

**AMENDED AND RESTATED SUBSCRIPTION AGREEMENT**

Between

Lotus Ventures Inc.

-and-

5008679 Ontario Limited

~~May 3~~June 4, 2024

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THIS AMENDED AND RESTATED SUBSCRIPTION AGREEMENT is made as of ~~May~~  
3 June 4, 2024,

BETWEEN:

LOTUS VENTURES INC., a corporation incorporated pursuant to  
the laws of British Columbia

(the “**Company**”)

- and –

5008679 Ontario Limited, a corporation incorporated pursuant to  
the laws of Ontario

(the “**Purchaser**”)

**RECITALS:**

- A. On January 17, 2024 (the “**Filing Date**”), the Company initiated proceedings under the *Bankruptcy and Insolvency Act* (Canada) the (“**BIA**”) by filing a Notice of Intention to Make a Proposal pursuant to section 50.4(1) of the BIA (the “**NOI Proceedings**”) and MNP Ltd. consented to act as licensed insolvency trustee (in such capacity, the “**Proposal Trustee**”).
- B. On February 15, 2024, the time for filing the Company’s proposal was extended to April 1, 2024, by way of an order granted by the Supreme Court of British Columbia in Bankruptcy and Insolvency (the “**Court**”).
- C. On March 28, 2024, the Company made a proposal to its creditors of even date (the “**Proposal**”).
- D. On April 4, 2024, counsel for the Purchaser provided the Company with a draft binding offer for the Purchaser’s subscription for the Subscribed Shares (the “**Proposed Binding Offer**”), to be completed through a series of transactions between the Company and the Purchaser to proceed by way of reverse vesting order substantially in the form set forth in Schedule “A”, thereto, subject to all necessary approvals of the creditors and the Court and entering into a definitive subscription agreement.

~~E. Following completion of the Transactions contemplated by this Subscription Agreement, the Subscribed Shares shall represent all of the existing equity of Company.~~

E. ~~F. The Company wishes to~~ On May 3, 2024, the Company and the Purchaser entered into a Subscription Agreement (the “Original Subscription Agreement”) whereby the Company agreed to issue to the Purchaser, and the Purchaser has agreed to subscribe for and purchase from the Company, the Subscribed Shares, upon the terms and conditions set forth ~~herein~~ herein.

- F. Pursuant to Section 9.7 of the Original Subscription Agreement, the Original Subscription Agreement may only be amended by written agreement by the Parties. The Parties wish to enter into this Subscription Agreement to amend and restate the terms of the Original Subscription Agreement subject to and upon the terms and conditions contained herein with effect from the date hereof.
- G. Following completion of the Transactions contemplated by this Subscription Agreement, the Subscribed Shares shall represent all of the existing equity of the Company.
- H. ~~G.~~ The Transactions contemplated by this Subscription Agreement are subject to the approval of the Court and will be consummated only pursuant to and in accordance with the approval of the Court pursuant to the Approval and Reverse Vesting Order.

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (~~as defined below~~) agree as follows:

## **ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION**

### **1.1 Definitions**

Whenever used in this Subscription Agreement the following words and terms shall have the meanings set out below:

“**Act**” means the *Cannabis Act*, S.C. 2018, c. 16, as amended;

“**Action**” means any claim, action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity and by or before a Governmental Authority;

“**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to “control” another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; and the term “controlled” shall have a similar meaning;

“**Agreement Date**” means the date of this Subscription Agreement as set forth on the first page of this Subscription Agreement;

“**Approval and Reverse Vesting Order**” means an order issued by the Court substantially in the form attached hereto as Schedule “A”, or otherwise acceptable to the Purchaser, the Company and the Proposal Trustee, each acting reasonably: (i) approving the Transactions; (ii) transferring out of the Company and vesting in ResidualCo all

Excluded Assets, Excluded Contracts and Excluded Liabilities, and discharging all Claims and Encumbrances against the Company; (iii) providing for the Company's retaining the Retained Assets (free and clear of all Claims and Encumbrances), Retained Contracts, Retained Liabilities, and Permitted Encumbrances; and (iv) vesting in the Purchaser all right, title and interest in and to the Subscribed Shares, free and clear of all Claims and Encumbrances;

“**BIA**” has the meaning set out in the recitals;

“**Books and Records**” means all books and records of Company and its subsidiaries, including minute books, annual returns filed with the corporate registry, books of account, ledgers, general, financial and accounting records, Tax Returns and other records in the possession and control of Company or its subsidiaries as of the Agreement Date;

“**Business**” means the business carried on by Company;

“**Business Day**” means any day, other than a Saturday or Sunday or any day on which banks are generally not open for business in the City of Vancouver, British Columbia;

“**Cannabis Licenses**” means, collectively, all of the licenses, permits, certificates, permissions or agreements granted by a governmental department, branch or agency, foreign or domestic, in favour of the Company, which authorize and permit the Company to carry on the Business, to cultivate and process cannabis and cannabis products, and to sell cannabis and cannabis products to the public.

“**Cash Consideration**” has the meaning set out in Section 2.1(b);

“**Claims**” means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of preemption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, indemnities, liabilities, debts, or other claims or obligations, of any nature or kind whatsoever, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

“**Closing**” means the completion of the Transactions pursuant to this Subscription Agreement;

“**Closing Date**” means the date on which the Closing occurs, which date shall be no later than four (4) Business Days from the date on which all conditions set out in Article 6 (other than those conditions that by their nature can only be satisfied on the Closing Date) have been satisfied or waived, or such other date as may be agreed to in writing by the Parties;

“**Closing Sequence**” has the meaning set out in Section 5.2;

“**Closing Statement**” has the meaning set out in Section 2.3(a);

“**Closing Time**” means the time on the Closing Date at which Closing occurs, as evidenced by the Proposal Trustee’s Certificate;

“**Company**” has the meaning set out in preamble to this Subscription Agreement;

“**Company Obligations**” means, collectively, the: (i) Post-Filing Obligations; (ii) Cure Costs; and (iii) Terminated Employee Claims, to the extent existing and unsatisfied at Closing;

“**Company Obligations Amount**” has the meaning set out in Section 2.1(a);

“**Conditions Certificates**” has the meaning set out in Section 7.4.

“**Contracts**” means all contracts, agreements, deeds, licenses, leases, obligations, commitments, promises, undertakings, engagements, understandings or arrangements to which Company is a party, or by which Company is bound, including, without limitation, those under which Company has, or will have at Closing, any right, obligation, or Liability or contingent right, obligation, or Liability (in each case, whether written or oral, express or implied), or under which any Claims or Encumbrances against Company arise, including those which in anyway relate to the Business;

“**Court**” has the meaning set out in the recitals;

“**CTO**” means the cease trade order issued by the British Columbia Securities Commission dated April 8, 2024, relating to, among other issuers, the Company, and any other reciprocal Orders issued by any other securities commission relating to such cease trade order, automatically or otherwise;

“**Cure Costs**” means all monetary defaults in relation to the Retained Contracts, [Cannabis Licenses, and Permits](#) as at the Closing Date, other than those arising by reason only of Company’s insolvency, the NOI Proceedings, the appointment of the Proposal Trustee, or the Company’s failure to perform a non-monetary obligation;

“**Discharged**” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, including all proceeds thereof, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof;

“**Employees**” means all individuals, and “**Employee**” means any one of them, who, as of Closing Time, are employed by the Company whether on a full-time or part-time basis, including all individuals who are on an approved and unexpired leaves of absence and all individuals who have been placed on temporary lay-off which has not expired, but, for certainty, excludes any Terminated Employees;

**“Encumbrances”** means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, indemnities, liabilities, debts, or other claims or obligations, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

**“Encumbrances to Be Discharged”** means all Encumbrances on the Retained Assets, including without limitation the Encumbrances listed in Schedule “H”, an amended list of which may be delivered by the Purchaser no later than before the Closing Date and excluding only the Permitted Encumbrances;

**“Equipment”** has the meaning given to it in the PPSA;

**“Equipment Assets”** means all Equipment owned by the Company, including and in particular all Equipment located on the Lands;

**“Equity Interest”** means and includes any and all of the following as such relate to the Company: (i) any shares, interests, participations or other equivalents (however designated) of capital stock or share capital or related rights or interests; (ii) any phantom stock, phantom stock rights, stock appreciation rights or stock-based performance securities; (iii) any warrants, options, convertible, exchangeable or exercisable securities, subscriptions, rights (including any pre-emptive or similar rights), calls; (iv) any other rights or interests to purchase or acquire any of the foregoing; and (v) any interest that constitutes an *“equity interest”* as such term is defined in the BIA;

**“Estimated Closing Statement”** has the meaning set out in Section 2.2(a);

**“Excluded Assets”** means those assets listed in Schedule “C”, an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order;

**“Excluded Contracts”** those Contracts listed in Schedule “E” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order), as well as: (i) any and all Contracts disclaimed or resiliated by the Company prior to the Closing Date pursuant to section 65.11 of the BIA; and (ii) for clarity, any contracts of employment held by Terminated Employees;

**“Excluded Liabilities”** means all debts, obligations, Liabilities, Encumbrances (other than Permitted Encumbrances), indebtedness, Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or relating to any Retained Assets, Excluded Assets, or Excluded Contracts, as at the Closing Time,



other than Retained Liabilities, including, among others: (i) the non-exhaustive list of those certain Liabilities set forth in Schedule “G” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order); (ii) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transactions and to which Company may be bound as at the Closing Time; (iii) all Liabilities relating to or under the Excluded Contracts and Excluded Assets; and (iv) all Liabilities to or in respect of Company’s Affiliates;

“**Existing Equity Interests**” for clarity, does not include the Subscribed Shares, but means and includes any issued and outstanding Equity Interest in the Company in existence prior to Closing;

“**Filing Date**” has the meaning set out in the recitals;

“**Final Order**” means the Approval and Reverse Vesting Order that satisfies the following conditions: (i) it is in full force and effect; (ii) it has not been reversed, modified or vacated and is not subject to any stay; and (iii) all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving the Approval and Reverse Vesting Order wholly operable;

“**Governmental Authority**” means any government, regulatory authority, governmental department, agency, agent, commission, bureau, official, minister, Crown corporation, court, body, board, tribunal or dispute settlement panel or other law or regulation-making organization or entity: (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (ii) exercising, or entitled to or purporting to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“**Intellectual Property**” means: (i) domestic and foreign patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) information, including proprietary business information and non-public business information, inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, biological and genetic strains, sequences, information or materials, and any documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) trade names, business names, corporate names, domain names, website names and world wide web addresses, social media accounts and identifiers, common law trademarks, trademark registrations, trademark applications, trade dress and logos, and the goodwill associated with any of the foregoing (including and in particular any registered, pending, statutory or common law rights in trademarks, business, or trade names related to the Company and the Business, and to the name and use of the “Lotus Ventures Inc.”, and “Lotus Cannabis Co.” brands); and (v) any other intellectual property and industrial property and applications and registrations therefor;

“**Interim Period**” means the period from the Agreement Date up to and until the Closing Time;

“**Inventory**” has the meaning given to it in the PPSA;

“**Inventory Assets**” means all Inventory owned by the Company, including and in particular all Inventory located on the Lands;

“**Lands**” means PID: 011-546-247, Lot 8, Section 16, Township 7, Osoyoos Division, Yale District, Plan 1558;

“**Laws**” means, with respect to any Person, property, transaction, event or other matter; all laws, statutes, by-laws, rules, regulations, treaties, Orders, ordinances or judgments, guidelines, directives or other requirements having the force of law, whether federal, provincial, state or municipal, relating or applicable to that Person, property, transaction, event or other matter, including without limitation, the Regulations and laws or requirements of stock exchanges and any consent decree or administrative order;

“**Liability**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;

“**NOI Proceedings**” has the meaning set out in the recitals;

“**Notice**” has the meaning set out in Section 9.3;

“**Orders**” means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued, filed or imposed by any Governmental Authority or arbitrator and includes any orders granted by the Court in the NOI Proceedings;

“**Original Subscription Agreement**” has the meaning set out in the recitals;

“**Outside Date**” means ~~June 14~~July 15, 2024, or such other date as the Parties agree in writing;

“**Parties**” means, collectively, the Company and the Purchaser, and “**Party**” means any one of them;

“**Permits**” means the permits, licenses, authorizations, approvals or other evidence of authority Related to the Business or issued to, granted to, conferred upon, or otherwise created for, Company;

**“Permitted Encumbrances”** means the Encumbrances related to the Retained Assets listed in Schedule “I”, an amended list of which may be agreed to by the Purchaser, Company and the Proposal Trustee prior to the granting of the Approval and Reverse Vesting Order;

**“Person”** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, corporation, Governmental Authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

**“Post-Filing Obligations”** means any Claim or Liability of any kind owing by the Company arising out of or relating to the Business and becoming payable after the Filing Date;

**“PPSA”** means the *Personal Property Security Act*, R.S.B.C. 1996, c. 359;

**“Production Facility”** means the 22,500 square foot indoor cannabis production facility, which includes administrative offices, situate on the Lands, along with all other fixtures, structures and out-buildings connected with or related to such facility;

**“Proposal”** has the meaning set out in the recitals;

**“Proposal Trustee”** has the meaning set out in the recitals;

**“Proposal Trustee’s Certificate”** means the certificate, substantially in the form attached as Schedule “D” to the Approval and Reverse Vesting Order, to be delivered by the Proposal Trustee in accordance with Section 7.4, and thereafter filed by the Proposal Trustee with the Court;

**“Proposed Binding Offer”** has the meaning set out in the recitals;

**“Purchase and Sale Transactions”** means the transactions contemplated by this Subscription Agreement, which provide for, among other things: (i) the issuance by Company of the Subscribed Shares to the Purchaser in consideration for the Subscription Price; (ii) the transfer and assignment by the Company to ResidualCo of the Excluded Assets, Excluded Contracts, and the Excluded Liabilities, each on and subject to the terms set forth herein; and (iii) the transfer of: (1) the Company Obligations Amount to the Company in full payment and satisfaction of the Company Obligations; and (2) the Cash Consideration to ResidualCo, in full payment and satisfaction of the Excluded Liabilities, Excluded Assets and Excluded Contracts, all in full satisfaction of the Purchaser’s obligations under this Subscription Agreement;

**“Purchaser”** has the meaning set out in preamble to this Subscription Agreement;

**“Purchaser Release”** has the meaning set out in Section 5.3;

“**Regulations**” means the *Cannabis Regulations*, SOR/2018-144, as amended;

“**Related to the Business**” means primarily: (i) used in; (ii) arising from; or (iii) otherwise related to the Business or any part thereof;

“**Released Parties**” has the meaning set out in Section 5.3(e);

“**Representative**” when used with respect to a Person means each director, officer, employee, consultant, financial adviser, legal counsel, accountant and other agent, adviser or representative of that Person;

“**ResidualCo**” means Lotus Cannabis Alberta Incorporated, a corporation incorporated pursuant to the laws of Alberta, and a wholly owned subsidiary of the Company;

“**Retained Assets**” means all of the assets owned by the Company as at the Agreement Date and any assets acquired by it up to and including Closing, that are not the Excluded Assets, including (without limitation): (i) those assets listed at Schedule “B” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order), and (ii) the Permits, Cannabis Licenses, Books and Records, Lands, Production Facility, Equipment Assets, Inventory Assets, and Intellectual Property;

“**Retained Contracts**” means all contracts held by the Company as at the Closing Date that are not Excluded Contracts, including, without limitation, those Contracts listed at Schedule “D”, an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order;

“**Retained Liabilities**” means: (a) Liabilities specifically and expressly designated by the Purchaser as Retained Liabilities in Schedule “F” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order); (b) the Company Obligations; and (c) the ordinary course obligations under the Retained Contracts, including all obligations in respect of the Employees. For clarity, the Retained Liabilities shall not include: (y) any debts, Liabilities, Claims, Encumbrances, or obligations arising from any breach of any of the Retained Contracts, or any negligence or willful misconduct by the Company arising prior to the Closing Date; or (z) any obligations relating to Terminated Employees that are not the Terminated Employee Claims;

“**Subscribed Shares**” means a number of common shares in the capital of the Company, to be advised by the Purchaser, which will be issued on Closing and which, after the Closing Time, will represent 100% of the Equity Interest in the Company;

“**Subscription Agreement**” means this Subscription Agreement, including all schedules, and all amendments or restatements, as permitted pursuant to the terms hereof, and references to “Article” or “Section” mean the specified Article or Section of this Subscription Agreement;

“**Subscription Price**” has the meaning set out in Section 2.1;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**Tax Liabilities**” means the Liabilities arising from or related to the Transaction Taxes;

“**Tax Returns**” means all returns, reports, declarations, designations, forms, elections, notices, filings, information returns, and statements in respect of Taxes that are filed or required to be filed with any applicable Governmental Authority, including all amendments, schedules, attachments or supplements thereto and whether in tangible or electronic form;

“**Taxes**” or “**Tax**” means, with respect to any Person, all supranational, national, federal, provincial, state, local or other taxes, including income taxes, mining taxes, branch taxes, profits taxes, capital gains taxes, gross receipts taxes, windfall profits taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, franchise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, governmental pension plan premiums and contributions, social security premiums, workers’ compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add- on minimum taxes, HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person;

“**Terminated Employees**” means those individuals employed by the Company whose employment shall be terminated by the Company prior to the Closing Date pursuant to a list to be provided by the Purchaser to the Company prior to the Closing Date;

“**Terminated Employee Claims**” means claims of Terminated Employees that rank in priority pursuant to sections 81.3 and 81.4 of the BIA, to a maximum of \$2,000 per Terminated Employee;

“**Transaction Taxes**” means all documentary, stamp, transfer, sales and transfer taxes, registration charges and transfer fees, including HST, use, value added, and excise taxes and all filing and recording fees (and any penalties and interest associated with such taxes and fees) or any other Tax consequences arising from, or relating to, or in respect of the consummation of the Transactions; and

“**Transactions**” means all of the transactions contemplated by this Subscription Agreement, including the Purchase and Sale Transactions.

## 1.2 Certain Rules of Interpretation

In this Subscription Agreement:

- (a) Currency – Unless otherwise specified, all references to monetary amounts are to lawful currency of Canada.
- (b) Headings – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Subscription Agreement.
- (c) Including – Where the word “including” or “includes” is used in this Subscription Agreement, it means “including (or includes) without limitation”.
- (d) No Strict Construction – The language used in this Subscription Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (e) Number and Gender – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (f) Statutory reference – A reference to a statute includes all regulations and rules made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (g) Time – Time is of the essence in the performance of the Parties’ respective obligations.
- (h) Time Periods – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

### **1.3 Entire Agreement**

This Subscription Agreement and the agreements and other documents required to be delivered pursuant to this Subscription Agreement constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Subscription Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise, with respect to the subject matter of this Subscription Agreement, including the Proposed Binding Offer.

### **1.4 Schedules**

The schedules to this Subscription Agreement, listed below, are an integral part of this Subscription Agreement:

<b>Schedule</b>	<b>Description</b>
Schedule "A"	Approval and Reverse Vesting Order
Schedule "B"	Retained Assets
Schedule "C"	Excluded Assets
Schedule "D"	Retained Contracts
Schedule "E"	Excluded Contracts
Schedule "F"	Retained Liabilities
Schedule "G"	Excluded Liabilities
Schedule "H"	Encumbrances to be Discharged
Schedule "I"	Permitted Encumbrances

## **ARTICLE 2 SUBSCRIPTION PRICE FOR SUBSCRIBED SHARES**

### **2.1 Subscription Price**

The subscription price for the Subscribed Shares shall be the aggregate, all-inclusive amount of \$2,538,398.00 (the "**Subscription Price**"), which shall be satisfied as follows:

- (a) by wire transfer of an amount equal to the amount required to pay the Company Obligations (the "**Company Obligations Amount**") and as set out in the Closing Statement, to the Company, in immediately available funds; and
- (b) by wire transfer of the Subscription Price, less the Company Obligations Amount, to the Proposal Trustee (the "**Cash Consideration**"), in immediately available funds.

The Company Obligations Amount shall be paid to the Company for payment by the Company to those parties entitled to the Company Obligations to satisfy such Company Obligations, including any counterparties under Retained Contracts in accordance with the Closing Sequence.

The Cash Consideration shall subsequently be transferred from the Proposal Trustee to ResidualCo pursuant to the Approval and Reverse Vesting Order, in full and final payment and satisfaction of the Purchaser's obligations hereunder, on the Closing Date and in accordance with the Closing Sequence.

### **2.2 Estimated Closing Statement**

- (a) At least three (3) Business Days prior to the anticipated Closing Date, the Company shall prepare and deliver to the Purchaser a statement, executed by an executive officer of the Company confirming and certifying the accuracy of the



information therein (the “**Estimated Closing Statement**”), and setting forth in reasonable detail, the Company’s good faith estimate of:

- (i) the aggregate amount of the Post-Filing Obligations as of 11:59 pm Pacific time on the day prior to the Closing Date, and a list of each separate Post-Filing Obligation, and, with respect to such Post-Filing Obligation, the Person owed such Post-Filing Obligation, the Contract applicable to such Post-Filing Obligation, the date or dates on which such Post-Filing Obligation became owing, and reasonable details on how such Post-Filing Obligation became owing;
  - (ii) the aggregate amount of the Cure Costs as of 11:59 pm Pacific time on the day prior to the Closing Date, including a list of each separate Cure Cost, and, with respect to such Cure Cost, the Person owed such Cure Cost, the Contract applicable to such Cure Cost, the date or dates on which such Cure Cost became owing, and reasonable details on how such Cure Cost became owing;
  - (iii) the Terminated Employee Claims as of 11:59 pm Pacific time on the day prior to the Closing Date; and
  - (iv) the Company Obligations Amount and Cash Consideration calculated in accordance with the definitions herein.
- (b) Following delivery of the estimated Closing Statement, the Company shall provide the Purchaser (including its Representatives) with reasonable access to (and copies of) all Books and Records of the Business related to the Company Obligations as well as access to personnel of the Company, to enable the Purchaser to evaluate the accuracy of the Estimated Closing Statement. In the event that the Purchaser disputes one or more of the items to be contained in the Estimated Closing Statement, then the Purchaser shall notify the Company and the Parties shall attempt to resolve the dispute to the mutual satisfaction of the Parties. Upon resolution of such dispute, the Estimated Closing Statement shall be amended to reflect such resolution.

### 2.3 Closing Statement

- (a) At least one (1) Business Day prior to the anticipated Closing Date, the Company shall prepare and deliver to the Purchaser a statement, executed by an executive officer of the Company confirming and certifying the accuracy of the information therein (the “**Closing Statement**”), which shall be the same in all material respects to the Estimated Closing Statement, as amended pursuant to Section 2.2(b) or unless otherwise approved by the Purchaser, setting forth in reasonable detail:
  - (i) the aggregate amount of the Post-Filing Obligations as of 11:59 pm Pacific time on the day prior to the Closing Date, and a list of each separate Post-Filing Obligation, and, with respect to such Post-Filing



Obligation, the Person owed such Post-Filing Obligation, the Contract applicable to such Post-Filing Obligation, the date or dates on which such Post-Filing Obligation became owing, and reasonable details on how such Post-Filing Obligation became owing;

- (ii) the aggregate amount of the Cure Costs as of 11:59 pm Pacific time on the day prior to the Closing Date, including a list of each separate Cure Cost, and, with respect to such Cure Cost, the Person owed such Cure Cost, the Contract applicable to such Cure Cost, the date or dates on which such Cure Cost became owing, and reasonable details on how such Cure Cost became owing;
- (iii) the Terminated Employee Claims as of 11:59 pm Pacific time on the day prior to the Closing Date; and
- (iv) the Company Obligations Amount and Cash Consideration calculated in accordance with its definitions herein,

which, for greater certainty, shall be in a form approved by the Purchaser, in its sole and absolute discretion, acting reasonably.

### **ARTICLE 3**

#### **TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES**

##### **3.1 Transfer of Excluded Liabilities to ResidualCo**

On the Closing Date, in accordance with the Closing Sequence and pursuant to the Approval and Reverse Vesting Order, the Excluded Liabilities shall be transferred to and assumed by ResidualCo. All of the Excluded Liabilities shall be discharged from the Company as of the Closing, pursuant to the Approval and Reverse Vesting Order.

##### **3.2 Transfer of Excluded Assets and Excluded Contracts to ResidualCo**

On the Closing Date, Company shall retain, free and clear of any and all Encumbrances, Claims, and Liabilities, other than Permitted Encumbrances, the Retained Assets and the Retained Contracts. For greater certainty, the Retained Assets shall not include the Excluded Assets or the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Closing Sequence, on the Closing Date, and same shall be vested in ResidualCo pursuant to the Approval and Reverse Vesting Order. For greater certainty, the Company (and not ResidualCo) shall be solely liable for all Tax Liabilities and Transaction Taxes, if any, arising in connection with or as a result of the transfer of the Excluded Assets and Excluded Contracts to ResidualCo.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

### **4.1 Representations and Warranties of Company**

The Company represents and warrants as of the Agreement Date and the Closing Date the following to the Purchaser and acknowledges that the Purchaser is relying upon these representations and warranties in connection with the Transactions:

- (a) subject to the granting and terms of the Approval and Reverse Vesting Order, this Subscription Agreement is a legal, valid and binding obligation of Company, enforceable against it in accordance with its terms; and
- (b) Company is not a non-resident of Canada within the meaning of the Tax Act.

### **4.2 Representations and Warranties of the Purchaser**

The Purchaser represents and warrants as of the Agreement Date and the Closing Date the following to the Company and acknowledges that the Company is relying upon the representations and warranties in connection with the Transactions:

- (a) the Purchaser is a corporation incorporated and existing under the Laws of its jurisdiction of incorporation and has the corporate power to enter into and perform its obligations under this Subscription Agreement;
- (b) the execution and delivery of and performance by the Purchaser of this Subscription Agreement has been authorized by all necessary corporate action on the part of the Purchaser;
- (c) the execution and delivery of and performance by the Purchaser of this Subscription Agreement:
  - (i) does not constitute or result in a violation or breach of, or conflict with, any of the terms or provisions of its constating documents or bylaws; and
  - (ii) does not result in the violation of any Laws;
- (d) no filing with, notice to or authorization of, any Governmental Authority is required on the part of the Purchaser as a condition to the lawful completion of the Transactions;
- (e) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms, subject only to any limitation under Laws relating to: (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar Laws of general application affecting creditors' rights; and (ii) the

discretion that a court may exercise in the granting of equitable remedies including specific performance and injunction;

- (f) the Purchaser acknowledges that it has been encouraged to and should obtain independent legal, tax and investment advice with respect to its subscription for the Subscribed Shares, including, the applicable resale and transfer restrictions, and accordingly, has been independently advised, or has waived such independent advice, as to the meanings of all terms contained herein relevant to the Purchaser for purposes of giving representations, warranties and covenants under this Subscription Agreement;
- (g) the Purchaser is an informed and sophisticated buyer, has engaged expert advisors and is experienced in the evaluation and purchase of property and assets and assumption of liabilities such as the Subscribed Shares as contemplated hereunder, and has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Subscription Agreement;
- (h) the Purchaser acknowledges that investment in the Subscribed Shares involves risk, and represents that it is able, without materially impairing its financial condition, to hold the Subscribed Shares for an indefinite period of time and to suffer a complete loss of its investment;
- (i) the Purchaser understands that the Subscribed Shares are being issued to it under an exemption from the prospectus requirements applicable under Canadian securities Laws and that there are restrictions imposed on the Purchaser and the Subscribed Shares which limit the Purchaser's ability to resell the Subscribed Shares in Canada. The Purchaser further acknowledges that if an exemption from resale restrictions is available, it may be conditioned on various requirements including the time and manner of sale, the holding period for the Subscribed Shares, and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy;
- (j) it is an "accredited investor", as such term is defined in National Instrument 45-106 - Prospectus Exemptions; and
- (k) the Purchaser understands that the investment in, or holding, acquisition or disposition of, the Subscribed Shares may have material tax consequences under Laws, and that it is the sole responsibility of the Purchaser to determine and assess such tax consequences as may apply to their particular circumstances.

#### **4.3 As is, where is**

Notwithstanding any other provision of this Subscription Agreement, the Purchaser acknowledges, agrees and confirms that:

- (a) except for the representations and warranties of Company set forth in Section 4.1, it is entering into this Subscription Agreement and acquiring its Subscribed Shares on an “as is, where is” basis as they exist as of the Closing Time;
- (b) it has conducted to its satisfaction and has relied on such independent searches, investigations, reviews and inspections of the Company and the Subscribed Shares as it deemed appropriate, and based thereon, has determined to proceed with the Transactions;
- (c) except as expressly stated in Section 4.1, the Company is not making, and the Purchaser is not relying on, any written or oral representations, warranties, statements, information, promises or guarantees, express or implied, statutory or otherwise, concerning the Transactions, Company, the Business, or the Subscribed Shares, including the right, title or interest of the Company in and to any assets relating to the Business, and any and all conditions, warranties or representations expressed or implied pursuant to any Laws in any jurisdiction, which the Purchaser confirms does not apply to this Subscription Agreement, are hereby waived in their entirety by the Purchaser;
- (d) the Company has not made any representation or warranty as to any regulatory approvals, permits, licenses, consents, registrations, filings or authorizations that may be needed to complete the Transactions or to obtain the benefit of the Subscribed Shares or any portion thereof, and the Purchaser is relying entirely on its own investigation, due diligence and inquiries in connection with such matters;
- (e) the obligations of the Purchaser under this Subscription Agreement are not conditional upon any additional due diligence;
- (f) except for the representations and warranties of Company set forth in Section 4.1, any information regarding or describing the Subscribed Shares, or in any other agreement or instrument contemplated hereby, is for identification purposes only, is not relied upon by the Purchaser, and no representation, warranty or condition, express or implied, has or will be given by the Company concerning the completeness or accuracy of such information or descriptions; and
- (g) except as otherwise expressly provided in this Subscription Agreement, and except for fraud on the part of the Company, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights or claims the Purchaser might have against Company pursuant to any warranty, express or implied, legal or conventional, of any kind or type, other than those representations and warranties of the Company expressly set forth in Section 4.1. Except as set out above in this Subsection (g), such waiver is absolute, unlimited, and includes, but is not limited to, waiver of express warranties, completeness of warranties, implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and claims of every kind and type, including claims regarding defects, whether or not

discoverable or latent, and all other claims that may be later created or conceived in strict liability or as strict liability type claims and rights; and the provisions of Section 4.3 shall survive and not merge on Closing.

## **ARTICLE 5 CLOSING**

### **5.1 Closing**

The Closing shall take place virtually by exchange of documents in PDF format on the Closing Date, in accordance with the Closing Sequence, and shall be subject to such escrow document release arrangements as the Parties may agree.

### **5.2 Closing Sequence**

On the Closing Date, Closing shall take place in the following sequence (the “**Closing Sequence**”):

- (a) First, the Purchaser shall pay: (i) the Company Obligations Amount to the Company; and (ii) the Cash Consideration to the Proposal Trustee, to be held in escrow, and the entire Subscription Price shall be dealt with in accordance with this Closing Sequence;
- (b) Second, the Company shall transfer to and cause ResidualCo to assume the Excluded Assets, the Excluded Contracts, and the Excluded Liabilities, and all Claims and Encumbrances, other than the Permitted Encumbrances, shall be Discharged from and against the Company, all in accordance with the Approval and Reverse Vesting Order;
- (c) Third, all of the Company’s right title and interest in and to the Excluded Liabilities, all Claims and Encumbrances (but specifically excluding the Retained Liabilities and Permitted Encumbrances), shall be channeled to, assumed by and vest absolutely and exclusively in ResidualCo and: (i) such Excluded Liabilities, Claims, and Encumbrances shall continue to attach to the Excluded Assets, the Excluded Contracts, and all other property and assets of ResidualCo, with the same nature and priority as they had immediately prior to the Closing Date; (ii) such Excluded Liabilities, Excluded Contracts, Claims, and Encumbrances shall be transferred to and assumed by ResidualCo in consideration for the Cash Consideration (as and in the manner contemplated by this Section 5.2), such that the Excluded Liabilities, Excluded Contracts, and all Claims and Encumbrances (other than the Retained Liabilities and Permitted Encumbrances) shall become obligations of ResidualCo, which shall be deemed to have been party to the Contracts giving rise thereto and which shall stand in place and stead of the Company in respect of all such Liabilities or obligations, all of which shall no longer be Liabilities or obligations of the Company, and the Company shall be and is hereby forever released and discharged from such Excluded Liabilities,

Excluded Contracts, Claims and Encumbrances (other than the Retained Liabilities and Permitted Encumbrances);

- (d) Fourth, all Existing Equity Interests shall be surrendered and cancelled and shall be of no further force or effect, and the obligations of the Company thereunder or in any way related thereto shall be satisfied and discharged, with no compensation or participation being provided or payable therefor, or in connection therewith, and any and all agreements, plans, indentures, deeds, certificates, subscription rights, conversion rights, pre-emption rights or other documents or instruments governing and/ or having been created, or granted in connection with the Existing Equity Interests, shall be deemed terminated and cancelled and shall be null and void in accordance with and pursuant to the Approval and Reverse Vesting Order;
- (e) Fifth, the Retained Assets and the Retained Contracts shall be retained by the Company free and clear of all Encumbrances and Claims, save and except Permitted Encumbrances and the Retained Liabilities;
- (f) Sixth, the Company shall issue the Subscribed Shares and the Purchaser shall subscribe for and purchase the Subscribed Shares free and clear of all Encumbrances and Claims, save and except for the Permitted Encumbrances;
- (g) Seventh, all of the right, title and interest in and to the Subscribed Shares issued by the Company to the Purchaser shall vest absolutely in the Purchaser free and clear of all Encumbrances and Claims, save and except for the Permitted Encumbrances;
- (h) Eighth, the Purchaser Release shall be released from escrow and shall become effective;
- (i) Ninth, notwithstanding any other provision in this paragraph, the Cash Consideration shall vest in ResidualCo, and all Excluded Liabilities, Excluded Contracts, Claims, and Encumbrances (save and except the Permitted Encumbrances and Retained Liabilities) shall attach to the Cash Consideration, in accordance with the Approval and Reverse Vesting Order;
- (j) Tenth, the Company shall pay, assume, or otherwise satisfy the Company Obligations in accordance with the terms of this Subscription Agreement and in the fashion contemplated by the Approval and Reverse Vesting Order; and
- (k) Eleventh, the Company shall cease to be a party to the NOI Proceedings and the Company shall be deemed to be released from the NOI Proceedings, save and except for the Approval and Reverse Vesting Order the provisions of which (as they relate to Company) shall continue to apply in all respects.

The Purchaser with the prior consent of Company and the Proposal Trustee, acting reasonably, may amend the Closing Sequence provided that such amendments to the Closing Sequence do not materially alter or impact the Transactions or the consideration which the Company or its stakeholders will benefit from, as part of the Transactions.

### 5.3 The Purchaser's Closing Deliveries

At or before the Closing (as applicable), the Purchaser shall deliver or cause to be delivered to Company (or to the Proposal Trustee, if so indicated below), the following:

- (a) a certificate dated as of the Closing Date and executed by the executive officer of the Purchaser confirming and certifying that each condition in Sections 6.1(a) and 6.1(b) has been satisfied;
- (b) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser issued by an appropriate Governmental Authority;
- (c) the Subscription Price in accordance with Section 2.1;
- (d) a list of Terminated Employees;
- (e) an irrevocable release (the "**Purchaser Release**") by the Purchaser in favour of:
  - (i) Company's current and former directors, officers, employees, agents, representatives, and all of their respective advisors, including financial advisors and legal counsel; and
  - (ii) the Proposal Trustee and its current and former Affiliates, directors, officers and employees and all of their respective advisors, legal counsel and agents (such persons in (i) and (ii) above being collectively referred to herein as the "**Released Parties**") from any and all rights, actions, causes of action, suits, demands, debts, covenants, or claims of any nature whatsoever, whether contractual, extra-contractual, in law or in equity or otherwise, past, present or future, direct or indirect, whether known or unknown (collectively, the "**Purchaser Released Claims**") against any of the Released Parties, including in their capacity as equity holders of Company, as applicable; save and except: (1) for any and all Purchaser Released Claims arising out of or in connection with any gross negligence, fraud or willful misconduct, on the part of the Released Parties; and (2) for any claims related to, connected with, or arising from the claim filed in the Supreme Court of British Columbia on October 19, 2023 under Action No. S-237106; and
- (f) such other agreements, documents and instruments as may be reasonably required by Company to complete the Transactions provided for in this Subscription Agreement, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

### 5.4 Company's Closing Deliveries

At or before the Closing (as applicable), Company shall deliver or cause to be delivered to the Purchaser, the following:

- (a) a copy of the Approval and Reverse Vesting Order;
- (b) share certificates representing the Subscribed Shares;



- (c) a certificate dated as of the Closing Date and executed by an executive officer of the Company confirming and certifying that each of the conditions in Section 6.2(a) has been satisfied; and
- (d) the Closing Statement.

## **ARTICLE 6 CONDITIONS PRECEDENT**

### **6.1 Conditions for the Benefit of Company**

The obligation of the Company to complete the Transactions is subject to fulfilment of each of the following conditions on the date stated for fulfilment thereof, and if not so stated on or before the Closing Time, each of which is acknowledged to be for the exclusive benefit of Company and may be waived by Company in whole or in part:

- (a) Representations and Warranties. The representations, warranties and agreements of the Purchaser in Section 4.2 and 4.3 shall be true and accurate in all material respects as at the Closing Time with the same force and effect as if made at and as of such time, and the Purchaser shall have executed and delivered a certificate to that effect;
- (b) Fulfilment of Purchaser's Covenants. All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed by the Purchaser at or before the Closing Time shall have been complied with or performed in all material respects and the Purchaser shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement; and
- (c) Delivery. The Purchaser shall have paid the Subscription Price and delivered the documents and other items referred to in 5.3.

### **6.2 Conditions for the Benefit of the Purchaser**

The obligation of the Purchaser to complete the Transactions is subject to fulfilment of each of the following conditions on or before the Closing Time, each of which is included for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part:

- (a) Fulfilment of Company's Covenants. All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed, by the Company at or before the Closing Time shall have been complied with or performed in all material respects and the Company shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement.
- (b) Terminated Employees. The Company shall have terminated the employment of the Terminated Employees, as requested by the Purchaser, in its sole discretion,



and all liabilities owing to any such Terminated Employees in respect of such terminations (except for the Terminated Employees Claims), including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, shall be and constitute Excluded Liabilities which, pursuant to the Approval and Reverse Vesting Order and the Closing Sequence, shall be discharged as against the Company and transferred to ResidualCo.

- (c) Delivery. The Proposal Trustee or the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing the documents and other items referred to in Section 5.4.
- (d) Cannabis Licenses. The Purchaser, in its sole and absolute discretion, shall have confirmed to its satisfaction that: (i) the Company has maintained and has in place all required Cannabis Licenses, and has maintained the employment of all Employees or other individuals required pursuant to the Act and Regulations to maintain the Cannabis Licenses; and (ii) it shall have no indication that the Cannabis Licenses shall not remain in full force and effect following the completion of the Transaction.
- (e) Closing Statement. The Purchaser, in its sole and absolute discretion, acting reasonably, shall have confirmed to its satisfaction that the Closing Statement accurately details the Company Obligations.
- (f) No Material Adverse Change. No material adverse change shall have occurred in regard to the Business, operations, assets, liabilities, or financial condition of the Company between the date of the Purchaser's signing of this Subscription Agreement and the Closing Date, except as required in connection with the completion of the Transaction.
- (g) No Actions. No Actions shall be pending or, to the knowledge of the Company, be threatened wherein an unfavourable judgment, order, decree, stipulation or injunction would: (i) prevent completion of the Transactions (or any part thereof); or (ii) cause any part of the Transactions to be rescinded following completion.
- (h) No Inquiries. No inquiry or investigation in relation to the Transactions or the Company's directors, members, managers, or officers, as applicable, shall have been commenced or, to the knowledge of the Company, threatened by the Canadian Securities Exchange, any relevant securities commissions or other federal, state, provincial or local regulatory body having jurisdiction, such that the outcome of such inquiry or investigation would have a material adverse effect on the Purchaser.
- (i) Approvals. The Purchaser, in its sole and absolute discretion, shall have confirmed its or the Company's receipt of all required approval and consents in respect of the Transaction and all related matters.

- (j) CTO. The CTO shall be lifted, rescinded or revoked or shall otherwise, in the sole and absolute discretion of the Purchaser, not have: (i) the effect of making any of the Transactions illegal; or (ii) the effect of otherwise prohibiting, preventing or restraining the consummation of any of the Transactions contemplated by this Subscription Agreement.
- (k) Cease to be a Reporting Issuer. The Purchaser, in its sole and absolute discretion, shall have confirmed that the Company is not required to take any actions, other than filing an ordinary course application with each applicable securities commission in Canada, to obtain an order to cease to be a “reporting issuer” under applicable securities Laws in each applicable Canadian jurisdiction following the completion of the Transactions.

### **6.3 Mutual Conditions for the Benefit of Company and the Purchaser**

The obligation of each of the Company and the Purchaser to complete the Transactions is subject to the fulfillment of each of the following conditions or before the Closing Time, each of which is included for the benefit of Company and the Purchaser and may be waived in whole or in part upon the mutual agreement of the Parties:

- (a) No Violation of Orders or Law. Prior to Closing, no Governmental Authority shall have enacted, issued or promulgated any final or non-appealable Order or Law which has: (i) the effect of making any of the Transactions illegal, or (ii) the effect of otherwise prohibiting, preventing or restraining the consummation of any of the Transactions contemplated by this Subscription Agreement;
- (b) No Bankruptcy. The Company shall not be deemed to have made an assignment, or become bankrupt within the meaning of the BIA;
- (c) No Default. The acquisition of the Subscribed Shares by the Purchaser shall not result in a default occurring under any Retained Contract or Cannabis License.
- (d) Approval and Reverse Vesting Order. The Approval and Reverse Vesting Order, in form and substance satisfactory to each of the Parties acting reasonably, shall have been issued and shall have become a Final Order.

### **6.4 Interim Period**

- (a) During the Interim Period, except: (i) as contemplated or permitted by this Subscription Agreement; (ii) as necessary in connection with the NOI Proceedings; or (iii) as consented to by the Purchaser and the Company, such consent not to be unreasonably withheld, conditioned or delayed: (1) the Company shall continue to maintain its Business and operations in substantially the same manner as conducted on the date of this Subscription Agreement, including preserving, renewing and keeping in full force its corporate existence; and (2) the Company shall not transport, remove or dispose of, any of its assets out of its current locations outside of its ordinary course of Business.

- (b) During the Interim Period, except as contemplated or permitted by this Subscription Agreement, the Company shall not enter into any non-arms' length transactions involving the Company or its assets or the Business without the prior approval of the Purchaser.

## **6.5 Access During Interim Period**

During the Interim Period, the Company shall give, or cause to be given, to the Purchaser, and its Representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such non-intrusive and non-destructive investigations of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize itself with the Business and the Retained Assets. Without limiting the generality of the foregoing, the Purchaser and its Representatives shall be: (a) permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Subscription Agreement and to the Employees; and (b) permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities, and the Company's customers and contractual counterparties. Such investigations shall be carried out at the Purchaser's sole and exclusive risk and cost, and without undue interference with the Company's operations and the Company shall co-operate reasonably in facilitating such investigations and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

## **6.6 Non-Satisfaction of Conditions**

If any condition set out in Section 6.1, 6.2, or 6.3 is not satisfied or performed prior to the Outside Date, the Party for whose benefit the condition is inserted may:

- (a) in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other Party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect to terminate this Subscription Agreement, in which case neither of the Parties shall be under any further obligation to the other to complete the Transactions, except that if this Subscription Agreement is terminated by a Party because of a breach of this Subscription Agreement by the other Party or because a condition for the benefit of the terminating Party has not been satisfied because the other Party has failed to perform any of its obligations or covenants under this Subscription Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

**ARTICLE 7  
COVENANTS OF THE PARTIES**

**7.1 Pre-Closing Covenants of the Purchaser**

The Purchaser covenants to the Company that, during the Interim Period or the earlier termination of this Subscription Agreement, the Purchaser shall:

- (a) take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with Laws, to consummate and make effective as soon as possible the Transactions, provided that the foregoing shall not be construed as a requirement that the Purchaser waive any Closing condition set out in Sections 6.2 or 6.3 hereof;
- (b) take such actions as may be reasonably requested by Company to assist Company in obtaining the Court's entry of the Approval and Reverse Vesting Order and any other Order reasonably necessary to consummate the Transactions; and
- (c) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Subscription Agreement and the consummation of the Transactions, and make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Subscription Agreement and the Transactions required under any Laws.

**7.2 Pre-Closing Covenants of the Company**

The Company covenants to the Purchaser that, during the Interim Period or the earlier termination of this Subscription Agreement, the Company shall:

- (a) take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with Laws, to consummate and make effective as soon as possible, the Transactions, provided that the foregoing shall not be construed as a requirement that the Company waive any Closing condition set out in Section 6.1 or 6.3.
- (b) use commercially reasonable efforts to maintain its Inventory Assets, Equipment Assets and other assets, and shall not dispose of any of the foregoing outside of the ordinary course of business;
- (c) use commercially reasonable efforts, in consultation with the Purchaser, to ensure that all current existing Cannabis Licenses and Permits as are required to continue the Business of the Company are maintained and preserved;
- (d) carry on its Business, in the ordinary course, substantially as presently conducted and substantially consistent with past practice and taking into account ordinary practices in the industry in which the Company operates its Business;

- (e) use all reasonable commercial efforts to preserve intact its Business and to preserve and maintain the assets of the Business; the Company shall not sell, transfer, lease, sublease, surrender or forfeit or otherwise dispose of any assets of the Business other than in the ordinary course of business consistent with past practice;
- (f) furnish the Purchaser with access to the Books and Records any financial and operating data and other information with respect to the Company or the Business as the Purchaser will reasonably request; and permit the Purchaser to make such reasonable inspections and copies thereof as the Purchaser may require;
- (g) answer reasonable questions from the Purchaser concerning operational matters relating to the Business and the Company's assets; and
- (h) subject to any Orders, comply in all material respects with any applicable Law.

### **7.3 Mutual Covenants**

- (a) Each of the Parties shall use commercially reasonable efforts to: (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any applicable Law or otherwise to consummate and make effective the Transactions; (ii) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Subscription Agreement and the consummation of the Transactions; and (iii) make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Subscription Agreement and the Transactions required under any applicable Law.
- (b) The Parties shall use reasonable efforts to cooperate and consult with each other in connection with the making of any such filings and notices, including providing copies of all such documents to the non-filing Party and its advisors within a reasonable period of time prior to filing or the giving of notice. Each Party shall pay for its own filing fees and other charges arising out of the actions taken under this Section 7.3.
- (c) The Parties shall cause their respective Affiliates to, promptly provide all information, documents and data to Governmental Authorities as may be requested, required or ordered pursuant to statutory or non-statutory requests for information, supplemental information requests and any court orders in connection with the approvals and consents outlined in this Section 7.2.
- (d) The Parties hereto acknowledge and agree that, both prior to and after the Closing Date, the Company shall have sole and exclusive use of the Intellectual Property. Prior to the Closing Date, the Company shall instruct any and all third parties then using, or who may in the future wish to use the Intellectual Property, to immediately cease using same unless authorized in writing by the Purchaser.

#### **7.4 Proposal Trustee's Certificate**

When the conditions to Closing set out in Sections 6.1, 6.2 and 6.3 of this Subscription Agreement have been satisfied or waived by the Company or the Purchaser, as applicable, the Company and the Purchaser (or their respective counsel) shall each deliver to the Proposal Trustee confirmation in writing that such conditions of Closing, as applicable, have been satisfied or waived and that the Parties are prepared for the Closing Sequence to commence (the “Conditions Certificates”).

Upon receipt of the Conditions Certificates and the Cash Consideration, the Proposal Trustee shall: (i) issue forthwith its Proposal Trustee's Certificate concurrently to the Company, and the Purchaser, at which time the Closing Sequence will be deemed to commence and be completed in the order set out in the Closing Sequence, and Closing will be deemed to have occurred; and (ii) file as soon as practicable a copy of the Proposal Trustee's Certificate with the Court (and shall provide a true copy of such filed certificate to the Company and the Purchaser). In the case of (i) and (ii) above, the Proposal Trustee will be relying exclusively on the Conditions Certificates without any obligation whatsoever to verify or inquire into the satisfaction or waiver of the applicable conditions, and the Proposal Trustee will have no liability to the Company or the Purchaser as a result of filing the Proposal Trustee's Certificate.

### **ARTICLE 8 TERMINATION**

#### **8.1 Grounds for Termination**

- (a) This Subscription Agreement is irrevocable until the occurrence of any event contemplated under Section 8.1(b) below.
- (b) This Subscription Agreement may be terminated on or prior to the Closing Date:
  - (i) by the mutual agreement of the Company and the Purchaser;
  - (ii) by the Purchaser or the Company upon notice to the other Party if the Court declines at any time to grant the Approval and Reverse Vesting Order, provided that the reason for the Approval and Reverse Vesting Order not being approved by the Court is not due to any act, omission, or breach of this Subscription Agreement by the Party proposing to terminate this Subscription Agreement;
  - (iii) by the Purchaser or the Company at any time following the Outside Date, if Closing has not occurred on or prior to 11:59 p.m. (Vancouver time) on the Outside Date, provided that the reason for the Closing not having occurred is not due to any act or omission, or breach of this Subscription Agreement, by the Party proposing to terminate this Subscription Agreement;

- (iv) by the Company, if there has been a material violation or breach by the Purchaser of any agreement, covenant, representation or warranty of the Purchaser in this Subscription Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 6.21, as applicable, by the Outside Date and such violation or breach has not been waived by the Company or cured by the Purchaser within five (5) Business Days of the Company providing notice to the Purchaser of such breach, unless the Company is itself in material breach of its own obligations under this Subscription Agreement at such time; or
  - (v) by the Purchaser, if there has been a material violation or breach by the Company of any agreement, covenant, representation or warranty of the Company in this Subscription Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 6.12, as applicable, by the Outside Date and such violation or breach has not been waived by the Purchaser or cured by the Company within five (5) Business Days of the Purchaser providing notice to the Company of such breach, unless the Purchaser are themselves in material breach of their own obligations under this Subscription Agreement at such time.
- (c) Prior to the Company agreeing or electing to any termination pursuant to Section 8.1, the Company shall first obtain the prior written consent of the Proposal Trustee.

## **8.2 Effect of Termination.**

If this Subscription Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Subscription Agreement will terminate and no Party will have any Liability or further obligations hereunder, except as contemplated in Sections 9.1 (Proposal Trustee's Capacity), 9.2 (Expenses), 9.3 (Indemnity), 9.3 (Notices) 9.5 (Successors and Assigns), 9.6 (Assignment), 9.7 (Amendment), 9.8 (Waiver), 9.9 (Survival), 9.11 (Severability), and 9.12 (Governing Law), which shall survive such termination.

## **ARTICLE 9 GENERAL**

### **9.1 Proposal Trustee's Capacity**

The Purchaser acknowledges and agrees that the Proposal Trustee will have no liability whatsoever in connection with this Subscription Agreement or the Transactions, whether in its capacity as Proposal Trustee, in administering ResidualCo, in its personal capacity or otherwise, and that the representations, covenants, obligations and agreements of Company pursuant to this Subscription Agreement and any related or ancillary document shall be those of Company exclusively and shall not constitute, or be deemed to constitute, representations, covenants, obligations or agreements of the Proposal Trustee.



## 9.2 Expenses

Each of the Parties shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred by them in connection with this Subscription Agreement and the Transactions, including in connection with the review, negotiation, preparation, execution and performance of this Subscription Agreement, except as otherwise contemplated in this Subscription Agreement.

## 9.3 Notices

Any notice, direction, approval, consent or other communication given regarding the matters contemplated by this Subscription Agreement (each a “**Notice**”) shall be in writing and shall be sufficiently given if delivered by courier service, personal delivery or electronic mail:

- (a) in the case of a Notice to Company, to:

Lotus Ventures Inc.

[●]

Attention: Dale McClanaghan  
Email: dalemccclanaghan@gmail.com

with a copy to:

Gehlen Dabbs Cash LLP

Attention: Geoffrey Dabbs  
E-mail: gd@gdlaw.ca

- (b) in the case of a Notice to the Purchaser, to:

5008679 Ontario Inc.  
1662 Valley Close, Burlington, Ontario, L7P 4W4

Attention: Albert Duwyn  
E-mail: albertduwyn@gmail.com

with a copy to:

Fasken Martineau DuMoulin LLP  
Suite 2900, 550 Burrard Street  
Vancouver, BC V6C 0A3

Attention: Glen Nesbitt/ Gavin Cameron  
E-mail: gnesbitt@fasken.com/ gcameron@fasken.com



(c) in the case of a Notice to the Proposal Trustee, to:

MNP Ltd.

Attention: Greg Ibbott/ Seamus Boyle

Email: greg.ibbott@mnp.ca/ seamus.boyle@mnp.ca

with a copy to:

DLA Piper (Canada

Suite 2700, 1133 Melville Street, Vancouver, BC V6E 4E5

Attention: Jeffrey Bradshaw

E-mail: Jeffrey.bradshaw@dlapiper.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this Section 9.3.

#### **9.4 Time of Essence**

Time shall be of the essence of this Subscription Agreement in all respects.

#### **9.5 Successors and Assigns**

This Subscription Agreement shall become effective only when executed by each of the Parties and shall thereafter be binding on and enure to the benefit of the Parties and their respective successors and permitted assigns.

#### **9.6 Assignment**

Neither this Subscription Agreement nor any of the rights or obligations under this Subscription Agreement may be assigned or transferred, in whole or in part, by any Party without the prior written consent of the other Party.

#### **9.7 Amendment**

This Subscription Agreement may only be amended, supplemented or otherwise modified by written agreement by the Parties.

#### **9.8 Waiver**

No waiver of any of the provision of this Subscription Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Subscription Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

### **9.9 Survival**

Other than those representations, warranties, covenants or other agreements which by their terms contemplate performance after Closing or unless otherwise expressly provided in this Subscription Agreement (including Section 4.3), the representations, warranties, covenants and other agreements contained in this Subscription Agreement shall not survive Closing.

### **9.10 Further Assurances**

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the Transactions, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Subscription Agreement and carry out its provisions, whether before or after the Closing provided that the costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

### **9.11 Severability**

If any covenant or other provision of this Subscription Agreement is invalid, illegal or incapable of being enforced by reason of any rule of Law or public policy, then such covenant or other provision will be severed from and will not affect any other provision of this Subscription Agreement and this Subscription Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained in this Subscription Agreement. All other covenants and provisions of this Subscription Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

### **9.12 Governing Law and Jurisdiction**

This Subscription Agreement, the rights and obligations of the Parties hereunder, and any claim based upon or arising out of this Subscription Agreement or the Transactions shall be governed by and interpreted and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each Party irrevocably attorns and submits to the exclusive jurisdiction of the Court in any action, application, reference or other proceeding arising out of or relating to this Subscription Agreement or the Transactions and consents to all claims in respect of any such action, application, reference or other proceeding being heard and determined in the Court.

**9.13 Execution and Delivery**

This Subscription Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by email or other electronic means is as effective as a manually executed counterpart of this Subscription Agreement.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS OF WHICH the Parties have executed this Subscription Agreement as of the date first written above.

**LOTUS VENTURES INC.**

Per: \_\_\_\_\_

\_\_\_\_\_

**5008679 ONTARIO INC.**

Per: \_\_\_\_\_

\_\_\_\_\_

**Schedule "A"**

Approval and Reverse Vesting Order

**Schedule "B"**

Retained Assets

1.

**Schedule "C"**

Excluded Assets

1. Cash Consideration.

**Schedule “D”**

Retained Contracts

1.



**Schedule “E”**

Excluded Contracts

1. Any and all employment agreements with Terminated Employees.
2. Any and all Contracts with the following Persons or their Affiliates:
  - (a) Auxly Cannabis Group Inc.;
  - (b) Kolab Project Inc.;
  - (c) Dale McClanaghan;
  - (d) Lillian McClanaghan;
  - (e) McClanaghan & Associates Ltd.;
  - (f) SDI Holdings Ltd.;
  - (g) Stephen K. Winters;
  - (h) Stephen K. Winters Law Corp.;
  - (i) Terra Housing Consultants Ltd.,
  - (j) Doneraile Holdings Inc.;
  - (k) Legacy Holdings Ltd.;
  - (l) Crezo Construction Inc.;
  - (m) Stephen Phillips; ~~and~~
  - (n) William Spratt;
  - (o) [Daniel McRobert; and](#)
  - (p) [Connect First Credit Union Ltd.](#)

**Schedule "F"**

Retained Liabilities

1. Liabilities which relate to the Business under the Retained Contracts, Permits and Cannabis Licenses (in each case, to the extent forming part of the Retained Assets).

**Schedule "G"**

Excluded Liabilities

1.

## Schedule "H"

### Encumbrances to Be Discharged

All financial charges and Encumbrances in respect of the Company, including (without limitation), the following charges registered in the B.C. Personal Property Registry, identified by their base registration numbers:

~~1. 982184K registered August 24, 2018, in favour of the Bank of Montreal;~~

1. ~~2.~~ 008502L registered on September 6, 2018, in favour of Kolab Project Inc.;

2. ~~3.~~ 487229N registered on January 19, 2022, in favour of Connect First Credit Union Ltd.;

3. ~~4.~~ 487233N registered on January 19, 2022, in favour of Connect First Credit Union Ltd.;  
and

4. ~~5.~~ 788742P registered on September 14, 2023, in favour of 5008679 Ontario Limited.

**Schedule "I"**

Permitted Encumbrances

~~1. None.~~

5. The charge registered in the B.C. Personal Property Registry on August 24, 2018, in favour of the Bank of Montreal, identified by base registration number 982184K.

<b>Summary report:</b>	
<b>Litera Compare for Word 11.7.0.54 Document comparison done on 10/06/2024 4:06:20 PM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original DMS:</b> iw://cloudimanage.com/CANADA/305943750/8	
<b>Document Author:</b> Schultz, Jordan	
<b>Modified DMS:</b> iw://cloudimanage.com/CANADA/306373902/2	
<b>Document Author:</b> Schultz, Jordan	
<b>Changes:</b>	
<u>Add</u>	37
<del>Delete</del>	32
<del>Move From</del>	2
<u>Move To</u>	2
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>73</b>