicant.

8. **THIS COURT ORDERS** that, except as specifically permitted herein, and subject to the consent of the Monitor, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

9. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

(a) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

(b) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

each of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

10. **THIS COURT ORDERS** that until and including June 2, 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or

tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO PROCEEDINGS AGAINST THE NON-FILING AFFILIATES

11. **THIS COURT ORDERS** that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Greenpoint Holdings Delaware Inc., Fifth and Root, Inc., Greenpoint Nevada Inc., Greenpoint Oregon, Inc., Greenpoint Workforce Inc., Greenpoint Equipment Leasing, LLC, CFA Retail LLC, SMS Ventures LLC or CF Bliss LLC (together, the "**Non-Filing Affiliates**") or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "**Non-Filing Affiliates' Property**", and together with the Non-Filing Affiliates' business, the "**Non-Filing Affiliates' Property and Business**") including, without limitation, terminating, making any demand, accelerating, amending or declaring in default or taking any enforcement steps under any agreement or agreements with respect to which the Applicant is a party, borrower, principal obligor or guarantor, and no default or event of default shall have occurred or be deemed to have occurred under any such agreement or agreements, by reason of:

a) the insolvency of the Applicant;

b) the Applicant having made an application to this Court under the CCAA;

c) the Applicant being a party to this proceeding;

d) the Applicant taking any step related to this CCAA proceeding; or

e) any default or cross-default arising from the matters set out in subparagraphs (a), (b), (c), or (d) above, or arising from the Applicant breaching or failing to perform any

contractual or other obligations (collectively, the "**Non-Filing Affiliates' Default Events**"),

except with the prior written consent of the Applicant and the Monitor, or with leave of this Court.

12. **THIS COURT ORDERS** that, notwithstanding paragraph 11 hereof, the Applicant is authorized and empowered, but not obligated, to commence and/or continue its complaint in the Circuit Court of the State of Oregon for breach of loan agreements and appointment of a receiver, and a motion to appoint an Oregon state receiver (the "**Receiver**") with respect to Greenpoint Oregon, Inc.; Greenpoint Equipment Leasing, LLC; CFA Retail LLC; SMS Ventures LLC; and CF Bliss LLC, and that the granting of the order sought in the motion to appoint the Receiver shall not constitute a breach of the stay of proceedings in respect of those Non-Filing Affiliates.

NO EXERCISE OF RIGHTS OR REMEDIES

13. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Filing Affiliates, or affecting the Non-Filing Affiliates' Property and Business, as a result of a Non-Filing Affiliates' Default Event, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this

Court, provided that nothing in this Order shall: (i) empower the Non-Filing Affiliates to carry on any business which the Non-Filing Affiliates are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Applicant, or the Non-Filing Affiliates, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or

licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

DIRECTORS' AND OFFICERS' INDEMNIFICATION

19. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

APPOINTMENT OF MONITOR

20. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicant's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) advise the Applicant in its preparation of the Applicant's cash flow statements and any other reporting to the Court or otherwise;

(d) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, wherever located and to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(e) monitor all payments, obligations or transfers as between the Applicant and the Non-Filing Affiliates;

(f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(g) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c.16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C., 1985, c. E-15, the *Ontario Cannabis Licence Act*, S.O. 2018, c. 12,

Sched. 2 and the Ontario, *Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1, or such other applicable federal or provincial legislation or regulations (collectively, the "**Cannabis Legislation**") and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its respective employees and representatives acting such capacities shall incur any liability or obligation as a result of the appointment of the Monitor or the carrying out by it of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on, or subsequent to the date of this Order, by the Applicant as part of the costs of this proceeding. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, and the Applicant's counsel on a weekly basis.

27. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $400,000 as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of this proceeding. The Administration Charge shall have the priority set out in paragraphs 29-30 herein.

VALIDITY AND PRIORITY OF ADMINISTRATION CHARGE

29. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

30. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and such Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, except for any Person who is a "secured creditor" as defined in the CCAA that has not been served with the Notice of Application for this Order.

31. **THIS COURT ORDERS** that the Applicant shall be entitled, on a subsequent attendance on notice to those Persons likely to be affected thereby, to seek an increase to the amount, to seek additional charges and to seek priority of the Administration Charge ahead of any Encumbrance over which the Administration Charge has not obtained priority under this Order.

32. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Administration Charge unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the Administration Charge affected thereby (collectively, the "**Chargees**"), or further Order of this Court.

33. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by (a) the pendency of this proceeding and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (c) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) the Administration Charge shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and

(c) the payments made by the Applicant pursuant to this Order, and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

34. **THIS COURT ORDERS** that the Administration Charge created by this Order over leases of real property in Canada shall only be an Administration Charge in the Applicant's interest in such real property leases.

SERVICE AND NOTICE

35. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail addresses as last shown on the records of the Applicant, a notice to every known creditor who has a claim against the Applicant of more than $1,000 (excluding individual employees or former employees), and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

36. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca//scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall

constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL – www.ksvadvisory.com/experience/case/chalice-brands-ltd. (the "**Website**").

37. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in this proceeding, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

38. **THIS COURT ORDERS** that the Applicant and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in this proceeding, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3© of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

39. **THIS COURT ORDERS** that the Monitor shall maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor nor its counsel shall have any liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

GENERAL

40. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

41. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

42. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, including but without limitation the Circuit Court of the State of Oregon, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

43. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that KSV is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having this proceeding recognized in a jurisdiction outside Canada.

44. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order.

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Court File No:

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicant

TAB 4

~~Revised: January 21, 2014~~

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ~~—~~MADAM	)	~~WEEKDAY~~TUESDAY, THE ~~#~~23RD
	)	
JUSTICE ~~—~~KIMMEL	)	DAY OF ~~MONTH~~MAY, 20~~YR~~23

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ~~[APPLICANT'S NAME] (the "Applicant")~~CHALICE BRANDS LTD.

INITIAL ORDER

THIS APPLICATION, made by Chalice Brands Ltd. (the "**Applicant**~~,~~") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the ~~"~~"**CCAA**~~"~~"), was heard this day ~~at 330 University Avenue,~~by videoconference via Zoom in Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~Scott Secord sworn ~~[DATE]~~May 22, 2023 and the Exhibits thereto~~, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice~~ (the "**Secord Affidavit**"), the pre-filing report of the proposed monitor, KSV Restructuring Inc. ("**KSV**"), dated May 22, 2023 (the "**Pre-Filing Report**"), and on hearing the submissions of counsel for ~~[NAMES], no one appearing for [NAME][1] although duly served as appears from the affidavit of service of [NAME] sworn [DATE]~~the Applicant, counsel for KSV and those other parties listed on the Counsel Slip, and on reading the consent of ~~[MONITOR'S NAME]~~KSV to act as the monitor (the "**Monitor**"),

SERVICE

~~[1] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated~~[2]~~ so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

~~**PLAN OF ARRANGEMENT**~~

~~3. THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").~~

POSSESSION OF PROPERTY AND OPERATIONS

3. ~~4.~~ **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the ~~"~~“**Property**~~"~~”). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the ~~"~~“**Business**~~"~~”) and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively ~~"~~“**Assistants**~~"~~”) currently retained or employed by it, with liberty to retain such further Assistants as ~~it~~the Applicant deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

~~[2] If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.~~

4. 5. [**THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system[3] currently in place as described in the Secord Affidavit of [NAME] sworn [DATE] oror, with the consent of the Monitor, replace it with another substantially similar central cash management system (the "“**Cash Management System**"”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Planany plan of compromise or arrangement that may be filed with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]

5. 6. **THIS COURT ORDERS** that, with the consent of the Monitor, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of businessBusiness and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing expenses; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings,this proceeding at their standard rates and charges.

[3] This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.

6. 7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, with the consent of the Monitor, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

7. 8. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees'’ wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "“**Sales Taxes**"”) required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order,; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind

which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business byof the Applicant.

9. THIS COURT ORDERS that until a real property lease is disclaimed **[or resiliated]**[4] in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

8. 10. **THIS COURT ORDERS** that, except as specifically permitted herein, and subject to the consent of the Monitor, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

9. 11. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, **[and to dispose of redundant or non-material assets not exceeding $● in any one transaction or $● in the aggregate]**[5]

[4] The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.

(a) (b) [terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate]; and

(b) (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

alleach of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims **[or resiliates]** the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer **[or resiliation]** of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a notice of disclaimer **[or resiliation]** is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer **[or resiliation]**, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer **[or resiliation]**, the

[5] Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.

~~relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith~~.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

10. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE – MAX. 30 DAYS]~~June 2, 2023, or such later date as this Court may order (the ~~"~~"**Stay Period**~~"~~"), no proceeding or enforcement process in any court or tribunal (each, a ~~"~~"**Proceeding**~~"~~") shall be commenced or continued against or in respect of the Applicant or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO PROCEEDINGS AGAINST THE NON-FILING AFFILIATES

11. **THIS COURT ORDERS** that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Greenpoint Holdings Delaware Inc., Fifth and Root, Inc., Greenpoint Nevada Inc., Greenpoint Oregon, Inc., Greenpoint Workforce Inc., Greenpoint Equipment Leasing, LLC, CFA Retail LLC, SMS Ventures LLC or CF Bliss LLC (together, the "**Non-Filing Affiliates**") or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the "**Non-Filing Affiliates' Property**", and together with the Non-Filing Affiliates' business, the "**Non-Filing Affiliates' Property and Business**") including, without limitation, terminating, making any demand, accelerating, amending or declaring in default or taking any enforcement steps under any agreement or agreements with respect to which the Applicant is a party, borrower, principal obligor or guarantor, and no default or event of default shall have occurred or be deemed to have occurred under any such agreement or agreements, by reason of:

a) the insolvency of the Applicant;

b) the Applicant having made an application to this Court under the CCAA;

c) the Applicant being a party to this proceeding;

d) the Applicant taking any step related to this CCAA proceeding; or

e) any default or cross-default arising from the matters set out in subparagraphs (a), (b), (c), or (d) above, or arising from the Applicant breaching or failing to perform any contractual or other obligations (collectively, the "**Non-Filing Affiliates' Default Events**"),

except with the prior written consent of the Applicant and the Monitor, or with leave of this Court.

12. **THIS COURT ORDERS** that, notwithstanding paragraph 11 hereof, the Applicant is authorized and empowered, but not obligated, to commence and/or continue its complaint in the Circuit Court of the State of Oregon for breach of loan agreements and appointment of a receiver, and a motion to appoint an Oregon state receiver (the "**Receiver**") with respect to Greenpoint Oregon, Inc.; Greenpoint Equipment Leasing, LLC; CFA Retail LLC; SMS Ventures LLC; and CF Bliss LLC, and that the granting of the order sought in the motion to appoint the Receiver shall not constitute a breach of the stay of proceedings in respect of those Non-Filing Affiliates.

NO EXERCISE OF RIGHTS OR REMEDIES

13. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being ~~"~~"**Persons**~~"~~" and each being a ~~"~~"**Person**~~"~~") against or in respect of the Applicant or the Monitor, or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the

filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Filing Affiliates, or affecting the Non-Filing Affiliates' Property and Business, as a result of a Non-Filing Affiliates' Default Event, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Non-Filing Affiliates to carry on any business which the Non-Filing Affiliates are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Applicant, or the Non-Filing Affiliates, except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the

Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.[6]

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations~~, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court~~.

DIRECTORS' AND OFFICERS' INDEMNIFICATION ~~AND CHARGE~~

19. ~~20.~~ **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings,[7] except to the extent that, with

[6] ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

[7] ~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are~~

respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer''s gross negligence or wilful misconduct.

21. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")[8] on the Property, which charge shall not exceed an aggregate amount of $●, as security for the indemnity provided in paragraph **[20]** of this Order. The Directors' Charge shall have the priority set out in paragraphs **[38]** and **[40]** herein.

22. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph **[20]** of this Order.

APPOINTMENT OF MONITOR

20. 23. **THIS COURT ORDERS** that [MONITOR'S NAME]KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

[8] Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

21. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicant~~'~~'s receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

~~(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~

(c) ~~(d)~~ advise the Applicant in its preparation of the Applicant's cash flow statements and any other reporting ~~required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL],~~to the Court or ~~as~~ otherwise ~~agreed to by the DIP Lender;~~

~~(e) advise the Applicant in its development of the Plan and any amendments to the Plan;~~

~~(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan~~;

(d) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, wherever located and to the extent that is necessary to adequately assess the Applicant~~'~~'s business and financial affairs or to perform its duties arising under this Order;

(e) monitor all payments, obligations or transfers as between the Applicant and the Non-Filing Affiliates;

(f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

22. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c.16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C., 1985, c. E-15, the *Ontario Cannabis Licence Act*, S.O. 2018, c. 12, Sched. 2 and the Ontario, *Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1, or such other applicable federal or provincial legislation or regulations (collectively, the "**Cannabis Legislation**") and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

23. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, ~~"~~"**Possession**~~"~~") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the ~~"~~"**Environmental Legislation**~~"~~"), provided however that nothing herein shall

exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. ~~27.~~ **THIS COURT ORDERS** that ~~that~~ the Monitor shall provide any creditor of the Applicant ~~and the DIP Lender~~ with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

25. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its respective employees and representatives acting such capacities shall incur ~~no~~any liability or obligation as a result of ~~its~~the appointment of the Monitor or the carrying out by it of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on, or subsequent to the date of this Order, by the Applicant as part of the costs of ~~these proceedings~~this proceeding. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, ~~counsel for the Monitor and counsel for the Applicant on a [TIME INTERVAL] basis and, in addition, the Applicant is hereby authorized to pay to the Monitor,~~ counsel to the Monitor, and ~~counsel to~~ the Applicant~~, retainers in the amount[s] of $● [, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time~~'s counsel on a weekly basis.

27. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and counsel to the Applicant~~'s counsel~~ shall be entitled to the benefit of and are hereby granted a charge (the ~~"~~"**Administration Charge**~~"~~") on the Property, which charge shall not exceed an aggregate amount of $~~●~~400, 000 as security for their professional fees and disbursements incurred at ~~the~~their standard rates and charges~~ of the Monitor and such counsel~~, both before and after the making of this Order in respect of ~~these proceedings~~this proceeding. The Administration Charge shall have the priority set out in paragraphs ~~[~~29-3~~8] and [40] hereof.~~

~~**DIP FINANCING**~~

~~32. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $● unless permitted by further Order of this Court.~~

~~33. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

35. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs **[38]** and **[40]** hereof.

36. THIS COURT ORDERS that, notwithstanding any other provision of this Order:

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ● days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

37. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents0 herein.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDERADMINISTRATION CHARGE

38. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows[9]:

First – Administration Charge (to the maximum amount of $●);

Second – DIP Lender's Charge; and

Third – Directors' Charge (to the maximum amount of $●).

29. 39. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges") shall not be required, and that the ChargesAdministration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the ChargesAdministration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

30. 40. **THIS COURT ORDERS** that each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property and such ChargesAdministration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "“**Encumbrances**"”) in favour of any Person, except for any Person who is a “secured creditor” as defined in the CCAA that has not been served with the Notice of Application for this Order.

[9] The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.

31. **THIS COURT ORDERS** that the Applicant shall be entitled, on a subsequent attendance on notice to those Persons likely to be affected thereby, to seek an increase to the amount, to seek additional charges and to seek priority of the Administration Charge ahead of any Encumbrance over which the Administration Charge has not obtained priority under this Order.

32. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, ~~any of the Directors' Charge,~~ the Administration Charge ~~or the DIP Lender's Charge,~~ unless the Applicant also obtains the prior written consent of the Monitor~~, the DIP Lender~~ and the beneficiaries of the ~~Directors' Charge and the~~ Administration Charge affected thereby (collectively, the "**Chargees**"), or further Order of this Court.

33. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the~~ Administration Charge~~, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~ shall not be rendered invalid or unenforceable and the rights and remedies of the ~~chargees entitled to the benefit of the Charges (collectively, the "~~Chargees~~") and/or the DIP Lender thereunder~~ shall not otherwise be limited or impaired in any way by (a) the pendency of ~~these proceedings~~this proceeding and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (~~e~~c) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an ~~"~~"**Agreement**~~"~~") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) ~~neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~the Administration Charge shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from~~ the Applicant entering into the Commitment Letter,~~ the creation of the ~~Charges, or the execution, delivery or performance of the Definitive Documents~~Administration Charge; and

(c) the payments made by the Applicant pursuant to this Order, ~~the Commitment Letter or the Definitive Documents, ~~and the granting of the ~~Charges~~Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

34. ~~43. ~~**THIS COURT ORDERS** that ~~any~~the Administration Charge created by this Order over leases of real property in Canada shall only be ~~a~~an Administration Charge in the Applicant~~'~~’s interest in such real property leases.

SERVICE AND NOTICE

35. ~~44. ~~**THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail addresses as last shown on the records of the Applicant, a notice to every known creditor who has a claim against the Applicant of more than $1~~0~~,000 (excluding individual employees or former employees), and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

36. ~~45. ~~**THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at ~~http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/~~http://ww

w.ontariocourts.ca//scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ~~‘<@>’~~ www.ksvadvisory.com/experience/case/chalice-brands-ltd. (the “**Website**”).

37. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in ~~these proceedings~~this proceeding, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant~~'~~’s creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

38. **THIS COURT ORDERS** that the Applicant and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in this proceeding, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant’s creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3© of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

39. **THIS COURT ORDERS** that the Monitor shall maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the “**Service List**”). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor nor its counsel shall have any liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

GENERAL

40. ~~47.~~ **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties ~~hereunder~~under this Order or in the interpretation or application of this Order.

41. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

42. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, including but without limitation the Circuit Court of the State of Oregon, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

43. ~~50.~~ **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and ~~is~~are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that ~~the Monitor~~KSV is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having ~~these proceedings~~this proceeding recognized in a jurisdiction outside Canada.

~~51. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.~~

44. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. ~~Eastern Standard/Daylight Time~~Toronto time on the date of this Order.

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

Court File No:

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

INITIAL ORDER

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
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ONTARIO
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COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

APPLICATION RECORD OF THE APPLICANT,
CHALICE BRANDS LTD.
(Application Returnable May 23, 2023 at 8:00 a.m.)

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