

OPTION PURCHASE AGREEMENT

THIS AGREEMENT is made effective this 26th day of November, 2019 (“**Effective Date**”)

AMONG:

AVICANNA INC., a corporation duly incorporated and existing under the laws of the Province of Ontario, (the “**Optionee**”)

- and -

LC2019, INC., a corporation duly incorporated and existing under the laws of the State of Delaware (“**LC2019**”)

- and -

ARAS AZADIAN, an individual resident in Toronto, Ontario (“**Azadian**”)

- and -

SETU PUROHIT, an individual resident in Toronto, Ontario (“**Purohit**”)

- and -

JOHN ROBINSON, an individual resident in San Diego, California (“**Robinson**”)

- and -

ARASH MOGHANI, an individual resident in Toronto, Ontario (“**Moghani**”)

- and -

LAURI KIBBY, an individual resident in Palm Springs, California (“**Kibby**”, and collectively with Azadian, Purohit, Robinson and Moghani, the “**Optionors**”)

WHEREAS:

- A. the Optionors are the legal and registered owners of the Shares (as defined herein); and
- B. in consideration for the Optionee entering into the License Agreement and providing LC2019 with the rights contemplated therein, the Optionors have agreed to grant to the Optionee an option to purchase 100% of the issued and outstanding Shares in the capital of LC2019, subject to the terms and conditions as set forth herein.

NOW THEREFORE in consideration of the premises, mutual covenants and agreements herein and therein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, this agreement witnesseth that and it is understood and agreed by and between the Parties hereto as follows:

1. Definitions

For the purpose of this Agreement, unless otherwise defined herein:

- (a) “**Agreement**”, “**herein**”, “**hereto**”, “**hereof**” and similar expressions mean this Option Purchase Agreement, including the recitals to this agreement, and not to any particular article, section, subsection or other subdivision of this agreement, and includes every agreement varying, modifying, amending or supplementing this agreement.
- (b) “**Acquisition**” means the acquisition by the Optionee of the issued and outstanding Shares following the exercise of the Option, pursuant to and in accordance with this Agreement.
- (c) “**Acquisition Closing Outside Date**” means the Option Expiry Date, or, if the Option is exercised, the date that is 24 months following such exercise of the Option.
- (d) “**Acquisition Date**” means the date specified in a Option Exercise Notice delivered in accordance with the terms of the Option on which the closing of the purchase and sale of the Shares pursuant to the Option is to occur or, if the closing does not occur on the date specified in the Option Exercise Notice, the date that the purchase and sale of the Shares pursuant to the Option occurs.
- (e) “**Acquisition Effective Time**” means 12:01 a.m. (Toronto time) on the Acquisition Date, or such other time on the Acquisition Date as the Parties agree to in writing before the Acquisition Date.
- (f) “**Applicable Law**” means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, approval, order, injunction, judgment, decree, official guidance, ruling, or condition of any grant, approval, permission, certification, consent, registration, authority or license, or other similar requirement, in each case whether domestic or foreign, enacted, adopted, promulgated, granted or applied by a Governmental Entity that is binding on or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.
- (g) “**Business Day**” means any day of the year, other than a Saturday, Sunday or any day on which major banks are generally closed for business in Toronto, Ontario or San Diego, California.

- (h) “**Class A shares**” means Class A voting shares in the capital of LC2019.
- (i) “**Class B shares**” means Class B non-voting shares in the capital of LC2019.
- (j) “**Class C shares**” means Class C non-voting shares in the capital of LC2019.
- (k) “**Company Debt**” means,
 - (i) all items that would, at the relevant time, be classified as liabilities on LC2019’s consolidated balance sheet; and
 - (ii) without duplication, any item that is: (i) an obligation in respect of borrowed money or that is evidenced by a note, bond, debenture, or any other similar instrument; (ii) a transfer with recourse or with an obligation to repurchase; (iii) an obligation secured by any lien; (iv) a lease that would be capitalized under GAAP (except for any obligation under a lease for real property); (v) an obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee; or (vii) any other obligation arising under arrangements or agreements that, in substance, provide financing; provided, however, that there will not be included for the purpose of this definition any item that is on account of:
 - (A) reserves for deferred income taxes or general contingencies;
 - (B) trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course, unless any of the trade accounts payable or accrued liabilities under this paragraph remain unpaid more than 120 days after the date on which they were incurred; or
 - (C) intercompany and affiliate payables/notes to the extent they are offset by intercompany and affiliate receivables/notes.
- (l) “**Company Report**” means a summary of information and copies of materials provided to the board of directors of LC2019 in connection with meetings of the board of directors of LC2019.
- (m) “**Contract**” means any agreement, contract, indenture, lease, deed of trust, licence, option, undertaking, promise or any other commitment or obligation, whether oral or written, express or implied.
- (n) “**Encumbrances**” means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, option, right of pre-emption, privilege or any matter capable of registration against title or any Contract to create any of the foregoing.

- (o) “**FMV**” means the fair market valuation of LC2019, determined in accordance with Section 3(b) hereof.
- (p) “**Governmental Entity**” means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi- governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (iv) any stock exchange.
- (q) “**Increase**” means the amount by which the FMV of LC2019 has increased from the Effective Date to the Option Exercise Date, determined by taking the FMV of LC2019 as at the Option Exercise Date (calculated in accordance with Section 3(b) hereof), less the FMV of LC2019 as at the Effective Date (determined in accordance with Section 3(b) hereof).
- (r) “**License Agreement**” means the intellectual property and trademark license agreement entered into between Optionee and LC2019 concurrently with the execution of this Agreement.
- (s) “**Option Exercise Notice**” means a notice in writing, substantially in the form attached hereto as Exhibit A, delivered by the Optionee stating that the Optionee is exercising its rights pursuant to the Option to acquire all (but not less than all) of the Shares, and specifying a Business Day on which the closing of the purchase and sale of the Shares pursuant to the Option is to occur.
- (t) “**Option Exercise Date**” means the date on which the Option Exercise Notice is delivered in accordance with the terms of the Option.
- (u) “**Option Expiry Date**” means ten (10) years from the Effective Date.
- (v) “**Optionee Shares**” means common shares in the capital of the Optionee.
- (w) “**Parties**” means the Optionee, LC2019 and Optionors.
- (x) “**Person**” includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.
- (y) “**Regulatory Approval**” means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by law or a Governmental Entity, and with respect to such consent, waiver, permit, exemption, review, order, decision or approval of, or any

registration and filing with, any Governmental Entity, it shall not have been withdrawn, terminated, lapsed, expired or is otherwise no longer effective.

- (z) “**Shares**” means, as at the applicable time, the issued and outstanding Class A shares, Class B shares and Class C shares in the capital of LC2019.
- (aa) “**Subsidiary**” means an entity that is controlled directly or indirectly by another entity and includes a subsidiary of that subsidiary.
- (bb) “**Tax Returns**” means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.
- (cc) “**Taxes**” means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity (excluding stock exchange fees and charges), whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers’ compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.
- (dd) “**Triggering Event Date**” means the date federal laws in the United States are amended to permit the general cultivation, processing, distribution and possession of marijuana (as defined in 21 U.S.C 802) or to remove the regulation of such activities from the federal laws of the United States.

2. Option

- (a) The Optionors hereby grant to the Optionee a sole and exclusive option to purchase the Shares from the Optionors, free and clear of all Encumbrances,

subject to and in accordance with the terms, provisions and conditions as set out in this Agreement (the “**Option**”).

- (b) Each Optionor hereby grants to the Optionee, the Option in respect of each Share held by such Optionor on the Effective Date and any Shares hereinafter acquired.
- (c) Each Person (other than the Optionee or any affiliate of the Optionee) who, at any time after the Effective Date and prior to the Acquisition Effective Time, acquires a Share from LC2019 (other than a Share in respect of which the Person has already granted to the Optionee the Option pursuant to Section 2(a)) or from any other Person, shall, concurrently with the acquisition of such Share, grant and shall be deemed to have granted to the Optionee the Option in respect of such Share and shall execute a joinder agreement pursuant to which such Person will become a party to this Agreement as an “Optionor” and have all of the rights and obligations of an Optionor hereunder and this Agreement shall be deemed amended by such joinder agreement.
- (d) The Shares will bear the following legends:

“THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, REPURCHASE OPTIONS IN FAVOR OF THE COMPANY OR ITS ASSIGNEE(S), AND RIGHT OF FIRST REFUSAL IN FAVOR OF THE COMPANY OR ITS ASSIGNEE(S) SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR SUCH HOLDER’S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS COMPANY.

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE SECURITIES ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF AN OPTION PURCHASE AGREEMENT MADE AS OF NOVEMBER 26, 2019, AS IT MAY BE AMENDED FROM TIME TO TIME, WHICH AGREEMENT CONTAINS, AMONG OTHER THINGS, RESTRICTIONS ON THE RIGHT OF THE HOLDER HEREOF TO TRANSFER OR SELL THE SECURITIES.”

- (e) Upon the Triggering Event Date prior to the Option Expiry Date, the Optionee shall, in accordance with the terms and conditions of the Option, exercise the Option with respect to all (but not less than all) of the Shares.
- (f) Upon the exercise of the Option by the Optionee prior to the Option Expiry Date, the Optionee shall, in accordance with the terms and conditions of the Option, acquire from each Optionor, and each Optionor shall be required to transfer to the Optionee, all of the Shares that are held by such Optionor on the Acquisition Date.
- (g) Upon the exercise of the Option by the Optionee prior to the Option Expiry Date, the Optionors and/or LC2019 will execute any additional documentation and provide any additional information (including any additional representations and warranties) as may be required by the Optionee acting reasonably to consummate the transactions contemplated by this Agreement in accordance with all Applicable Laws.

3. **Purchase Price**

- (a) Upon the exercise of the Option, the purchase price (the “**Purchase Price**”) for the Shares shall be:
 - i. for the Class A shares, \$0.00001 per Class A share;
 - ii. for the Class B shares, an amount per Class B share equal to the price at which the Optionor holding such Class B share subscribed for the Class B share from LC2019; and
 - iii. for 100% of the issued and outstanding Class C shares, up to 10% of the Increase, to a maximum of CDN\$10 million, allocated on a pro-rata basis for each Class C share outstanding on the Option Exercise Date.
- (b) FMV shall be determined in accordance with the following:
 - i. The FMV as at the Option Exercise Date shall be determined by a valuator appointed by the Optionee and Optionors, acting reasonably, who has the designation of a Chartered Professional Accountant or Chartered Business Valuator. All valuations shall be completed within thirty (30) days of the selection of a professional. To determine the FMV, LC2019 shall submit to the professional such financial records and other information concerning LC2019 as the professional may reasonably require.

The professional may engage such additional professional advice as it deems necessary, acting reasonably, in order to complete the valuation. Forthwith upon LC2019 receiving the FMV calculation, LC2019 shall forward copies of the valuation to the Parties hereto. The cost of the valuation, including the costs of any professional advice engaged by the professional, shall be borne by LC2019.

- ii. The FMV within such time period, the FMV as at the Option Exercise Date shall be determined by a valuator appointed by the Optionee and Optionors, acting reasonably, who has the designation of a Chartered Professional Accountant or Chartered Business Valuator. All valuations shall be completed within thirty (30) days of the selection of a professional. To determine the FMV, LC2019 shall submit to the professional such financial records and other information concerning LC2019 as the professional may reasonably require. In calculating the FMV, the valuator shall view LC2019 as a going concern having regard to all material factors and elements that affect value, giving to each the weight indicated by the circumstances, including: the nature of the business of LC2019 and its operations; LC2019's assets and liabilities; LC2019's earning capacity; the quality of the management of LC2019 and its employees; the status of any material contracts of LC2019; the market value of the Shares, if an established market for such Shares exists; the amount of retained earnings, if any; the amount and regularity of dividends, if any; the future prospects of LC2019 and the industry it operates in; and LC2019's goodwill, if any. In determining the FMV of the Shares no discount shall be made for minority interests and no premium shall be computed for a control block of Shares.

The professional may engage such additional professional advice as it deems necessary, acting reasonably, in order to complete the valuation. Forthwith upon LC2019 receiving the FMV calculation, LC2019 shall forward copies of the valuation to the Parties hereto. The cost of the valuation, including the costs of any professional advice engaged by the professional, shall be borne by LC2019.

- (c) The Purchase Price may be satisfied, in the Optionee's sole discretion, by:
 - i. cash payment to the Optionors; or
 - ii. the issuance of Optionee Shares, with the number of Optionee Shares to be issued determined by dividing the aggregate Purchase Price by the price per Optionee Share equal to the greater of: (A) the 20-day volume weighted average price of the Optionee Shares on the Toronto Stock Exchange; and (B) the current "Market Price", as such term is defined in the Toronto Stock Exchange Company Manual.

4. Exercise of Option

The Option may be exercised by the Optionee in its sole discretion at any time prior to the Triggering Event Date and before the Option Expiry Date by delivering to the Optionors (with a copy to LC2019) an Option Exercise Notice stating that the Optionee is exercising the Option with respect to all (but not less than all) of the Shares and specifying the Acquisition Date on which the closing of the purchase and sale of the Shares is to occur.

Upon the occurrence of the Triggering Event Date prior to the Option Expiry Date, and provided the Optionee has not previously exercised the Option, the Optionee shall, within two Business Days of the Triggering Event Date, deliver to the Optionors (with a copy to LC2019) an Option Exercise Notice stating that the Optionee is exercising the Option with respect to all (but not less than all) of the Shares and specifying the Acquisition Date on which the closing of the purchase and sale of the Shares is to occur.

5. Term of Option

If the Option has not been exercised prior to the Option Expiry Date, the Option shall expire and terminate effective as of the Option Expiry Date and thereafter shall be of no further force or effect.

Notwithstanding anything to the contrary contained herein, if the Option is exercised prior to the Option Expiry Date but the closing of the Acquisition has not occurred by the Acquisition Closing Outside Date, the Option shall expire and terminate effective as of the Acquisition Closing Outside Date and thereafter shall be of no further force or effect.

6. Conduct of Business of LC2019

LC2019 covenants and agrees that, during the period from the date of this Agreement until the earlier of the Acquisition Effective Time and the time that this Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of the Optionee, such consent not to be unreasonably conditioned, withheld or delayed; (ii) as expressly required or permitted by this Agreement; or (iii) as required by Applicable Law, LC2019 shall, and shall cause each of its Subsidiaries to, conduct its business in the ordinary course and in accordance with, in all material respects, all Applicable Laws, with the exception of the Controlled Substances Act, 21 USC 801 et seq. (the “**Controlled Substances Act**”), as it applies to marijuana (including any implementing regulations and schedules in effect at the relevant time) or any other U.S. federal law the violation of which is predicated upon a violation of the Controlled Substances Act as it applies to marijuana, and LC2019 shall use commercially reasonable efforts to maintain, expand and preserve its and its Subsidiaries’ business organizations, properties, assets, rights, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which LC2019 or any of its Subsidiaries has material business relations.

Without limiting the generality of the foregoing, LC2019 covenants and agrees that, during the period from the date of this Agreement until the earlier of the Acquisition Effective Time and the time that this Agreement is terminated in accordance with its terms, except: (i) with the prior written consent of the Optionee; (ii) as expressly required or permitted by this Agreement; or (iii) as required by Applicable Law, LC2019 shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

- (a) amend its constating documents or, in the case of any Subsidiary which is not a corporation, its similar organizational documents, except as permitted or required pursuant this Agreement;
- (b) issue additional Shares or any other securities of LC2019 or any Subsidiary or securities convertible, exchangeable or exercisable for or into Shares or any other

securities of LC2019 or any Subsidiary, other than Class C shares which may be issued to any director, officer, employee or consultant of LC2019 or any Subsidiary or any affiliate of such persons in the sole discretion of LC2019 or any Subsidiary, as applicable;

- (c) split, combine or reclassify any Shares or any other securities of LC2019 or any Subsidiary;
- (d) redeem, repurchase, or otherwise acquire, or offer to redeem, repurchase or otherwise acquire, Shares or any other securities of LC2019 or any Subsidiary, except in the event any board member of LC2019 ceases to be a director or officer of LC2019 or, in the case of Purohit or Azadian ceasing to be a director or officer of the Optionee, such person's Shares shall be redeemed by LC2019 at their issue price;
- (e) amend the terms of any of the securities of LC2019 or any Subsidiary, except as permitted or required pursuant to this Agreement;
- (f) reduce the stated capital of any class or series of the Shares;
- (g) reorganize, amalgamate or merge LC2019 or any Subsidiary;
- (h) undertake any voluntary dissolution, liquidation or winding-up of LC2019 or any Subsidiary or any other distribution of assets of LC2019 or any Subsidiary for the purpose of winding-up its affairs;
- (i) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of LC2019 or any Subsidiary;
- (j) declare, set aside or pay any dividend or other distribution of any kind or nature (whether in cash, stock or property or any combination thereof) in respect of any securities;
- (k) pledge or otherwise encumber, or authorize the pledge or other encumbrance of any Shares or any other securities of LC2019 or any Subsidiary;
- (l) make any bonus or profit sharing distribution or similar payment of any kind to any officer, director, employee or consultant that is materially inconsistent with the bonus or profit sharing distribution or similar payments of any kind that are made by the Optionee to its officers, directors, employees or consultants except to the extent that any such bonus, profit sharing, distribution or similar payment is made pursuant to a policy approved by the Optionee, acting reasonably;
- (m) except as required by Applicable Law:
 - (i) provide for any severance, change of control, termination pay (or improvements to notice or pay in lieu of notice) or benefits payable under any severance or termination pay policies to (or amend any existing

arrangement with) any current, former or future employee or any current, former or future director of LC2019 or any Subsidiary that would be triggered by the Acquisition;

- (ii) increase compensation, bonus levels or other benefits payable to any current, former or future employee or any current, former or future director of LC2019 or any Subsidiary that would be materially inconsistent with the compensation, bonus levels or other benefits payable under employment agreements of the Optionee; or
- (iii) enter into any deferred compensation or other similar agreement (or amend any such existing agreement) with any current, former or future employee or any current, former or future director of LC2019 or any Subsidiary;
- (n) enter into any non-competition, exclusivity, area of mutual interest or other similar agreement, commitment or understanding, whether written or oral, to which LC2019 or any Subsidiary or any director, officer, employee or consultant or any affiliate of such persons would be bound that would in any way limit the business or operations of LC2019 or any Subsidiary in a particular manner or to a particular locality or geographic region or for a limited period of time;
- (o) make any loan to any officer, director, employee or consultant of LC2019 or any Subsidiary;
- (p) sell all or substantially all of the assets of LC2019 or any Subsidiary;
- (q) acquire any asset or property from any officer, director, employee or consultant of LC2019 or any Subsidiary, unless the value of the consideration paid by LC2019 or any Subsidiary is equal to the fair market value of such assets or property acquired;
- (r) dispose of any asset or property to any officer, director, employee or consultant of LC2019 or any Subsidiary, unless the value of the consideration received by LC2019 or any Subsidiary is equal to the fair market value of such assets or property disposed of;
- (s) enter into any agreement or arrangement that limits or otherwise restricts in any material respect LC2019 or any successor thereto or any Subsidiary, or that would, after the Effective Date, limit or restrict in any material respect LC2019 or any of its affiliates from competing in any manner;
- (t) enter into any Contract containing any provision restricting or triggered by the transactions contemplated herein;
- (u) enter into any Contract for Company Debt if such Contract would:

- (i) be materially inconsistent with market standards for companies operating in the United States cannabis industry;
 - (ii) provide for an event of default, repayment or acceleration on the Acquisition Date; or
 - (iii) provide for a stated annual interest rate that is more than 8.0%;
- (v) incur, in the aggregate, Company Debt greater than \$200,000;
- (w) knowingly take any action or fail to take any action which action or failure to act would result in the loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material authorizations necessary to conduct its businesses as now conducted or as proposed to be conducted that would cause a material adverse effect, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material authorizations as would have a material adverse effect;
- (x) materially change its business or regulatory strategy, including, without limitation, engaging in any new business, enterprise or other activity that is materially different from the ordinary course of the existing businesses of LC2019;
- (y) fail to prepare and file when due all Tax Returns required to be filed (except for any Tax Return for which an extension has been granted as permitted hereunder), or fail to pay or cause to pay, all Taxes (including estimated Taxes) due on such Tax Return (or due with respect to Tax Returns for which an extension has been granted as permitted hereunder) or which are otherwise required to be paid; or
- (z) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

7. **Notice**

LC2019 covenants and agrees that, during the period from the date of this Agreement until the earlier of the Acquisition Effective Time and the time that this Agreement is terminated in accordance with its terms, it shall:

- (a) immediately notify the Optionee orally and then promptly notify the Optionee in writing of any “material change” (as defined in the *Securities Act* (Ontario)) in relation to LC2019;
- (b) notify the Optionee at least five Business Days prior to entering into any Contract with respect to the disposition of any asset with a value of \$200,000 or more;

- (c) notify the Optionee at least five Business Days prior to entering into any Contract with respect to any acquisition of assets, merger or joint venture with a value of \$200,000 or more; and
- (d) provide the Optionee with a Company Report promptly and, in any event not later than five Business Days following the end of a fiscal quarter during which the subject matter of the Company Report was addressed; provided, however, that LC2019 shall not be required to provide any information (including a Company Report) to the Optionee if, and to the extent that, such disclosure relates to this Agreement, the transactions contemplated herein or any agreement or prospective agreement with, or relating to, or in any way conflicting with, the Optionee or any its affiliates or their related parties.

8. Transfer of Shares

As soon as reasonably practicable following delivery of the Option Exercise Notice as noted in Section 4 above, the Optionee shall pay, or cause to be paid, an amount equal to the Purchase Price to the Optionors or as the Optionors may direct and the Optionors shall deposit the certificates representing the Shares together with a duly executed stock transfer power of attorney in the form attached hereto as Exhibit B with DLA Piper (Canada) LLP, 1 First Canadian Place, 100 King St. W., Suite 6000, Toronto, ON M5X 1E2, and instruct DLA Piper (Canada) LLP and LC2019, as applicable, to process the transfer of the Shares to the Optionee.

9. Regulatory Approvals

As soon as reasonably practicable after the delivery of the Option Exercise Notice, LC2019 shall make all notifications, filings, applications and submissions with Governmental Entities required to obtain and maintain any Regulatory Approvals deemed necessary to discharge its obligations under this Agreement in connection with the completion of the Acquisition and use its best efforts to assist the Optionee in obtaining any necessary Regulatory Approvals.

10. Representations and Warranties of LC2019

LC2019 hereby represents and warrants to the Optionee that:

- (a) LC2019 is a corporation incorporated and subsisting under the laws of the State of Delaware, has all requisite corporate power to own its properties and conduct its business as presently being conducted by it, and is registered or otherwise qualified to carry on business in all jurisdictions in which the nature of its assets or business makes such registration or qualification necessary or advisable;
- (b) the Shares are all of the issued and outstanding shares of LC2019 and have been validly issued and are outstanding as fully paid and non-assessable shares in the authorized share structure of LC2019. The Optionors are the only registered and beneficial owners of the Shares, with good and marketable title thereto, free and clear of all Encumbrances. Except as created by this Agreement, there are no options, warrants, purchase rights, subscription rights, conversion privileges,

exchange rights, pre-emptive rights or other rights, agreements or commitments of a similar nature to which LC2019 is bound relating to the outstanding or unissued shares in the authorized share structure of LC2019 or obligating LC2019 to issue any shares of, or other equity interest in, LC2019 or securities or obligations of any kind convertible into or exchangeable for any shares of LC2019;

- (c) LC2019 does not hold, nor has it ever held, stock or any other equity interest, either of record, beneficially or equitably, in any Person;
- (d) LC2019 has full legal capacity and corporate power to enter into this Agreement and to take, perform or execute all proceedings, acts and instruments necessary or advisable to consummate the actions and transactions contemplated in this Agreement; all necessary corporate action has been taken by or on the part of LC2019 to authorize its execution and delivery of this Agreement, and the taking, performing or executing of such proceedings, acts and instruments as are necessary or advisable for consummating the actions and transactions contemplated in this Agreement and for fulfilling its obligations hereunder;
- (e) this Agreement has been duly executed and delivered by LC2019 and constitutes a legal, valid and binding obligation of it enforceable against it in accordance with its terms;
- (f) neither the execution, nor delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with and fulfilment of the terms and provisions of this Agreement will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under or cause violation of: any of LC2019's constating documents or any instrument, agreement, mortgage, judgment, order, award, decree or other instrument or restriction to which LC2019 is a party or by which LC2019 is bound;
- (g) the books and records of LC2019 fairly and correctly set out and disclose in all material respects, the financial position of LC2019 as at the dates thereof and all material financial transactions of LC2019 relating to LC2019's business have been accurately recorded in such books and records;
- (h) the minute books of LC2019 as provided to the Optionee or its legal counsel contain complete and accurate records of all corporate actions taken by the directors and shareholders of LC2019 and completely and accurately reflect all transactions involving the Shares, and all such meetings were duly called and held;
- (i) LC2019 is conducting and has always conducted LC2019's business in substantial compliance with all Applicable Laws, rules and regulations of each jurisdiction in which LC2019's business is carried on, is not currently in breach of any such laws, rules or regulations and is duly licensed, registered or qualified, in each jurisdiction in which LC2019 owns or leases property or carries on LC2019's

business, to enable LC2019's business to be carried on as now conducted and its property and assets to be owned, leased and operated, and all such licences, registrations and qualifications are valid and subsisting and in good standing and none of the same contains any burdensome term, provision, condition or limitation which has or may have an adverse effect on the operation of LC2019's business;

- (j) LC2019 has performed all obligations required to be performed by it, and is not in default under any Contract to which it is a party or by which its property is bound or affected. To the best knowledge of LC2019, no other party under any Contract to which it is a party is in default in any respect thereunder or has given written, or, to the knowledge of the officers and directors of LC2019, oral, notice to LC2019 or any of its officers or directors of such other party's intention to terminate, cancel or refuse to renew any Contract;
- (k) no consent, licence, approval, order or authorization of, or registration, filing or declaration with any Governmental Entity that has not been obtained or made by LC2019 or the Optionors and no consent of any third party is required to be obtained by LC2019 in connection with the execution, delivery and performance by LC2019 and the Optionors of this Agreement or the consummation of the transactions contemplated hereby;
- (l) LC2019 has no liability or obligation to pay any fees or commissions to any financial advisor, broker, finder or agent with respect to the transactions contemplated by this Agreement nor has it granted any right of first refusal or commitment to engage any such Person in connection with any future transaction;
- (m) there is no action, lawsuit, claim, proceeding, or investigation pending or, to the best knowledge of LC2019, threatened against, relating to or affecting LC2019 before any court, government agency, or any arbitrator of any kind. LC2019 is not aware of any existing ground on which any such proceeding might be commenced with any reasonable likelihood of success; and there is not presently outstanding against LC2019 any judgment, decree, injunction, rule or order of any court, governmental agency, or arbitrator relating to or affecting LC2019 or its business;
- (n) there is not now outstanding any arrangement (contractual or otherwise) between LC2019 and any Person which will or may be, terminated or, to the best of the knowledge of LC2019 prejudicially affected as a result of the Optionors' transfer and sale of the Shares to the Optionee as contemplated herein;
- (o) there is no non-competition, exclusivity, area of mutual interest or other similar agreement, commitment or understanding in place, whether written or oral, to which LC2019 or, to the knowledge of LC2019, any director, officer, employee or consultant or any affiliate of such persons is a party or is otherwise bound that would now or hereafter, in any way limit the business or operations of LC2019 in a particular manner or to a particular locality or geographic region or for a limited period of time;

- (p) LC2019 is not in material violation of any applicable federal, state, municipal or local laws, regulations, orders, government decrees or ordinances with respect to health or safety matters;
- (q) the operations of LC2019 have been conducted in compliance with financial record-keeping and reporting requirements of Applicable Laws relating to money laundering;
- (r) no representation or warranty made by LC2019 in this Agreement, and no statement made in any schedule, exhibit, certificate or other document furnished pursuant to this Agreement, contains, or will contain, any untrue statement of a material fact or omits, or will omit, to state any material fact necessary to make such representation or warranty or any such statement not misleading. LC2019 does not know of any fact which, if known to LC2019, would deter it from consummating the transactions contemplated herein;
- (s) LC2019 has at all times complied with all Applicable Laws relating to the collection, retention, use and disclosure of personal information. LC2019 has obtained all consents required by law relating to the collection, retention, use and disclosure of all personal information collected, retained, used or disclosed in the course of its business. LC2019 has not experienced any material loss, damage or unauthorized access, unauthorized disclosure, unauthorized use or breach of security of any personal information in LC2019's possession, custody or control. LC2019 has commercially reasonable physical, technical, organizational and administrative security measures and policies in place to protect all personal information collected by it or on its behalf from and against unauthorized access, unauthorized use and/or unauthorized disclosure. LC2019 is and has been in compliance in all material respects with all Applicable Laws relating to data loss, theft and breach of security notification obligations;
- (t) no investigations made by or on behalf of LC2019 at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made to the Optionee herein or pursuant hereto. No waiver by LC2019 of any condition, in whole or in part, shall operate as a waiver of any other condition;
- (u) LC2019 does not own any real property and has not entered into any agreement to acquire real property;
- (v) there are no business relationships or related party transactions involving LC2019 or any other person. Without limiting the generality of the immediately preceding sentence, no relationship, direct or indirect, exists between or among LC2019 on the one hand, and the directors, officers, members, customers or suppliers of LC2019 on the other hand; and

- (w) no Person holds a power of attorney to act with respect to LC2019 or any of LC2019's assets. No Optionor has granted a power of attorney or proxy that remains effective as of the date hereof to any Person with respect to all or any portion of the Shares.

11. Representations and Warranties of the Optionors

Each of the Optionors hereby severally represents and warrants to the Optionee that:

- (a) the Optionors are the registered and beneficial owners of the Shares with good and marketable title thereto, free and clear of all Encumbrances;
- (b) each Optionor has the full legal capacity and, if applicable, corporate power to enter into this Agreement and to take, perform or execute all proceedings, acts and instruments necessary or advisable to consummate the other actions and transactions contemplated in this Agreement;
- (c) this Agreement has been duly executed and delivered by the Optionors and this Agreement constitutes a legal, valid and binding obligation of the Optionors enforceable against the Optionors in accordance with its terms; and
- (d) neither the execution, nor delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with and fulfilment of the terms and provisions of this Agreement will: conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under any of the constating documents of an Optionor (in the case of non-individual Optionor) or any instrument, agreement, mortgage, judgment, order, award, decree or other instrument or restriction to which an Optionor is a party or by which the Optionor is bound.

12. Representations and Warranties of the Optionee

The Optionee hereby represents and warrants to LC2019 and the Optionors that:

- (a) the Optionee is a corporation incorporated and subsisting under the laws of the Province of Ontario, has all requisite corporate power to own its properties and conduct its business as presently being conducted by it, and is registered or otherwise qualified to carry on business in all jurisdictions in which the nature of its assets or business makes such registration or qualification necessary or advisable;
- (b) the Optionee has full legal capacity and corporate power to enter into this Agreement and to take, perform or execute all proceedings, acts and instruments necessary or advisable to consummate the actions and transactions contemplated in this Agreement; all necessary corporate action has been taken by or on the part of the Optionee to authorize its execution and delivery of this Agreement, and the taking, performing or executing of such proceedings, acts and instruments as are

necessary or advisable for consummating the actions and transactions contemplated in this Agreement and for fulfilling its obligations hereunder;

- (c) this Agreement has been duly executed and delivered by the Optionee and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms; and
- (d) neither the execution nor delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with and fulfilment of the terms and provisions of this Agreement will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under any of the constating documents of the Optionee or any instrument, agreement, mortgage, judgment, order, award, decree or other instrument or restriction to which the Optionee is a party of or by which it is bound.

13. Survival or Representations and Warranties

The representations and warranties contained in Sections 10, 11 and 12 shall survive the execution of this Agreement and shall continue in full force and effect for a period of two (2) years following the Acquisition Closing Outside Date.

14. Covenants of the Optionors

Each Optionor hereby covenants and agrees:

- (a) that the Optionor shall not pledge or otherwise encumber, or authorize the pledge or other encumbrance of any Shares during the term of this Agreement;
- (b) that in the event the Optionor ceases to be a director or officer of LC2019 or, in the case of Purohit or Azadian ceasing to be a director or officer of the Optionee, the Optionor will deliver its Shares to LC2019 and cause LC2019 to cancel such Shares; and
- (c) that the Optionor will take all actions requested by the Optionee in connection with the closing of the Acquisition, including the execution of all customary certificates and documents, including any bring-down certificates.

15. Indemnification

Subject to the limitations set forth herein, LC2019 and the Optionors, as applicable, shall severally:

- (a) be liable to the Optionee, its affiliates and their respective directors, officers, servants, agents, advisors and employees for all losses, actions, costs, damages (excluding consequential damages), expenses, charges, fines, penalties, assessments or other liabilities whatsoever which any one or more of them may suffer, sustain, pay or incur; and
- (b) indemnify and save harmless the Optionee, its affiliates and their respective directors, officers, servants, agents, advisors and employees from and against all losses, actions, costs, damages (excluding consequential damages), expenses, charges, fines, penalties, assessments or other liabilities whatsoever which may be brought against or suffered by any one or more of them or which any one or more of them may sustain, pay or incur;

as a direct result of any matter or thing arising out of, resulting from, attributable to or connected with any material misrepresentation or breach of warranty made by a party to this Agreement, or the failure of a party to this Agreement to perform or observe in any material respect any of the covenants or agreements to be performed by such party under this Agreement or any agreement or other certificate or instrument delivered in connection herewith.

16. Power of Attorney

Should any Optionor, in the opinion of the board of directors of LC2019, fail to comply or fail to take any action to comply with the provisions of Sections **2Error! Reference source not found.**, 2(f), 2(g), 8, 14(a) or 14(b) of this Agreement, then, notwithstanding any other term of this Agreement and without derogating from any other term of this Agreement, the Chief Executive Officer of LC2019 shall be deemed to be irrevocably appointed as the true and lawful proxy and attorney-in-fact of such Optionor, with full power of substitution, to vote and exercise all voting, consent and similar rights and to do all things and execute and deliver, on behalf of and in the name of the Optionor, such deeds, transfers, share certificates, resignations, proxies, resolutions, consents, voting instructions, sign any shareholder resolutions or other documents as may be necessary or desirable to comply with the terms and provisions of Sections **2Error! Reference source not found.**, 2(f), 2(g), 8, 14(a) or 14(b) of this Agreement, as applicable, and such Optionor shall have no claim or cause of action against LC2019, the board of directors of LC2019 or the Chief Executive Officer of LC2019, or against any other Optionor or third party, as a result of the Chief Executive Officer of LC2019 so acting as its proxy and attorney. Such appointment and power of attorney, being coupled with an interest, shall not be revoked by the insolvency or bankruptcy of the Optionor and are given to secure the performance of each Optionor's obligations and duties under this Agreement, and the Optionor hereby ratifies and confirms and agrees to ratify and confirm all that the Chief Executive Officer of LC2019 may lawfully do or cause to be done by virtue of such appointment and power.

17. Term and Termination

This Agreement shall be effective from the date hereof until the earliest of (i) the Acquisition Effective Time, (ii) the Acquisition Closing Outside Date, and (iii) the termination of this Agreement in accordance with its terms.

This Agreement may be terminated between the Effective Date and the Acquisition Effective Time by the mutual written agreement of the Parties.

18. Notices

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, e-mailed or mailed postage prepaid to the addresses as set forth below or to such other address as may be given in writing by the Parties and shall be deemed to have been received, if delivered by hand, on the date of delivery; if e-mailed, on the Business Day next following the date of transmission; and if mailed, on the fifth Business Day following the posting thereof; provided that if there shall be, between the time of mailing and the actual receipt of the notice, a mail strike, slowdown or other labour dispute which might affect the delivery of the notice by mail, then the notice shall only be effective if actually delivered or e-mailed.

If to the Optionors, to: the addresses or email addresses listed on the signature pages hereto

If to LC2019, to:

[REDACTED]

Attention: Arash Moghani
Email: arash.moghani@gmail.com

If to the Optionee, to:

Avicanna Inc.
480 University Ave.
Suite 1502
Toronto, Ontario M5G 1V2
Attention: Setu Purohit
Email: setu.purohit@avicanna.com

With a copy to:

DLA Piper (Canada) LLP
1 First Canadian Place
100 King St. W., Suite 6000
Toronto, ON M5X 1E2
Attention: Russel Drew
Email: Russel.drew@dlapiper.com

19. Public Announcements

Neither party shall make, or permit any Person to make, any public announcement, communication or circular (each, an “**Announcement**”) concerning this Agreement without the prior written consent of the other party (such consent not to be unreasonably withheld or

delayed). The Parties shall consult together on the timing, contents and manner of release of any Announcement.

Where an Announcement is required by law or any governmental or regulatory authority (including any relevant stock exchange), or by any court or other authority of competent jurisdiction, the party required to make the Announcement shall promptly notify the other party. The Parties shall make all reasonable attempts to agree on the contents of the Announcement before making it. If a party does not respond to a request for comments within 48 hours (excluding days that are not Business Days) or such shorter period of time as the requesting party has determined is necessary in the circumstances, acting reasonably and in good faith, the party making the disclosure shall be entitled to issue the disclosure without the input of the other Parties. The final text of the disclosure and the timing, manner and mode of release shall be the sole responsibility of the party issuing the disclosure.

If any of the Parties determines that it is required by law or any governmental or regulatory authority (including any relevant stock exchange), or by any court or other authority of competent jurisdiction, to publish or disclose the text of this Agreement in accordance with such requirement, it shall promptly notify the other party, however, the timing of such disclosure shall be the sole responsibility of the party issuing the disclosure.

20. Enurement; Assignment

This Agreement shall enure to the benefit of and be binding upon each of the Parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns. This Agreement and the rights and obligations under this Agreement are assignable or transferable by the Optionee without the prior written consent of the other Parties. Except with the prior written consent of the Optionee, LC2019 and/or the Optionors shall not assign or transfer this Agreement.

21. Independent Legal Advice

Each Optionor acknowledges and confirms that such Optionor has been given an opportunity to receive independent legal advice in connection with this Agreement and that such Optionor has either received such advice or has waived the right to receive such advice and that, in either case, each Optionor hereby confirms that such Optionor fully appreciates and understands the terms of this Agreement.

22. Governing Law

This Agreement and all matters arising hereunder shall be governed by, construed and enforced in accordance with the laws of the State of Delaware without giving effect to any applicable conflicts of law provisions.

23. Execution

This Agreement may be executed in as many counterparts as are necessary and all counterparts together shall constitute the Agreement. Facsimile and scanned signatures shall and do hereby constitute valid approval of this Agreement.

24. Entire Agreement

This Agreement supersedes all other agreements, documents, writings and verbal understandings among the Parties relating to the subject matter hereof and represents the entire agreement between the Parties relating to the subject matter hereof.

25. Amendment

No amendment to this Agreement shall be valid unless it is evidenced by a written agreement executed by all of the Parties hereto.

26. Conflict or Inconsistency

In the event of any conflict or inconsistency between the terms and conditions of this Agreement and the Certificate of Incorporation or Bylaws of LC2019, LC2019 shall use its commercially reasonable efforts to cause the stockholders of LC2019 to amend the Certificate of Incorporation or Bylaws, as applicable, in order to comply with the terms and conditions of this Agreement.

27. Further Assurances

Each of the Parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary or desirable to implement and carry out the intent of this Agreement.

28. Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

29. Time

Time shall be of the essence of this Agreement.

[The rest of this page is intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF the Parties hereto have hereunto executed and delivered this Agreement as of the day and year first above written.

AVICANNA INC.

Per: *(signed) "Setu Purohit"*

Name: Setu Purohit
Title: President

LC2019, INC.

Per: *(signed) "Arash Moghani"*

Name: Arash Moghani
Title: Chief Executive Officer

(signed) "Aras Azadian"

ARAS AZADIAN

Address: _____,

(signed) "Setu Purohit"

SETU PUROHIT

Address: _____

(signed) "John Robinson"

JOHN ROBINSON

Address: _____

(signed) "Arash Moghani"

ARASH MOGHANI

Address: _____

EXHIBIT "A"

OPTION EXERCISE NOTICE

**TO: ARAS AZADIAN
SETU PUROHIT
JOHN ROBINSON
ARASH MOGHANI
LAURI KIBBY**

AND TO: LC2019, INC.

RE: EXERCISE OF OPTION

Reference is made to the option purchase agreement between Avicanna Inc. (the "**Optionee**"), LC2019, Inc. and the shareholders of LC2019, Inc. dated November 26, 2019 (the "**Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Agreement.

In accordance with the terms of the Option and the Agreement, the Optionee hereby gives notice that it is exercising its rights pursuant to the Option to acquire all (but not less than all) of the Shares.

The closing of the purchase and sale of the Shares pursuant to the Option is to occur on _____, 20__ (the "**Acquisition Date**").

DATED the ____ day of _____, 20__.

AVICANNA INC.

Per: _____
Authorized Signatory

EXHIBIT "B"

STOCK TRANSFER POWER OF ATTORNEY

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto Avicanna Inc. (the "**Transferee**"), _____ common shares in the capital of LC2019, Inc. (the "**Corporation**") registered in the name of the undersigned on the books of the Corporation represented by certificate(s) number _____ (the "**Shares**"), and does hereby irrevocably constitute and appoint _____ as attorney, to transfer the Shares on the books of the Corporation with full power of substitution in the premises.

DATED effective as of the ____ day of _____, 20____.

Name: