

ASSET PURCHASE AGREEMENT

BETWEEN

BULL MARKET FARMS INC.

and

MOR GRO FARMS INC.

and

ABRAHAM SCHMITT

ASSET PURCHASE AGREEMENT

THIS AGREEMENT made as of the ___ day of December, 2020,

BETWEEN:

BULL MARKET FARMS INC.

an Ontario corporation
(the “**Purchaser**”)

-and-

MOR GRO FARMS INC.

an Ontario corporation
(the “**Vendor**”)

-and-

ABRAHAM SCHMITT

a resident of Kingsville, ON
(the “**Shareholder**”)

-and-

ABRAHAM SCHMITT

a resident of Kingsville, ON
(the “**Principal**”)

- A. The Vendor is the sole registered and beneficial owner of a farm property located at 1921 Road 3 East, Kingsville, Ontario, on which the Vendor carries on the business of growing and selling greenhouse produce (the “**Business**”).
- B. The Purchaser wishes to purchase, and the Vendor wishes to sell, substantially all of the assets, property and undertaking of the Business, on the terms and conditions herein contained.
- C. The Shareholder owns all of the issued and outstanding shares of the Vendor. The Principal indirectly controls the Vendor.

The Parties agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement and in the schedules, the following terms and expressions will have the following meanings:

- (a) “**Accounts Receivable**” means all accounts and notes receivable and other such claims for money that are due to the Vendor or Mor Gro Sales from any third party as of the Closing Date.
- (b) “**Agreement**” means this asset purchase agreement and all instruments amending it; “hereof”, “hereto” and “hereunder” and similar expressions mean and refer to this Agreement and not to any particular Article, Section, or other subdivision; “Article”, “Section” or other subdivisions of this Agreement followed by a number means and refers to the specified Article, Section or other subdivision of this Agreement;
- (c) “**assessment**” shall include a reassessment or additional assessment and the term “assessed” shall be interpreted in the same manner;
- (d) “**Assumed Employee Liabilities**” means all wages, retroactive wages, statutory deductions, remittances, assessments, bonuses, vacation pay, sick pay, severance pay, termination pay, amounts paid in lieu of notice, and any other remuneration, benefits and deductions for all of the Assumed Employees including pension plan contributions and any other amounts required to be paid in respect of pension plans and group benefit plans in which the Assumed Employees participate, whether arising before or after Closing, save and except for matters arising before Closing where there was a misrepresentation or omission under Section 3.1(32) or a breach of Section 4.1(1) hereof;
- (e) “**Assumed Liabilities**” means any Liability arising after the Closing Date under the Contracts which the Purchaser agrees to be assigned and transferred to the Purchaser (other than any Liability arising under such Contracts arising out of or relating to a breach that occurred prior to the Closing Time) and shall include the Assumed Employee Liabilities, for greater clarity, the extension of Assumed Employee Liabilities to the period prior to closing set forth in Section 1.11.1(d) shall be paramount to the exclusion of pre-Closing matters expressed in this section;
- (f) “**Business**” has the meaning ascribed to it in the recitals;
- (g) “**Business Day**” means any day other than a Saturday, a Sunday or a statutory holiday in the Province of Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours;
- (h) “**Claim**” has the meaning ascribed in Section 7.3;
- (i) “**Closing**” means the completion of the Transactions pursuant to this Agreement at the Closing Time;
- (j) “**Closing Date**” means February 1, 2021 or such other date as the Parties may agree upon in writing;
- (k) “**Closing Time**” means 11:59 p.m. in the City of Toronto on the Closing Date or such other time on the Closing Date as the Parties may agree upon as the time at which the Closing shall take place;

- (l) “**Closing Time Year**” means the taxation year of the Vendor ending at the Closing Time;
- (m) “**Consent**” means a license, permit, approval, consent, certificate, registration or authorization (including, without limitation, those made or issued by a Regulatory Authority, in respect of a Contract, or otherwise);
- (n) “**Contract**” means any agreement, understanding, indenture, contract, lease, deed of trust, license, option, instrument or other commitment, whether written or oral;
- (o) “**Due Diligence Period**” means the period ending on the first Business Day which is twenty-one (21) days following the date on which this Agreement is executed by both Parties;
- (p) “**Employee Plans**” has the meaning ascribed in Section 3.1(32)(a);
- (q) “**Encumbrances**” means mortgages, charges, pledges, security interests, liens, encumbrances, actions, claims, demands and equities of any nature whatsoever or howsoever arising and any rights or privileges capable of becoming any of the foregoing;
- (r) “**Environmental Consents**” includes all Consents issued by or issuable by any Regulatory Authority under Environmental Laws;
- (s) “**Environmental Laws**” means all Laws applicable to the environment, occupational health and safety, product safety, product liability and public safety;
- (t) “**Equipment Leases**” means the leases of personal property used in the Business to which the Vendor is a party or under which it has rights or obligations, including those listed or described in Schedule 3.1(23).
- (u) “**ETA**” means the *Excise Tax Act* (Canada);
- (v) “**Excluded Assets**” means those assets described in Schedule 1.1(v) hereof, as well as any government rebates payable to the Vendor as of the Closing Date, regardless of whether they have in fact been paid or processed including but not limited to those related to Agristability, SDRM, Enhanced worker protection, Mandatory Isolation reimbursements, and HST receivable with respect to the period pre-Closing;
- (w) “**Excluded Liabilities**” means:
 - i. any liability of the Vendor to any bank or other financial institution by way of loan or other credit facility;
 - ii. any liability of the Vendor for any personal injuries claims arising by reason of the occurrence on or before the Closing Date of any injury, accident or other alleged damage-causing event with respect to the operations of the Vendor on or prior to the Closing Date or relating to products sold or services performed by the Vendor on or before the Closing Date that provide the basis for a personal injury claim after the Closing Date;

- iii. any liability of the Vendor to its shareholders, affiliates or associates or any other person not dealing at arm's length with any of them;
 - iv. any liability of the Vendor for any claims, demands, actions or proceedings relating to the Excluded Assets;
 - v. any liability of the Vendor for any breach by the Vendor of any Laws, including Environmental Laws, relating to the operation of the Business or use of the Purchased Assets up to the Closing Date;
 - vi. any liability of the Vendor for any deferred income tax, or for any other taxes, duties or similar charges (including penalties, fines and interest);
 - vii. all other liabilities of the Vendor not specifically listed as Assumed Liabilities, including all liabilities related to the Business, and the Purchased Assets prior to Closing, to the extent that the Purchaser has not agreed to assume said liabilities pursuant to the terms of this Agreement;
- (x) **"GAAP"** means the generally accepted accounting principles so described and promulgated by the Canadian Institute of Chartered Accountants which are applicable on the date on which any calculation is to be effective or at the date of any financial statements referred to herein, as the case may be;
 - (y) **"Government Incentives"** means all government rebates and/or incentives payable to the owner of the Property and all proceeds and other amounts in respect thereof, including all income, proceeds, payments, reimbursements and other amounts, whether received by the Vendor, the Purchaser or either of their affiliates on or after the Closing Date;
 - (z) **"Hazardous Substance"** means, any material or substance that may impair the quality of the environment or which under Environmental Laws is deemed to be "hazardous", a "pollutant", "toxic", "deleterious", caustic", "dangerous", a "waste", a "hazardous material", a "source of contamination" or analogous substance including, without limitation, petroleum and petroleum products, asbestos, polychlorinated biphenyls, and flammable and radioactive materials;
 - (aa) **"Indemnified Party"** has the meaning ascribed in Section 7.3;
 - (bb) **"Indemnifying Party"** has the meaning ascribed in Section 7.3;
 - (cc) **"Intellectual Property"** has the meaning ascribed in Section 1.1(rr);
 - (dd) **"Interim Period"** means the period from and including the date of this Agreement to and including the Closing Date;
 - (ee) **"Irrigation Units"** means the irrigation equipment and software acquired from Honey Electric Supply under quotation number 19010822-01;
 - (ff) **"ITA"** means the *Income Tax Act* (Canada);

- (gg) “**Law**” or “**Laws**” means all requirements imposed by statutes, regulations, rules, ordinances, by-laws, decrees, codes, policies, judgments, orders, rulings, decisions, approvals, notices, permits, guidelines or directives of any Regulatory Authority;
- (hh) “**Liabilities**” means all costs, expenses, charges, debts, liabilities, claims, demands and obligations, whether primary or secondary, direct or indirect, fixed, contingent, absolute or otherwise, arising in any manner including under or in respect of any Contract, or undertaking, applicable Law and Taxes;
- (ii) “**Licenses and Permits**” means all licenses, permits, filings, authorizations, approvals or indicia of authority issued by any government or agency thereof to the Vendor pursuant to Applicable Law and Related to the Business;
- (jj) “**Marketer Licence**” means marketer licence number M31-2019-910 issued by the Ontario Greenhouse Vegetable Growers to Mor Gro Sales;
- (kk) “**Mor Gro Sales**” means Mor Gro Sales Inc.;
- (ll) “**Mor Gro Sales Contracts**” means any sales contract entered into by the Vendor or the Principal prior to the Closing Date that relates in any way to the 2021 year. The Vendor and its Principal have the right to enter into such sales contracts, provided that said sales contracts are entered into in the ordinary course and consistent with past practices of the Business;
- (mm) “**Mor Gro Shares**” means the all of the issued and outstanding shares of Mor Gro Sales;
- (nn) “**Notices**” means the notices required to be given to any Person under Applicable Law or pursuant to any Contract, Licence and Permit or otherwise in connection with the execution and delivery of this Agreement or the completion of the transactions contemplated by this Agreement;
- (oo) “**Parties**” means the Vendor, the Purchaser, the Shareholders and any other person that may become a party to this Agreement, and Party means any one of them;
- (pp) “**Permitted Encumbrances**” means:
- i. liens for Taxes and utilities which are not due or in arrears;
 - ii. easements, encroachments and other minor imperfections of title which do not, individually or in the aggregate, detract from the value of or impair the use or marketability of the Real Property;
 - iii. the Encumbrances listed or described in Schedule 1.1(pp) but only to the extent those Encumbrances conform to their description in Schedule 1.1(pp);
- (qq) “**person**” includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government, governmental agency and any other form of entity or organization;

- (rr) **“Purchased Assets”** means all of the property and assets used in connection with or otherwise relating to the Property or relating to operation of the Business (other than the Excluded Assets) as a going concern, whether personal, tangible or intangible, of every kind and description and, wheresoever situate, including, without limitation:
- i. Property – all title and interest of the Vendor in and to the Property including any easements, rights of way and other rights enjoyed by the Vendor and all building plans, specifications and drawings in the Vendor’s possession relating to the Property;
 - ii. Equipment – all machinery, equipment, tools, handling equipment, fixtures, furniture, furnishings, parts, and other fixed assets and accessories and supplies of all kinds used in connection with the Business, including, without limitation, the machinery and equipment described in Schedule i, all warranties for all equipment and other fixed assets and similar materials recording or evidencing expertise or information Related to the Business;
 - iii. Equipment Leases;
 - iv. Pre-paid Expenses – all expenses related to the ongoing operations of the Business, including but not limited to, expenses associated with the following (provided that each is consistent with past practice and not outside the ordinary course of Business):
 - the deposits made by or on behalf of the Vendor related to the Irrigation Units, and the contracts related thereto with Honey Electric Limited for the Irrigation Units which shall be assumed by the Purchaser;
 - crop inputs, including, without limitation, expenses for labour and materials that are for the benefit of the 2021 crop year, regardless of whether such expenses have been incurred and/or paid for by the Vendor or remain outstanding and will be assumed by the Purchaser at the Closing Date, to the extent such expenses are consistent with past practices and not outside the ordinary course of the Vendor’s business;
 - any deposits and/or expenses incurred by or on behalf of the Vendor for the benefit of the 2021 crop year to the extent such inputs and deposits are consistent with past practices and not outside the ordinary course of the Vendor’s business; and
 - any and all agreements and contracts made by and/or entered into by or on behalf of the Vendor, including without limitation, any applicable material Contracts, for the benefit of the 2021 year to the extent such agreements and contracts are consistent with past practices and not outside the ordinary course of the Vendor’s business.
 - v. Agreements – all rights under leases of personal property, orders or Contracts for the provision of goods or services (whether as buyer or seller), distribution and agency agreements, franchise agreements with the franchisor of the Vendor, employment and instruments relating to employee benefit plans and other Contracts not otherwise referred to in this Section 1.1(rr) relating to the operation of the Business, including, without limitation, the Contracts described in Schedule 3.1(25), provided, however,

that no such agreements will be included in the Purchased Assets should the Purchaser not have agreed in writing to assume same;

- vi. Consents of any Regulatory Authority – all Consents of any Regulatory Authority, including, without limitation, the Consents described in Schedule 3.1(12);
 - vii. Licenses and Permits;
 - viii. Government Incentives - provided that all Government Incentives related to the Vendor’s ownership during the period pre-Closing and received by the Purchaser on or prior to the second anniversary of the Closing Date shall remain the property of the Vendor ;
 - ix. Intellectual Property – all trade or brand names, business names, trade marks, trade mark registrations and applications, service marks, service mark registrations and applications, copyright registrations and applications, patents, patent registrations and applications and other patent rights (including any patents issued on such applications or rights), trade secrets, proprietary manufacturing information and know-how, equipment and parts lists and descriptions, instruction manuals, inventions, inventors’ notes, research data, unpatented blue prints, drawings and designs, formulae, processes, technology and other intellectual, industrial or proprietary rights, together with all rights under licences, registered user agreements, technology transfer agreements and other agreements or instruments relating to any of the foregoing, including, without limitation, the Intellectual Property described in Schedule 1.1(v)(ix);
 - x. Computer Hardware and Software – all of the Vendor’s rights in the computer hardware and software used in the Business, including all rights under licenses and other agreements or instruments relating thereto as described in Schedule 1.1(v)(x);
 - xi. Records – all Records relating to the operation of the Business (other than those required by law to be retained by the Vendor, copies of which will be made available to the Purchaser);
 - xii. Mor Gro Shares – all of the Vendor’s rights in the Mor Gro Shares;
 - xiii. Trade Fixtures – the fixtures used in connection with the operation of the Purchased Assets or the Business and which are owned or leased by the Vendor;
 - xiv. Goodwill – all goodwill, together with the exclusive right for the Purchaser to represent itself as carrying on the Business in succession to the Vendor and the right to use any words indicating that the Business is so carried on; and
 - xv. Packing Line Equipment and Labelling Equipment - the packing line and labelling equipment as set forth in the agreements described in Schedule 1.1(v)(xv), as renegotiated pursuant to Section 5.1(3) hereof.
- (ss) “**Purchase Price**” has the meaning ascribed in Section 2.2;

- (tt) **“Real Property”** means the property described in Schedule 3.1(30), and includes all plants, buildings, structures, erections, improvements, appurtenances and fixtures situated on or forming part of that property;
- (uu) **“Records”** means all technical and business records relating to the Business, including, without limitation, customer lists, operating data, records relating to equipment purchase, files, maintenance and service records, contract documents, title documents, all records relating to leases, copies of all leases and any and all amendments thereto, surveys, supplier lists, complete employee files from date of hire to the Closing Date of each Assumed Employee, employee documents, inventory data and any other similar records in any form whatsoever (including written, printed, electronic or computer printout form), but not including those records which are part of the Excluded Assets;
- (vv) **“Regulatory Authority”** means any government, regulatory or administrative authority, agency, commission, utility, board, any stock exchange (federal, provincial, municipal or local, domestic or foreign) having jurisdiction in the relevant circumstances and any person acting under the authority of any of the foregoing and any judicial, administrative or arbitral court, authority, tribunal or commission having jurisdiction in the relevant circumstances;
- (ww) **“Related to the Business”, “Relate to the Business” or “Relating to the Business”** mean comprising, used in, or arising from the Business.
- (xx) **“Release”** means any release, spill, leak, emission, discharge, leach, dumping, migration, pumping, pouring, emitting, emptying, injecting, spraying, burying, abandoning, incinerating, seeping, escape, disposal or similar or analogous act as defined in any Environmental Laws;
- (yy) **“Revised Mutual Drainage Agreement”** has the meaning ascribed in 5.1(2).
- (zz) **“ROFR Agreement”** has the meaning ascribed in 3.1(33)(a).
- (aaa) **“Shareholders”** means the shareholders of the Vendor, being Abraham Schmitt.
- (bbb) **“Tax”** and **“Taxes”** shall mean any or all Canadian federal, provincial, local or foreign (i.e. non-Canadian) income, gross receipts, real property gains, goods and services, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, or other taxes, levies, governmental charges or assessments of any kind whatsoever, including, without limitation, any estimated tax payments, interest, penalties or other additions thereto, whether or not disputed;
- (ccc) **“Tax Return”** shall mean any return, declaration, report, estimate, information return or statement, or claim for refund relating to, or required to be filed in connection with any Taxes, including information returns or reports with respect to withholding at source or payments to third parties, and any schedules or attachments thereto or amendments of any of the foregoing;

(ddd) “**Transactions**” means the purchase and sale of the Purchased Assets and all other transactions contemplated by this Agreement; and

(eee) “**Vendor’s Counsel**” means Pearsall, Marshall, Halliwill & Seaton LLP.

1.2 Best Knowledge

Any reference herein to “**the best knowledge**” of the Vendor, or similar words, will be deemed to mean the actual knowledge of the Principal / Chief Operating Officer of the Vendor, being Abraham Schmitt, together with the knowledge which that person would have had if he had made a diligent inquiry in connection with the applicable facts and circumstances.

1.3 Currency

Unless otherwise indicated, all references to dollar amounts in this Agreement are expressed in Canadian currency.

1.4 Governing Law

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The Parties hereby irrevocably attorn to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising under or related to this Agreement.

1.5 Interpretation Not Affected by Headings

The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.6 Number and Gender

In this Agreement, unless the context otherwise requires, any reference to gender shall include both genders and words importing the singular number shall include the plural and vice-versa.

1.7 Time of Essence

Time shall be of the essence of every provision of this Agreement.

1.8 Severability

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

1.9 Accounting Terms

All accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP.

1.10 Calculation of Time Periods

Where a time period is expressed to begin or end at, on or with a specified day, or to continue to or until a specified day, the time period includes that day. Where a time period is expressed to begin after or to be from a specified day, the time period does not include that day. Where anything is to be done within a time period expressed after, from or before a specified day, the time period does not include that day. If the last day of a time period is not a Business Day, the time period shall end on the next Business Day.

1.11 Statutory Instruments

Unless otherwise specifically provided in this Agreement, any reference in this Agreement to any Law shall be construed as a reference to such Law as amended or re-enacted from time to time or as a reference to any successor thereto.

1.12 Incorporation of Schedules

The following are the schedules attached to and incorporated by reference into this Agreement:

Schedule 1.1(u)	Excluded Assets
Schedule 1.1(oo)	Permitted Encumbrances
Schedule 1.1(rr)(ii)	List of Equipment
Schedule 1.1(rr)(ix)	Intellectual Property
Schedule 1.1(rr)(x)	Computer Hardware and Software
Schedule 1.1(rr)(xv)	Packing Line and Labelling Equipment
Schedule 3.1(3)	Jurisdictions in which Vendor Conducts Business
Schedule 3.1(9)	Regulatory and Contractual Consents
Schedule 3.1(11)	Undisclosed Liabilities
Schedule 3.1(12)	Consents
Schedule 3.1(13)	Notices
Schedule 3.1(15)	Government Incentives
Schedule 3.1(16)	Licenses and Permits
Schedule 3.1(21)	Title to Personal Other Property
Schedule 3.1(22)	Litigation
Schedule 3.1(23)	Equipment Leases
Schedule 3.1(25)	Material Contracts
Schedule 3.1(27)	Insurance
Schedule 3.1(30)	Real Property
Schedule 3.1(31)	Environmental Matters
Schedule 3.1(32)	Labour and Employment Matters
Schedule 3.1(34)(b)	Capitalization
Schedule 3.1(34)(c)	Corporate Records
Schedule 3.1(34)(d)	Financial Statements
Schedule 7.4	Arbitration Rules

ARTICLE 2 PURCHASE AND SALE

2.1 Purchased Assets

On the terms and subject to the fulfilment of the conditions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from the Vendor at the Closing Time on the Closing Date, all of the Purchased Assets.

2.2 Purchase Price

The aggregate purchase price (the “**Purchase Price**”) payable by the Purchaser to the Vendor for the Purchased Assets shall be \$15,500,000.00, subject to adjustment as herein set forth.

2.3 Payment of Purchase Price

The Purchase Price shall be paid and satisfied, subject to adjustment as herein set forth as follows:

- (a) At the Closing Time, the Purchaser will pay to the Vendor, by certified cheque, bank draft or other means of immediately available funds, the following amounts:

The Purchase Price;

The amount of the Prepaid Expenses;

- (b) The Purchaser will assume the Assumed Liabilities pursuant to an assignment and assumption agreement approved by Purchaser’s lender and its counsel and executed and delivered by the Vendor and Purchaser at the Closing Time.

2.4 ETA Election

The Vendor and Purchaser shall, on the Closing Date, elect jointly under subsection 167(1) of the ETA, in the form prescribed for the purposes of that subsection, in respect of the sale and transfer of the Purchased Assets hereunder. The Purchaser shall file such election with the Canada Revenue Agency not later than the day on which it is required to file its HST return for its reporting period which includes the Closing Date and shall provide evidence of such filing to the Vendor. If Canada Revenue Agency rejects the joint election of the Vendor and Purchaser filed under this Section and the Vendor provides the Purchaser with adequate evidence in writing that Canada Revenue Agency has rejected such joint election, then the Purchaser agrees to pay the Vendor HST exigible on the Purchase Price paid by the Purchaser to the Vendor, as and when due in accordance with applicable law, following receipt of an invoice therefore from the Vendor.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Vendor and the Shareholders

Each of the Vendor and the Shareholders hereby jointly and severally makes the following representations and warranties to the Purchaser and acknowledges that the Purchaser is relying on such representations and warranties in entering into this Agreement and completing the Transactions:

- (1) Incorporation and Existence of the Vendor and the Shareholders The Vendor is a corporation incorporated and existing under the laws of Ontario.
- (2) HST Registration The Vendor is a registrant for the purposes of the ETA under registration number [REDACTED].
- (3) Corporate Power The Vendor has the corporate power and authority to own the Real Property and to carry on the Business as now being conducted by it.

(4) Qualification The Vendor is duly qualified, licensed or registered to carry on business and is in good standing in the jurisdictions listed in Schedule 3.1(4). The jurisdictions listed in Schedule 3.1(4) include all jurisdictions in which the nature of the Business or the Real Property makes such qualification necessary or where the Vendor owns or leases any material properties or assets or conducts any material business.

(5) Options Except for the Purchaser's right in this Agreement, no person has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an option, commitment, conversion right, right of exchange or other agreement for the purchase from the Vendor of any of the Purchased Assets;

(6) Validity of Agreement and Obligations of the Vendor and Shareholders

- (a) The Vendor has all necessary corporate power to own the Purchased Assets and to enter into and perform its obligations under this Agreement, and the Vendor has all necessary corporate power to enter into and perform its obligations under any other agreements or instruments to be delivered or given by it pursuant to this Agreement.
- (b) The Vendor's execution and delivery of their obligations under this Agreement and the consummation of the Transactions have been duly authorized by all necessary corporate action on the part of the Vendor.
- (c) This Agreement or any other agreements entered into pursuant to this Agreement to which the Vendor is a party constitute legal, valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

(7) The Shareholders are the holders of all of the issued and outstanding shares in the capital of the Vendor.

(8) No Violation The execution and delivery of this Agreement by the Vendor and the Shareholders, the consummation of the Transactions and the fulfilment by the Vendor and the Shareholders of the terms, conditions and provisions hereof will not (with or without the giving of notice or lapse of time, or both) contravene or violate or result in a breach or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligations of the Vendor under:

- (a) any applicable Law;
- (b) any judgment, order, writ, injunction or decree of any Regulatory Authority having jurisdiction over the Vendor or the Shareholders;
- (c) the articles, by-laws or any resolutions of the board of directors or shareholders of the Vendor;
- (d) any Consent held by the Vendor or necessary to the ownership of the Purchased Assets or the operation of the Business;

- (e) the provisions of any Contract to which any one or more the Vendor or the Shareholders is a party or by which it is, or any of its properties or assets are, bound; or
- (f) result in the creation or imposition of any Encumbrance on any of the Purchased Assets.

(9) Regulatory and Contractual Consents There is no requirement to make any filing with, give any notice to or obtain any Consent from any Regulatory Authority as a condition to the lawful consummation of the Transactions, except for:

- (a) the filings, notifications and Consents described in Schedule 3.1(13);
- (b) the application of the *Competition Act* (Canada);
- (c) the application of the *Investment Canada Act* (Canada);
- (d) the application of the *Retail Sales Tax Act* (Ontario); and
- (e) any other legislative or regulatory requirements specific to the Transactions.

To the best knowledge of the Vendor and the Shareholders, there is no requirement under any Contract relating to the Business or to which the Vendor is a party or by which the Vendor is bound to make any filing with, give any notice to, or to obtain the Consent of, any party to such Contract relating to the Transactions except for the filings, notifications or Consents described in Schedule 3.1(13).

(10) Records The Records together with all financial records of the Vendor relating to the operation of the Vendor and the Business have been duly maintained in accordance with all applicable legal requirements and contain full and accurate records of all material matters relating to the Business. All material financial transactions relating to the Purchased Assets and the Business have been accurately recorded in the Records. No Records are in the possession of, recorded, stored, maintained by, or otherwise dependent on, any other person.

(11) No Material Adverse Change During the twelve month period prior to the Closing Date, no material adverse change has occurred in any of the assets, business, financial condition, earnings, results of operations or prospects of the Business nor has any other event, condition, or state of facts occurred or arisen which might have a material adverse effect on the assets, business, financial condition, earnings, results of operations or prospects of the Business.

(12) Absence of Undisclosed Liabilities Except as otherwise provided in this Agreement and as disclosed in Schedule 3.1(12) and except in respect of normal trade payables arising in the ordinary course of the Business, the Vendor does not have any outstanding indebtedness or any liabilities (whether accrued, absolute, contingent or otherwise) nor any outstanding commitments or obligations of any kind relating to the Business exceeding \$25,000.00.

(13) Consents The Vendor has conducted the Business in compliance with, and holds all Consents necessary for the lawful operation of the Business, pursuant to all applicable Laws, all of which Consents are listed on Schedule 3.1(13) and all of which are valid and subsisting and in good standing with no violations as of the date of this Agreement save as indicated on such Schedule. All such Consents are renewable by their terms or in the ordinary course of the Business without the need for the Vendor to comply with any special qualification or procedures or to pay any amounts other than routine filing fees.

The Vendor has provided a true and complete copy of each Consent and all amendments thereto to the Purchaser.

(14) Notices Except for the Notices listed in Schedule 3.1(14), no other Notice is required to be delivered to any Person in connection with the execution and delivery of this Agreement or the completion of the transactions contemplated by this Agreement by or on behalf of the Vendor.

(15) Compliance with Laws To the best of the Vendor's knowledge, the Vendor has complied, and the Business is now being conducted in compliance, with all Laws applicable to the Business or the Purchased Assets including without limitation all health and safety laws.

(16) Government Incentives Schedule 3.1(16) lists all Government Incentives which are related to the conduct of the Business. All Government Incentives are in Good Standing and to the best of the Vendor's knowledge, are available for the Purchaser.

(17) Licenses and Permits Schedule 3.1(17) lists all the Licenses and Permits which are related to the conduct of the Business and the expiry date applicable to such License or Permit. All such Licenses and Permits are in full force and effect. The Vendor is not in violation of any term or provision or requirement of any such Licenses or Permits and the Vendor has not received any notice that any Person has threatened to revoke, amend or impose any further or other condition in respect of, or commenced proceedings to revoke, amend or impose further or other conditions in respect of, any such License or Permit.

(18) Conduct of Business in Ordinary Course During the twelve month period prior to the Closing Date, the Business has been carried on in the ordinary course consistent with past practice. Subject to Section 3.1(21) below, the Purchased Assets are sufficient to carry on the Business at the Closing Date.

(19) Location of Tangible Personal Property With the exception of inventory in transit, all the tangible personal property included in the Purchased Assets is situate at the locations set out in Schedule 3.1(30).

(20) Condition of Assets The Vendor and/or Principal make no representation or warranty with respect to the condition of any and all material tangible personal property included in the Purchased Assets; the Vendor is providing and the Purchaser is accepting such assets on an "as is, where is" basis. For greater clarity, any other section in this Agreement regarding the condition or suitability for use of the Purchased Assets shall be deemed to be subject to this Section. Notwithstanding the above, the Vendor hereby represents and warrants that:

- (a) there are no outstanding operational issues with either the ORB-it G-2 FLEX-OVL or the Videojet 9500 systems;
- (b) the Vendor has only used labels or ink supplied by Accu-Label with respect to the ORB-it G-2 FLEX-OVL or the Videojet 9500 systems; and
- (c) the polyfilm roof was replaced between July 2019 and June 2020 using six (6) million Klerk polyfilm.

(21) Capital Expenditures The Vendor is not committed to make any capital expenditures relating to the Business, except for capital expenditures made in the ordinary course of the Business which, in the aggregate, do not exceed \$50,000.00.

(22) Title to the Personal Property The Purchased Assets (other than the Real Property) are owned by the Vendor as the beneficial owner with a good and marketable title, free and clear of all Encumbrances, except those disclosed in Schedule 3.1(22) which will be released and discharged on Closing.

(23) Litigation Except as disclosed in Schedule 3.1(23), there are no actions, suits or proceedings, judicial or administrative, (whether or not purportedly on behalf of the Vendor) pending or threatened, by or against or affecting the Vendor, at law or in equity, or before or by any Regulatory Authority. Except for the matters referred to in Schedule 3.1(23), there are no grounds on which any such action, suit or proceeding might be commenced with any reasonable likelihood of success. Except as disclosed in Schedule 3.1(23), there is not presently outstanding against the Vendor any judgment, injunction or other order of any Regulatory Authority.

(24) Equipment Leases Schedule 3.1(24) is a complete and accurate list of all of the Equipment Leases. True and complete copies of all Equipment Leases listed in Schedule 3.1(24), including any amendments to those Equipment Leases, have been made available to the Purchaser for inspection, those Equipment Leases are in full force and effect and in good standing with no amendments except as disclosed in Schedule 3.1(24), and there are no outstanding defaults or violations under any of those Equipment Leases on the part of the Vendor or, to the knowledge of the Vendor, on the part of any other party to any of those Equipment Leases. Except as disclosed in Schedule 3.1(24), there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any of the Equipment Leases listed in Schedule 3.1(24). The entire interest of the Vendor under each of the Equipment Leases is held by the Vendor free and clear of all Encumbrances other than Permitted Encumbrances and all payments due under the Equipment Leases have been duly and punctually paid.

(25) Material Contracts The contracts listed in Schedule 3.1(25) constitute all the material Contracts of the Vendor included in the Purchased Assets. Without limiting the generality of the foregoing, and except as otherwise set out in Schedule 3.1(25), the Vendor is not a party to or bound by any Contract relating to the Purchased Assets, including any:

- (a) distributor, sales, advertising, agency or manufacturer's representative Contract save for the Mor Gro Sales contracts;
- (b) collective bargaining agreement or other Contract with any labour union;
- (c) continuing Contract for the purchase of materials, supplies, equipment or services involving more than \$5,000.00 in respect of any such Contract;
- (d) employment or consulting Contract or any other Contract with any officer, employee or consultant other than oral Contracts of indefinite hire terminable by the employer without cause on reasonable notice;
- (e) profit sharing, bonus, stock option, pension, retirement, disability, stock purchase, medical, dental, hospitalization, insurance or similar plan or agreement providing benefits to any current officer, employee or consultant;
- (f) trust indenture, mortgage, promissory note, loan agreement, guarantee or other Contract for the borrowing of money, the provision of financial assistance of any kind or a leasing transaction of a type required to be capitalized in accordance with GAAP, or any Contract creating an Encumbrance relating thereto;

- (g) Contract for the sale of any assets, other than sales of inventory to customers in the ordinary course of the Business;
- (h) Contract pursuant to which the Vendor is a lessor of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property material to the Business;
- (i) confidentiality, secrecy or non-disclosure Contract (whether the Vendor is a beneficiary or obligor thereunder) relating to any proprietary or confidential information or any non-competition or similar Contract;
- (j) license, franchise or other Contract that relates in whole or in part to any Intellectual Property;
- (k) agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to, the obligations, liabilities (whether accrued, absolute, contingent or otherwise) or indebtedness of, or any agreement to provide financial assistance of any kind to, any other person (except for cheques endorsed for collection);
- (l) Contract that expires, or may expire if the same is not renewed or extended at the option of any person other than the Vendor, more than one year after the date of this Agreement;
- (m) Contract with any officer, employee, shareholder or any other person not dealing at arm's length with the Vendor (within the meaning of the ITA) except for Contracts of employment; or
- (n) Contract entered into by the Vendor other than in the ordinary course of the Business.

Except as set out on Schedule 3.1(25), as applicable, the Vendor has performed all of its obligations required to be performed by it and is entitled to all of the benefits under any Contract relating to the Business to which it is a party or by which it is bound. The Contracts listed in Schedule 3.1(25) are all in full force and effect unamended and no default exists by the Vendor and, to the knowledge of the Vendor, by any unrelated third party thereto. The Vendor is not in default or in breach of any Contract to which it is a party and there exists no condition, event or act which, with the giving of notice or lapse of time or both would constitute such a default or breach and all such Contracts are in good standing and in full force and effect unamended and the Vendor is entitled to all benefits thereunder. The Vendor has provided to the Purchaser a true and complete copy of each Contract listed in Schedule 3.1(25) and all amendments.

(26) Marketer Licence Mor Gro Sales has performed all of its obligations required to be performed by it and is entitled to all of the benefits under the Marketer Licence. The Marketer Licence is in full force and effect unamended and no default exists by Mor Gro Sales and, to the best knowledge of the Vendor, by any unrelated third party thereto. There exists no condition, event or act which, with the giving of notice or lapse of time or both would constitute a default or breach under the Marketing Licence and Mor Gro Sales is entitled to all benefits thereunder. The Vendor has provided to the Purchaser a true and complete copy of the Marketing Licence and all amendments thereto. Mor Gro Sales has applied for a renewal of the Marketer Licence for the 2020-2021 growing season and the Vendor has no knowledge of any reasons or suggestion that it will not be so renewed.

(27) Insurance Schedule 3.1(27) sets out all insurance policies (specifying the insurer, the amount of the coverage, the type of insurance, the policy number and any claims for the past 3 years relating to each such insurance policy) maintained by the Vendor on its property and assets or personnel as of the date of this Agreement and true and complete copies of the most recent inspection reports, if any, received from insurance underwriters or others as to the condition of the Purchased Assets. The Vendor has all of the Purchased Assets insured against loss or damage by all insurable hazards or risks on a replacement cost basis and such insurance coverage will be continued in full force and effect to and including the Closing Time. The Vendor is not in default with respect to any of the provisions contained in any such insurance policy, has not failed to give any notice or present any claim under any such insurance policy in a timely fashion, and has not received notice from any insurer denying any claim. The Vendor has provided to the Purchaser a true copy of each insurance policy referred to in Schedule 3.1(27) and all amendments.

(28) Brokers Neither the Vendor nor the Shareholders have engaged any broker or other agent in connection with the Transactions and, accordingly, there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to act or have acted for the Vendor or the Shareholders.

(29) Tax Matters

- (a) The Vendor has filed on a timely basis all Tax Returns required to be filed. All such Tax Returns are complete and accurate in all respects. All Taxes due from or payable by the Vendor for periods (or portions thereof) ending on or prior to the date hereof and the Closing Date, as applicable, have been paid or will be provided for in the Closing Date Financial Statements. All instalments or other payments on account of Taxes that relate to periods for which Tax Returns are not yet due have been paid on a timely basis. There are no actions, objections, appeals, suits or other proceedings or claims in progress, pending or threatened by or against the Vendor in respect of any Taxes, and in particular there are no currently outstanding assessments or written enquiries which have been issued or raised by any Regulatory Authority relating to any such Taxes. There are no Encumbrances pending on or with respect to any of the assets of the Vendor that arose in connection with any failure (or alleged failure) to pay any Tax.
- (b) The Vendor has withheld, collected and paid to the proper Regulatory Authorities all Taxes required to have been withheld, collected and paid in connection with (i) amounts paid, credited or owing to any employee, independent or dependent contractor, creditor, shareholder, non-resident of Canada or other third party, and (ii) goods and services received from or provided to any person.
- (c) The Vendor is not a non-resident person within the meaning of the ITA.

(30) Real Properties

- (a) Schedule 3.1(30) is a complete and accurate list of all of the Real Property and sets out the municipal address and proper current description for each separate parcel of Real Property and accurately specifies the following with respect to each separate parcel of Real Property: the public highway on which it fronts, its dimensions and size, a brief description of buildings and structures thereon, a brief description of any easements or restrictive covenants benefiting or burdening the parcel, details of the most recent plan of survey and a description of any options or other Contracts affecting the parcel.

- (b) The Vendor is the legal and beneficial owner of the Real Property with good and marketable title thereto in fee simple and free of all Liens other than Permitted Encumbrances. True and complete copies of all documents creating those Permitted Encumbrances have been made available to the Purchaser for inspection.
- (c) There are no options or other Contracts to sell, transfer or dispose of the Real Property or any interest therein or which would restrict the ability of the Vendor to transfer the Real Property or any interest therein, and no Person has any right to occupy or use the Real Property or any part thereof other than the Vendor. The Vendor does not own or have any interest in, nor is the Vendor a party to or bound by or subject to any option or other Contract respecting, any real or immovable property relating to the Business other than the Real Property.
- (d) All of the plant, buildings, structures, erections, improvements, appurtenances and fixtures (in this Subsection 3.1(30), “buildings and structures”) situated on or forming part of the Real Property are in good operating condition and in a state of good maintenance and repair, are adequate and suitable for the purposes for which they are currently being used and the Vendor has adequate rights of ingress and egress to and from all of the buildings and structures for the operation of the Business in the ordinary course.
- (e) Except as disclosed in Schedule 3.1(30), none of the buildings and structures situated on or forming part of the Real Property, or the operation or maintenance thereof, violates any restrictive covenant or any applicable Law or encroaches on any property owned by others.
- (f) The Real Property and the current uses thereof by the Vendor comply in all respects with applicable Laws.
- (g) No alterations, repairs, improvements or other work have been ordered, directed or requested in writing under any applicable Law by any Person with respect to the Real Property or the buildings and structures thereon or with respect to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works, which alteration, repair, improvement or other work has not been completed.
- (h) All accounts for material, work and services with respect to the Real Property (except for current accounts the payment dates of which have not yet passed) have been fully paid and satisfied and no Person is entitled to claim a lien under the *Construction Act* (Ontario) or any similar applicable legislation in any other jurisdiction against the Real Property.
- (i) There is nothing owing by the Vendor in respect of the supply to or the use by it of water, gas, electrical power or energy, steam or hot water, or other utilities relating to the Real Property (except for current accounts the payment dates of which have not yet passed).
- (j) No part of the Real Property has been taken or expropriated by any Tribunal or other body having power of expropriation, nor has any legal proceeding or notice in respect of any such expropriation been commenced, given or threatened.

- (k) The Real Property has adequate rights of access to and from public streets or highways for the normal operations of the Business and there is no fact or circumstance which could result in the termination or restriction of such access to the Real Property.

(31) Environmental Matters To the best knowledge of the Principal and Vendor:

- (a) Except as disclosed in Schedule 3.1(31), the Vendor, the operation of the Business and all of the Purchased Assets have been and are in compliance with all Environmental Laws, including all Environmental Consents.
- (b) The Vendor has not been charged with or convicted of any offence for non-compliance with Environmental Laws, or been fined or otherwise sentenced or settled any prosecution short of conviction; and (ii) there are no notices of judgment or commencement of proceedings of any nature and, to the best knowledge of the Vendor, the Vendor has never been investigated relating to any breach or alleged breach of Environmental Laws and he has not received notice of any such investigation.
- (c) The Vendor has obtained all Environmental Consents necessary to conduct the Business and to own, use and operate the Purchased Assets. All such Environmental Consents are listed in Schedule 3.1(31) and complete and correct copies have been provided to the Purchaser. A complete copy of any and all reports relating to environmental matters relating to the Real Property in the possession or control of the Vendor are listed on Schedule 3.1(31) and complete and correct copies have been provided to the Purchaser.
- (d) There are no Hazardous Substances located on or in or under the surface of the Real Property and no Release of any Hazardous Substances has occurred on, in or from the Real Property or has resulted from the operation of the Business and the conduct of activities thereon.
- (e) The Vendor has not used the Real Property to produce, generate, manufacture, treat, store, handle, transport or dispose of any Hazardous Substances except in compliance with Environmental Laws.
- (f) To the best knowledge of the Vendor, there are no underground or above-ground storage tanks or associated piping or appurtenances (active or abandoned), or urea formaldehyde foam insulation, asbestos, polychlorinated biphenyls or radioactive substances located on or in or under the surface of the Real Property or other assets used thereon.

(32) Labour and Employee Matters To the best knowledge of the Vendor and Principal:

- (a) Schedule 3.1(32) identifies each retirement, pension, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, incentive or other compensation plan or arrangement or other employee benefit plan that is maintained or otherwise contributed to, or required to be contributed to, by the Vendor or Mor Gro Sales relating to the Business or the Purchased Assets for the benefit of some or all the employees or former employees of the Vendor and Mor Gro Sales (the “**Employee Plans**”) and a true and complete copy of each Employee Plan has been furnished to the

Purchaser. Each Employee Plan has been maintained in compliance with its terms and with the requirements prescribed by any and all Laws that are applicable to such Employee Plan. Except as described in Schedule 3.1(32):

- i. all contributions to and payments from each Employee Plan that may have been required to be made in accordance with the terms of any such Employee Plan, or with the recommendation of the actuary for such Employee Plan, and, where applicable, with the Laws that govern such Employee Plan, have been made in a timely manner;
 - ii. all material reports, returns and similar documents (including applications for approval of contributions) with respect to any Employee Plan required to be filed with any Regulatory Authority or distributed to any Employee Plan participant have been duly filed on a timely basis or distributed;
 - iii. there are no pending investigations by any Regulatory Authority involving or relating to an Employee Plan, threatened or pending claims (except for claims for benefits payable in the normal operation of the Employee Plans), suits or proceedings against the Vendor in respect of any Employee Plan or assertions of any rights or claims to benefits under any Employee Plan that could give rise to a liability nor are there any facts that could give rise to any liability in the event of such investigation, claim, suit or proceeding;
 - iv. no notice has been received by the Vendor or Mor Gro Sales of any complaints or other proceedings of any kind involving the Vendor or Mor Gro Sales or any of the employees of the Vendor or Mor Gro Sales before any pension board or committee relating to any Employee Plan or to the Vendor or Mor Gro Sales; and
 - v. the assets of each Employee Plan are at least equal to the liabilities of such Employee Plans based on the actuarial assumptions utilized in the most recent valuation performed by the actuary for such Employee Plan, and neither the Purchaser nor any of its associates or affiliates will incur any liability with respect to any Employee Plan as a result of the Transactions.
- (b) Each of the Vendor and Mor Gro Sales has not made any Contract with any labour union or employee association nor made commitments to or conducted negotiations with any labour union or employee association with respect to any future agreements and there are no current attempts to organize or establish any labour union or employee association with respect to any employees of the Vendor or Mor Gro Sales, nor is there any certification of any such union with regard to a bargaining unit. There are no grievances against the Vendor or Mor Gro Sales for which the Vendor or Mor Gro Sales has received written notice under any collective agreement.
- (c) Schedule 3.1(32) contains a complete and accurate list of the names of all individuals who are employees of the Vendor or Mor Gro Sales at this time specifying with respect to salaried employees, the length of service, age, title, rate of salary and commission or bonus structure for each such employee, whether the employee is full or part-time, as well as any additional benefits not otherwise described herein received by such employee and status of employee whether active or inactive and if “inactive” the length of the inactive period, the reason or cause, remaining and ongoing employment

obligations and expected date of return to active employment. No notice has been received by the Vendor or Mor Gro Sales of any complaint filed by any of the employees against the Vendor or Mor Gro Sales claiming that the Vendor or Mor Gro Sales has violated any Laws applicable to employee or human rights, or of any complaints or proceedings of any kind involving the Vendor or Mor Gro Sales or any of the employees of the Vendor or Mor Gro Sales before any labour relations board, except as disclosed in Schedule 3.1(32). All levies, assessments and penalties made against the Vendor pursuant to any Laws applicable to workers' compensation have been paid by the Vendor or Mor Gro Sales and neither the Vendor nor Mor Gro Sales has been assessed under any such legislation during the past year other than as disclosed in Schedule 3.1(32).

- (d) All accruals for unpaid vacation pay, premiums for employment insurance, health premiums, Canada Pension Plan premiums, accrued wages, salaries and commissions and employee benefit plan payments have been reflected in the Records.
- (e) Schedule 3.1(32) contains a complete and accurate list of the status of the labour market impact assessment applications for all employees subject thereto. Neither the Vendor nor Mor Gro Sales has any knowledge that any such labour market impact assessment applications are not being processed in ordinary course. The Vendor has provided the Purchaser with a true and complete copies of all such application and any amendments thereto.

(33) Right of First Refusal

- (a) The Vendor by way of amalgamation with 2445548 Ontario Limited is party to the Right of First Refusal Agreement between 2445548 Ontario Limited, John Moauro, 1594186 Ontario Limited and Sun Gro Farms Inc. (the "**ROFR Agreement**").
- (b) The Vendor has performed all of its obligations required to be performed by it and is entitled to all of the benefits under the ROFR Agreement.
- (c) The ROFR Agreement is in full force and effect unamended and no default exists by the Vendor and, to the knowledge of the Vendor, by any other party thereto.
- (d) The Vendor has provided to the Purchaser a true and complete copy of the ROFR Agreement and all amendments.

(34) Mor Gro Shares

- (a) **Ownership of Shares.** The Vendor is, and at the Closing Time will be, the legal and beneficial owner of the Mor Gro Shares with good and marketable title thereto, free and clear of all Encumbrances. No Person other than the Purchaser has any agreement, option, right or privilege capable of becoming an agreement for the purchase from the Vendor of any of the Mor Gro Shares. Upon the payment of the Purchase Price, the Purchaser will have acquired good and marketable title in and to the Mor Gro Shares, free and clear of all Encumbrances or any claim in respect of the Mor Gro Shares, including under any applicable community property law.
- (b) **Capitalization.** The authorized capital stock of Mor Gro Sales Inc. consists of an unlimited number of Common shares, an unlimited number of Class "A" shares, and an

unlimited number of Class “B” shares. As of the date hereof, only the Mor Gro Shares are outstanding. The Mor Gro Shares have been duly authorized and validly issued and are fully paid and are owned by Vendor. Except as set forth in Schedule, there are no outstanding (i) shares in the capital of Mor Gro Sales, other securities or phantom or other equity interests of Mor Gro Sales, (ii) securities of Mor Gro Sales convertible into or exchangeable for shares in the capital of Mor Gro Sales or other securities in the capital of Mor Gro Sales or (iii) options or other rights to acquire from Mor Gro Sales any capital stock, other securities or phantom or other equity interests of Mor Gro Sales (the items in clauses (i), (ii) and (iii) being referred to collectively as the “**Company Securities**”). Except as set forth in Schedule 3.1(34)(b), there are no outstanding obligations of Mor Gro Sales, actual or contingent, to issue or deliver or to repurchase, redeem or otherwise acquire any Company Securities including, without limitation, any securities convertible into or exchangeable or exercisable for shares or other securities of Mor Gro Sales. There are no preemptive rights applicable to the issuance of any Company Securities. The directors and officers of Mor Gro Sales are each set out in Schedule 3.1(34)(b). Other than as set forth on Schedule 3.1(34)(b) or pursuant to this Agreement, there are no rights, subscriptions, warrants, options, conversion rights, calls, commitments or plans or agreements of any kind outstanding which would enable any Person to purchase or otherwise acquire any shares or other securities of Mor Gro Sales.

- (c) **Corporate Records.** Except as set forth on Schedule 3.1(34)(c), the minute books of Mor Gro Sales and each subsidiary contain true, correct and complete copies of its articles, its by-laws, the minutes of every meeting of its board of directors and every committee thereof and of its shareholders and every written resolution of its directors and shareholders. The share certificate book, register of shareholders, register of transfers and register of directors and officers of Mor Gro Sales are complete and accurate in all material respects. Any and all minute books or corporate records of Mor Gro Sales and the subsidiaries have been delivered to the Purchaser.
- (d) **Financial Statements.** The Vendor has furnished the Purchaser with the unaudited financial statements of Mor Gro Sales and the notes thereto for each of the years ended and as at 2017, 2018 and 2019, and the unaudited balance sheet of the Company for the interim period ended 2020, true and complete copies of which are annexed hereto as Schedule 3.1(34)(d) (the “**Financial Statements**”). The Financial Statements have been prepared in accordance with GAAP. Each of the balance sheets contained in such Financial Statements fairly present the financial position of Mor Gro Sales as of their respective dates and the statements of earnings and retained earnings contained in the Financial Statements fairly present the results of operations for the periods indicated.
- (e) **Liabilities.** At Closing Date, Mor Gro Sales shall not have any outstanding indebtedness, liabilities or obligations (whether accrued, absolute, contingent or otherwise) or any outstanding commitments or obligations of any kind whatsoever (whether or not such obligations or commitments are presently considered liabilities of Mor Gro Sales under generally accepted accounting principles), including with respect to any taxes, pension plans, collective or individual employment or consulting agreements, bonus, benefit or option plans or environmental matters.

(35) **Privacy Matters.** The Vendor has conducted and is conducting the Business in compliance with all Laws applicable to privacy and the protection of personal information.

(36) Full Disclosure None of the foregoing representations and warranties and no document furnished by or on behalf of the Vendor to the Purchaser in connection with the negotiation of the transactions contemplated by this Agreement contain any untrue statement of a material fact or omit to state any material fact necessary to make any such statement or representation not misleading to a prospective Purchaser of the Purchased Assets seeking full information as to the Assets and the Business.

3.2 Representations and Warranties of the Purchaser

The Purchaser hereby makes the following representations and warranties to the Vendor and the Shareholders and acknowledges that the Vendor is relying on such representations and warranties in entering into this Agreement and completing the Transactions:

- (1) Existence The Purchaser is a corporation formed and validly existing under the laws of Ontario.
- (2) Validity of Agreement
 - (a) The Purchaser has all necessary power to own the Purchased Assets. The Purchaser has all necessary power to enter into and perform its obligations under this Agreement and any other agreements or instruments to be delivered or given by it pursuant to this Agreement.
 - (b) The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the Transactions have been duly authorized by all necessary partnership action on the part of the Purchaser.
 - (c) This Agreement or any other agreements entered into pursuant to this Agreement to which the Purchaser is a party constitute legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (3) No Violation The execution and delivery of this Agreement by the Purchaser, the consummation of the Transactions and the fulfilment by the Purchaser of the terms, conditions and provisions hereof will not (with or without the giving of notice or lapse of time, or both):
 - (a) contravene or violate or result in a breach or a default under or give rise to a right of termination, amendment or cancellation or the acceleration of any obligations of the Purchaser, under:
 - i. any applicable Law;
 - ii. any judgment, order, writ, injunction or decree of any Regulatory Authority having jurisdiction over the Purchaser;
 - iii. any constating documents of the Purchaser, including without limitation any partnership agreement, resolutions passed by the partners, and/or the articles, by-laws or any resolutions of the board of directors or shareholders of any general partner of the Purchaser;
 - iv. any Consent held by the Purchaser; or

- v. the provisions of any Contract to which the Purchaser is a party or by which it is, or any of its general partners, properties or assets are, bound.

(4) Investment Canada Act The Purchaser is not a “non-Canadian” within the meaning of the *Investment Canada Act* (Canada).

(5) Brokers The Purchaser has not engaged any broker or other agent in connection with the Transactions and, accordingly, there is no commission, fee or other remuneration payable to any broker or agent who purports or may purport to have acted for the Purchaser.

(6) Consents There is no requirement for the Purchaser to make any filing with, give any notice to or obtain any Consent from any Regulatory Authority as a condition to the lawful consummation of the Transactions.

(7) HST Registration The Purchaser is a registrant for the purposes of the ETA under registration number [REDACTED].

(8) Pre-Sale Restructuring. The Purchaser agrees to co-operate with the Vendor, and to use its commercially reasonable efforts to take all actions and do all things necessary, proper or advisable, to complete the transactions as set out in the Letter of Instructions dated December 12, 2020 (as amended) issued by Baker Tilly Trillium LLP (“BT”) related to, *inter alia*, the corporate restructuring of the Vendor (the “**Letter of Instruction**”) in as expeditious a manner as reasonably possible, provided, however, that in no event shall the Purchaser be required to spend any money with respect thereto.

(9) Migrant Worker Housing Facilities. The Purchaser acknowledges and agrees that Sun Gro Farms Inc. shall be entitled to house up to twenty-four (24) migrant workers in the migrant-worker housing facilities situate on the Property during the entire 2021 growing season on terms substantially similar to those that existed during the 2020 growing season (i.e. Sun Gro pays a portion of the rent / expenses based proportionate to the percentage of workers living in the house).

3.3 Survival of Covenants, Representations and Warranties of the Vendor and the Shareholders

To the extent that they have not been fully performed at or prior to the Closing Time, and unless otherwise provided, the covenants, representations and warranties of the Vendor and the Shareholders contained in this Agreement and any agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement shall survive the Closing and shall continue for the benefit of the Purchaser for a period of two years notwithstanding such Closing, nor any investigation made by or on behalf of the Purchaser or any knowledge of the Purchaser, except that:

- (a) the representations and warranties set out in Section 3.1 (other than the representations and warranties set out in Section 3.1(29) (tax matters) and in Section 3.1(34) (Mor Gro Shares)) and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.1(1), shall survive the Closing and continue in full force and effect for five (5) years;
- (b) the representations and warranties set out in Section 3.1(29) (tax matters) and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.1(1) shall survive the Closing and continue in full force and effect until a period of 90 days after the expiration of the period, if any, during which an assessment or other form of recognized document assessing liability for Tax, interest or penalties under Laws applicable to Tax in respect of any taxation year to which such

representations and warranties extend could be issued under such Laws to the Vendor, including any additional period resulting from the Vendor filing a waiver or other document extending such period prior to the Closing;

- (c) the representations and warranties set out in Section 3.1(34) (Mor Gro Shares) and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.1(1) shall survive the Closing and continue indefinitely;
- (d) a claim for breach of any such representation or warranty, to be effective, must be asserted in writing on or prior to the applicable expiration time set out in this Section 3.3, provided that a claim for any breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement involving fraud or fraudulent misrepresentations may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Law.

3.4 Survival of Covenants, Representations and Warranties of the Purchaser

To the extent that they have not been fully performed at or prior to the Closing Time, and unless otherwise provided, the covenants, representations and warranties of the Purchaser contained in this Agreement and in any agreement, instrument, certificate or other document delivered pursuant to this Agreement shall survive the Closing and shall continue for the benefit of the Vendor for a period of two years notwithstanding such Closing, nor any investigation made by or on behalf of the Vendor or the Shareholders or any knowledge of the Vendor or the Shareholders, except that:

- (a) the representations and warranties set out in Section 3.2 and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 5.1(1) shall survive the Closing and shall continue in full force and effect for a period of five (5) years notwithstanding such Closing;
- (b) a claim for breach of any such representation or warranty, to be effective, must be asserted in writing on or prior to the applicable expiration time set out in this Section 3.4, provided that a claim for any breach of any of the representations and warranties contained in this Agreement or in any agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement involving fraud or fraudulent misrepresentations may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Law.

ARTICLE 4 ADDITIONAL COVENANTS

4.1 Conduct During Interim Period

During the Interim Period, without in any way limiting any other obligations of the Vendor and the Shareholders in this Agreement:

- (1) Conduct Business in the Ordinary Course The Vendor shall conduct the Business only in the ordinary course of the Business with a view to preserving the value of the Business and the Purchased Assets for the benefit of the Purchaser, and the Vendor shall not, without the prior written consent of the Purchaser, enter into any transaction or refrain from doing any action that would constitute a breach of

any representation, warranty, covenant or other obligation of the Vendor contained herein, and provided further that, without limiting the generality of the foregoing:

the Vendor shall:

- i. use all commercially reasonable best efforts to keep available the services of the present employees of the Vendor for the Purchaser and to maintain relations and goodwill with customers having business relations with the Vendor;
- ii. make all necessary tax, governmental and other filings in a timely fashion;
- iii. pay to all its employees all wages (including overtime claims), salaries, bonuses and commissions, and all earned but unpaid vacation pay and sick leave pay and other entitlements under Employee Plans up to and including the Closing Date;
- iv. not make any general wage or salary increases or other payments in respect of employees not in the ordinary and usual course of business;
- v. assign all work permits, licences, labour market impact assessments or any other agreements in respect of any applicable Employees to the Purchaser;
- vi. comply in all respects with and not violate any of its contractual, common law or statutory duties and obligations relating the operation of the Business, relating to the preservation of the goodwill of the business for the benefit of the business, relating to the Vendor's employees, the Purchased Assets and relevant governmental authorities;
- vii. disclose to the Purchaser all notices relating to the environmental matters, regulatory matters, employment matters, leasing matters, collective bargaining proposals and the status of ongoing negotiations, in each case, relating to the operation of the Purchased Assets; and

the Vendor shall not:

- viii. transfer, lease, license, sell or otherwise dispose of any of the Purchased Assets except for inventory, or permit any Encumbrance to attach to or affect any of the Purchased Assets, other than in the ordinary course of the Business consistent with past practice; or
- ix. do any act or thing of the kind described in Sections 3.1(21) or 3.1(27) or enter into any Contract of the kind described in Sections 3.1(23).

(2) Continue Insurance The Vendor shall continue to maintain in full force and effect all policies of insurance or renewals now in effect, and shall take out, at the expense of the Purchaser, such additional insurance as may be reasonably requested by the Purchaser, and shall give all notices and present all claims under all policies of insurance in a timely fashion.

(3) Regulatory Consents The Vendor shall use its best efforts to make, give or obtain, at or prior to the Closing Time, with, to or from all appropriate Regulatory Authorities, the filings, notifications and Consents described in Schedule 3.1(13).

(4) Contractual Consents The Vendor shall, at its sole expense, use its best efforts to make, give or obtain, at or prior to the Closing Time, the filings, notifications and Consents described in

Schedule 3.1(13) in respect of Contracts, on such terms as are acceptable to the Purchaser, acting reasonably.

(5) Preserve Goodwill The Vendor shall use its best efforts to preserve intact the Business and the Purchased Assets and to carry on the Business as currently conducted, and to promote and preserve for the Purchaser the goodwill of suppliers, customers and others having business relations with the Vendor.

(6) Discharge Liabilities The Vendor shall pay and discharge the liabilities of the Vendor relating to the Business in the ordinary course in accordance and consistent with the past practice of the Vendor, except those contested in good faith by the Vendor.

(7) Corporate Action The Vendor and the Shareholders shall take all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated by this Agreement and to complete the transfer of the Purchased Assets to the Purchaser free and clear of all Encumbrances and to cause all necessary meetings of directors and shareholders of the Vendor to be held for such purpose.

(8) Exclusive Dealing Neither the Vendor nor the Shareholders shall take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to any person, other than the Purchaser, concerning any merger, sale of substantial assets or similar transaction involving the Business.

4.2 Conduct After Closing

(1) After the Closing Date, the Purchaser shall use commercially reasonable efforts to collect the Accounts Receivable owing to the Vendor and Mor Gro Sales for the period prior to the Closing Date and, to the extent that such Accounts Receivable are paid, the Purchaser shall remit all of such amounts directly to the Vendor within thirty (30) days of its receipt thereof. The Purchaser acknowledges that the currency in which these funds are received, shall be the same as those remitted to the Vendor.

- (a) Within sixty (60) days following the Closing Date, the financial statements of Mor Gro Sales as at the Closing Time (the “**Closing Date Financial Statements**”) shall be prepared in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements and shall be delivered by the Vendor to the Purchaser.
- (b) The Closing Date Financial Statements shall be final and binding upon the parties hereto, absent manifest error, unless the Purchaser or Vendor notifies the other in writing that it disputes any amounts shown therein within ten (10) Business Days after receipt of same.
- (c) If the Purchaser or Vendor disputes any amount shown in the Closing Date Financial Statements, the parties hereto will work expeditiously and in good faith in an attempt to resolve such disputes within a further period of twenty (20) Business Days after the date of notification by the Purchaser or Vendor to the other of such disputes, failing resolution of which such disputes shall be submitted for determination to an independent firm of chartered accountants mutually agreed to by the Vendor and the Purchaser. The costs and expenses of such third (3rd) firm of chartered accountants shall be borne equally by the Vendor and the Purchaser. The Vendor and the Purchaser shall each bear their own costs in presenting their cases to such third firm of chartered accountants.

- (d) Within thirty (30) Business Days following the later of: (i) the ten (10) Business Day period referred to above; or (ii) the resolution of any disputes in accordance with this Subsection 4.2(1), the Purchaser shall remit to the Vendor any amounts determined to be owing to the Vendor in accordance with the Closing Date Financial Statements.

(2) The Purchaser shall use commercially reasonable efforts to co-operate with the Vendor to facilitate the completion of the transactions set out in the Letter of Instruction from BT in accordance with Subsection 3.2(8) herein, provided, however, that in no event shall the Purchaser be required to spend any money with respect thereto.

4.3 Access to Information

The Vendor shall at all times during the Interim Period make available to the Purchaser and its representatives and advisers for examination all of the Records in the Vendor's possession or under its control, including environmental and health and safety reports. The Vendor shall at all times during the Interim Period give the Purchaser and its representatives and advisers access to the Purchased Assets during normal business hours and upon reasonable notice, in order to make such investigations as the Purchaser shall deem necessary or advisable, including for purposes of conducting any environmental audits, environmental site assessments (including soil and groundwater testing) or other investigations. The Vendor shall give such persons all means necessary to effect such examinations and investigations and shall cause its agents, employees, officers and directors to use their best efforts to aid such persons in such examinations and investigations. The Vendor authorizes and consents to the release by any Regulatory Authority having jurisdiction of any information, and shall sign any documents or forms of consent incidental thereto. The exercise of any rights of access, inspection or examination by or on behalf of the Purchaser shall not affect or mitigate the Vendor's covenants, representations and warranties in this Agreement. The Vendor shall provide the Purchaser and its representatives and advisers at all times during the Interim Period with an opportunity to meet with any employees, advisers or personnel of the Vendor, provided the Vendor has been given prior written notice of such meeting.

4.4 Satisfaction of Closing Conditions

The Vendor and the Shareholders jointly and severally agree to use their best efforts to ensure that the conditions set forth in Section 5.1, and the Purchaser agrees to use its best efforts to ensure that the conditions set forth in Section 5.3, are fulfilled at or prior to the Closing Time. Each of the Parties agrees use its best efforts to ensure that the conditions set forth in Section 5.5 are fulfilled at or prior to the Closing Time.

4.5 Delivery of Records

At the Closing Time, the Vendor shall deliver to the Purchaser all the Records (unless part of the Excluded Assets). The Purchaser agrees that it will preserve such Records so delivered to it for a period of seven (7) years from the Closing Date, or for such longer period as is required by any applicable Law, and will permit the Vendor or its authorized representatives reasonable access thereto in connection with the affairs of the Vendor, but the Purchaser shall not be responsible or liable to the Vendor for or as a result of any accidental loss or destruction of or damage to any such Records.

4.6 Employees

(1) It is the intention of Purchaser and the Vendor that the Purchaser assume all employees of the Vendor and Mor Gro Sales as of Closing (the "**Assumed Employees**").

(2) The Purchaser shall, on or within 10 days of the Closing Date, offer employment, conditional upon and effective as of Closing, to all of the Assumed Employees upon substantially the same terms and conditions of employment (including remuneration and compensation) as are then being provided to such Assumed Employees by the Vendor on the date immediately prior to the Closing Date. In this regard, the Purchaser shall recognize the years of service of the Assumed Employees with the Vendor up to and including the Closing Date for purposes of the Employment Standards Act (Ontario) and at common law as if such service had occurred solely with the Purchaser. The Vendor shall be responsible for preparing records of employment and T4s for all Assumed Employees up to the Closing Date. Within ten (10) days of the Closing Date the Vendor shall deliver such records of employment and T4s to the Purchaser who shall either (i) deliver the same to the Assumed Employees or (ii) retain the same in the Assumed Employees' employment files for future reference.

(3) The Purchaser shall, on or within 10 days of the Closing Date, offer a consulting agreement, conditional upon and effective as of Closing to the Principal at an annual salary of \$100,000.00 for a period of one (1) year, the terms and conditions of such consulting agreement to be consistent with standard grower consultant agreements in the market, provided that the Principal shall enter into a non-compete agreement in form and substance reasonably satisfactory to the Purchaser prohibiting the Principal from engaging, directly or indirectly, whether paid or unpaid and whether as principal, agent, officer, director, employer, employee, consultant, partner, member or shareholder of any firm, a corporation or other entity or group or otherwise alone or in association with John Mauro, his affiliates or any entity related to or controlled by John Mauro for a period of two (2) years after the last day of the Principal's consulting agreement with the Purchaser. For greater certainty, this restrictive covenant shall not prevent the Principal from maintaining his personal friendship / relationship with John Mauro outside of the scope of this restrictive covenant and shall not prohibit the Principal from participating in a similar business, provided the same does not involve John Mauro or his affiliates as set out hereinbefore. The Purchaser also acknowledges that the Principal's name has historically been linked to certain Sun Gro accounts and that while the Principal undertakes not to continue to assist or add his name to such accounts, it will take time for same to be disassociated completely.

(4) The Purchaser shall indemnify and hold harmless the Vendor from and against all claims, demands, losses or damages suffered or incurred by the Vendor (which shall be deemed to be a Claim hereunder) as a result of or arising directly or indirectly out of, in connection with or pursuant to any claims by the Assumed Employees.

(5) No employee of the Business shall be entitled to any rights under this Section 4.5 or under any other provisions of this Agreement. The Vendor shall employ all the employees set out in Schedule 3.1(32) until the Time of Closing, except for any employees who prior to the Time of Closing: (i) are terminated for cause; (ii) are terminated with the Purchaser's consent, which consent shall not be unreasonably withheld; (iii) voluntarily resign; or (iv) retire.

ARTICLE 5 CONDITIONS OF CLOSING

5.1 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transactions will be subject to the fulfilment of the following conditions at or prior to the Closing Time on the Closing Date.

(1) **Due Diligence Period** On or before the expiry of the Due Diligence Period, the Purchaser shall be satisfied, in its sole discretion, in all respects with the results of its title investigations;

- (2) ROFR. Right of First Refusal On or before the expiry of the Due Diligence Period, The Purchaser shall have entered into a Right of First Refusal Agreement with John Mauro, 1594186 Ontario Limited and Sun Gro Farms Inc. in form satisfactory to the Purchaser, 1594186 Ontario Limited and Sun Gro Farms Inc. Upon execution of said right of Right of Refusal Agreement, the Vendor shall no further obligations or rights in respect to such right of first refusal.
- (3) Mutual Drainage Agreement On or before the expiry of the Due Diligence Period, the Vendor shall have delivered to the Purchaser a revised mutual drainage agreement to amend and restate the right of mutual drainage made the __ day of _____, 2015 which clarifies that such rights include access rights which are subject to the provisions of the Planning Act (Ontario) (the “**Revised Mutual Drainage Agreement**”).
- (4) Packing Line and Labelling Agreements On or before the expiry of the Due Diligence Period, the Purchaser shall be satisfied, in its sole discretion, with (a) the agreement between the Vendor and Beltech B.V. dated July 20, 2019 and (b) the agreement between the Vendor and Accu-Label Inc. dated December 13, 2019.
- (5) Representations, Warranties and Covenants The representations and warranties of the Vendor and the Shareholders made in or pursuant to this Agreement shall be true and accurate at the Closing Time with the same force and effect as though such representations and warranties had been made as of the Closing Time. The Vendor and the Shareholders shall have complied with all covenants and agreements in this Agreement to be performed or caused to be performed by them at or prior to the Closing Time. In addition, the Vendor and the Shareholders shall have delivered to the Purchaser a certificate confirming the foregoing. The receipt of such certificate and the completion of the Transactions shall not be deemed to constitute a waiver of any of the representations, warranties or covenants of the Vendor and the Shareholders contained in this Agreement. Such representations, warranties and covenants shall continue in full force and effect as provided in Section 3.3.
- (6) No Material Adverse Change Except as has been specifically permitted in this Agreement, since the date of this Agreement there shall not have been:
- (a) any material adverse change in any of the assets, financial condition, earnings, results of operations or prospects of the Business that has, or threatens to have, a material adverse effect on the assets, financial condition, earnings, results of operations or prospects of the Business or which might materially adversely affect the ability of the Purchaser to carry on the Business after the Closing substantially as the Business is being conducted upon the date of this Agreement; or
 - (b) any damage, destruction or loss, or other event, development or condition of any character (whether or not covered by insurance) which would have a material adverse effect on the Purchased Assets or the Business.
- (7) No Action to Restrain/No Adverse Law No Law shall have been made, and no action or proceeding shall be pending or threatened, which is likely to result in an order, decision or ruling imposing any limitations or conditions which may have a material adverse effect on the Transactions or the right of the Purchaser to own the Purchased Assets.
- (8) Consents All filings, notifications and Consents with, to or from Regulatory Authorities and third parties, including the parties to the Material Contracts listed on Schedule 3.1(25), required to permit the acquisition of the Purchased Assets by the Purchaser contemplated herein without resulting in the violation of or a default under or any termination, amendment or acceleration of any obligation under any

licence, permit, lease, Material Contract or requirement of a Regulatory Authority affecting the Business or the Purchaser or otherwise adversely affecting the Business, shall have been made, given or obtained on terms acceptable to the Purchaser and the Vendor acting reasonably.

(9) Deliveries The Vendor shall have delivered to the Purchaser the following in form and substance satisfactory to the Purchaser:

- (a) an opinion of counsel to the Vendor and the Shareholders in the form set forth in Schedule 5.1(9)(a);
- (b) all Records (unless part of the Excluded Assets) of the Vendor and other documents referred to in this Agreement or any Schedule;
- (c) a certificate issued by the Minister of Finance of Ontario under subsection 6(1) of the *Retail Sales Tax Act* (Ontario) for the period prior to September 30, 2020 and a comfort letter issued by Canada Revenue Agency relating to tax liability of the Vendor;
- (d) a purchase certificate issued by the Workplace Safety and Insurance Board;
- (e) the Vendor shall have obtained the approval and evidence satisfactory to the Purchaser, if any is required, that the Mor Gro Shares have been transferred to the Purchaser on the Closing Date, including but not limited to the delivery of all Mor Gro Shares duly endorsed or accompanied by stock powers duly endorsed to the Purchaser, with any transfer stamps affixed thereto;
- (f) all documentation and other evidence reasonably requested by the Purchaser in order to establish the due authorization and consummation of the Transactions, including the taking of all corporate proceedings by the boards of directors and shareholders of the Vendor required to effectively carry out the obligations of the Vendor pursuant to this Agreement;
- (g) all necessary deeds, conveyances, bills of sale, discharges, assurances, transfers, assignments and any other documentation necessary or reasonably required to transfer the Purchased Assets to the Purchaser with a good and marketable title, free and clear of all Encumbrances whatsoever in a form acceptable to the Purchaser;
- (h) the Revised Mutual Drainage Agreement;
- (i) the Vendor shall deliver or cause to be delivered to the Purchaser all keys, entry devices and pass codes with respect to the Purchased Assets including combinations to any locks or vaults;
- (j) the Vendor shall cause all the Purchased Assets to be delivered to the Purchaser or delivered to the care and control of the Purchaser; and
- (k) the Purchaser's lenders shall have advanced to the Purchaser sufficient funds to fund the purchase transactions contemplated hereunder.

5.2 Waiver or Termination by the Purchaser

The conditions contained in Section 5.1 are inserted for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser at any time without prejudice to any of its rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 5.1(1), 5.1(2) and 5.1(3) is not waived in writing by the Purchaser on or prior to the expiry of the Due Diligence Period, such condition shall be deemed to have not been satisfied or waived and the Purchaser shall be released from all obligations in this Agreement (except as set out in Section 5.6) and, unless the condition or conditions which have not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Vendor or the Shareholders, then the Vendor and shall also be released from all obligations in this Agreement (except as set out in Section 5.6). If any of the other conditions contained in Section 5.1 are not fulfilled or complied with by the time provided for, the Purchaser may, at or prior to the Closing Time, terminate this Agreement by notice in writing after such time required to the Vendor and the Shareholders. In such event the Purchaser shall be released from all obligations in this Agreement (except as set out in Section 5.6) and, unless the condition or conditions which have not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Vendor or the Shareholders, then the Vendor and shall also be released from all obligations in this Agreement (except as set out in Section 5.6).

5.3 Conditions for the Benefit of the Vendor and the Shareholders

The obligations of the Vendor to complete the Transactions will be subject to the fulfilment of the following conditions at or prior to the Closing Time on the Closing Date:

(1) Representations, Warranties and Covenants The representations and warranties of the Purchaser made in or pursuant to this Agreement shall be true and accurate at the Closing Time with the same force and effect as though such representations and warranties had been made as of the Closing Time. The Purchaser shall have complied with all covenants and agreements in this Agreement to be performed or caused to be performed by it at or prior to the Closing Time. In addition, the Purchaser shall have delivered to the Vendor and the Shareholders a certificate confirming the foregoing. The receipt of such certificate and the completion of the Transactions shall not be deemed to constitute a waiver of any of the representations, warranties or covenants of the Purchaser contained in this Agreement. Such representations, warranties and covenants shall continue in full force and effect as provided in Section 3.4.

(2) Indemnity The Purchaser shall have delivered to the Vendor an indemnity with respect to the agreement between the Vendor and Beltech B.V. dated July 30, 2019, including all rights and obligations contained therein, to the Purchaser, and an assignment of the agreement between the Vendor and Accu-Label Inc. dated December 13, 2019, including all rights and obligations contained therein, whereby the Vendor shall not be responsible for any liabilities or obligations owing under both of the aforementioned packing line and labelling agreements after the Closing Date. In support of the above referenced indemnity, the Purchaser shall provide the guarantee of Green Rise Capital Corp. which guarantee shall be ongoing and irrevocable. The Purchaser also agrees to use commercially reasonable efforts to obtain a release of the packing line and labelling agreements in favour of the Vendor as soon as is practically possible on, before, or after closing. The Purchaser further acknowledges and agrees that prior to any transfer, sale, or other transaction whereby the Purchaser ceases to be the beneficial owner of the Property, the Purchaser shall first cause the Vendor to be provided with a release from the aforementioned packing line and/or labelling machine agreements, or a replacement indemnity, in a form and substance, satisfactory the Vendor in the Vendor's sole and absolute discretion.

(3) Amendment to the Solar Panel Lease The Purchaser shall consent to the terms of the Lease Amending Agreement as set out in the form of Lease Amending Agreement provided to the Purchaser

and satisfactory to the Vendor and Green Groganics Inc. II, the tenant thereunder, and entered into a reasonable Non-Disturbance Agreement with Prism Solar Financial Inc., if so required.

5.4 Waiver or Termination by the Vendor and Shareholders

The conditions contained in Section 5.3 are inserted for the exclusive benefit of the Vendor and the Shareholders and may be waived in whole or in part by the Vendor and Shareholders at any time without prejudice to any of their rights of termination in the event of non-performance of any other condition in whole or in part. If any of the conditions contained in Section 5.3 are not fulfilled or complied with by the time provided for, the Vendor may, on behalf of itself, at or prior to the Closing Time, terminate this Agreement by notice in writing after such time to the Purchaser. In such event the Vendor and Shareholders and shall be released from all obligations in this Agreement (except as set out in Section 5.6) and, unless the condition or conditions which have not been fulfilled are reasonably capable of being fulfilled or caused to be fulfilled by the Purchaser or the Vendor, then the Purchaser shall also be released from all obligations in this Agreement (except as set out in Section 5.6).

5.5 Conditions Precedent

The purchase and sale of the Purchased Assets is subject to the following conditions to be fulfilled at or prior to the Closing Time, which conditions are true conditions precedent to the completion of the Transactions:

- (a) No Legal Action No action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit any of the Transactions or the right of the Purchaser to conduct the Business after Closing on substantially the same basis as heretofore conducted.
- (b) Investment Canada Act The Purchaser shall within thirty (30) days after the Closing Date, file the notice required under the acquisition of the Purchased Assets that the transaction is not a reviewable investment under the *Investment Canada Act*.

If any conditions precedent shall not have been fulfilled at or prior to the Closing Time, this Agreement shall be terminated and the Parties shall be released from all obligations under this Agreement, except as set out in Section 5.6.

5.6 Survival following Termination

In the event of termination of this Agreement at or prior to the Closing Time pursuant to Sections 5.2, 5.4 or 5.5, the provisions of Articles 1, 7 and 8 and Sections 5.2, 5.4 or 5.5 shall survive such termination indefinitely. Upon such termination, the Purchaser shall promptly deliver to the Vendor all copies of all Records (unless part of the Excluded Assets) of the Vendor and other written material obtained by the Purchaser from the Vendor or the Shareholders in connection with this Agreement.

ARTICLE 6 CLOSING ARRANGEMENTS

6.1 Place of Closing

The Closing shall take place at the Closing Time at the offices of Gardiner Roberts LLP, Bay Adelaide Centre - East Tower, 22 Adelaide St W, Ste. 3600, Toronto, ON M5H 4E3.

6.2 Deliveries at the Closing

At the Closing Time, upon fulfillment of all the conditions set out in Article 5 that have not been waived in writing by the Purchaser, the Vendor or the Shareholders, as applicable, the Vendor and the Shareholders shall deliver such documents as are required or contemplated to be delivered by the Vendor, the Shareholders or Vendor's counsel pursuant to this Agreement, the relevant portions of the Purchase Price shall be paid or delivered in the manner provided in Section 2.3, and the Purchaser shall deliver such documents as are required or contemplated to be delivered by the Purchaser or Purchaser's counsel pursuant to this Agreement.

ARTICLE 7 INDEMNIFICATION

7.1 Indemnification by the Vendor and the Shareholders

Subject to Section 3.3, the Vendor and the Shareholders shall, jointly and severally, indemnify and save the Purchaser harmless for and from:

- (1) any loss, damages or deficiencies suffered by the Purchaser as a result of any claim relating to the Excluded Assets or any failure by the Vendor to fully satisfy and discharge the Excluded Liabilities;
- (2) any loss, damages or deficiencies suffered by the Purchaser as a result of any breach of representation, warranty or covenant on the part of the Vendor contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement; and
- (3) any loss, damages or deficiencies suffered by the Purchaser as a result of the Purchaser not assuming the pension plan and group benefits plans listed in Schedule 3.1(31) hereto;
- (4) any loss, damages, or liabilities suffered by the Purchaser as a result of the transactions contemplated by the BT Letter of Instructions; and
- (5) all claims, demands, costs and expenses, including reasonable legal fees, in respect of the foregoing.

7.2 Indemnification by the Purchaser

Subject to Section 3.4, the Purchaser shall indemnify and save the Vendor and the Shareholders harmless for and from:

- (1) any loss, damages or deficiencies suffered by the Vendor or the Shareholders as a result of any claim relating to any failure by the Purchaser to fully satisfy and discharge fulfil the Assumed Liabilities;
- (2) any loss, damages or deficiencies suffered by the Vendor or Shareholders as a result of any breach of representation, warranty or covenant on the part of the Purchaser contained in this Agreement or in any certificate or document delivered pursuant to or contemplated by this Agreement; and
- (3) all claims, demands, costs and expenses, including reasonable legal fees, in respect of the foregoing.

7.3 Notice of Claim

A Party entitled to and seeking indemnification pursuant to the terms of this Agreement (the “**Indemnified Party**”) shall promptly give written notice to the Party or Parties, as applicable, responsible for indemnifying the Indemnified Party (the “**Indemnifying Party**”) of any claim for indemnification pursuant to Sections 7.1 or 7.2 (a “**Claim**”, which term shall include more than one Claim). Such notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a “**Third Party Claim**”) or whether the Claim does not so arise (a “**Direct Claim**”), and shall also specify with reasonable particularity (to the extent that the information is available):

- (a) the factual basis for the Claim; and
- (b) the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim.

7.4 Procedure for Indemnification

(1) Direct Claims With respect to Direct Claims, following receipt of notice from the Indemnified Party of a Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of such 30 day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim.

If the Indemnified Party and the Indemnifying Party do not agree within such period (or any mutually agreed upon extension), the Indemnified Party and the Indemnifying Party agree that the dispute shall be submitted to arbitration pursuant to the *Arbitration Act, 1991* (Ontario). Such dispute shall not be made the subject matter of an action in a court by either the Indemnified Party or the Indemnifying Party unless the dispute has first been submitted to arbitration and finally determined in accordance with the provisions of Schedule 7.4. Any such action commenced thereafter shall only be for judgment in accordance with the decision of the arbitrators and the costs incidental to the action. In any such action the decision of the arbitrators shall be conclusively deemed to determine the rights and liabilities as between the Parties to the arbitration in respect of the matter in dispute.

(2) Third Party Claims With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the negotiation, settlement or defence of such Third Party Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party’s out of pocket expenses incurred as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend any such Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

7.5 General Indemnification Rules

The obligations of the Indemnifying Party to indemnify the Indemnified Party in respect of Claims shall also be subject to the following:

- (1) Any Claim arising as a result of a breach of a representation or warranty shall be made not later than the date on which, pursuant to Sections 3.3 and 3.4, such representation and warranty terminated;
- (2) Limitation The Indemnifying Party's obligation to indemnify the Indemnified Party shall only apply to the extent that the Claims in respect of which the Indemnifying Party has given an indemnity, in the aggregate, exceed \$25,000.00 (the "**Claim Threshold**") and provided any individual Claim exceeds the Claim Threshold, following such Claim Threshold being exceeded such obligation to indemnify shall apply in respect of all such accumulated Claims and all further Claims of the Indemnified Party shall be recoverable as provided in this Agreement; the foregoing limitations shall not apply to a Claim under Article 2 which shall have no minimum.
- (3) If any Third Party Claim is of a nature such that the Indemnified Party is required by applicable law to make a payment to any person (a "**Third Party**") with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for any such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party;
- (4) Except in the circumstance contemplated by Section 7.5, and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnified Party shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld);
- (5) The Indemnified Party shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice and an opportunity to contest such Third Party Claim;
- (6) The Indemnified Party and the Indemnifying Party shall cooperate fully with each other with respect to Third Party Claims and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available); and
- (7) Notwithstanding Section 7.4(2), the Indemnifying Party shall not settle any Third Party Claim or conduct any related legal or administrative proceeding in a manner which would, in the opinion of the Indemnified Party, acting reasonably, have a material adverse impact on the Indemnified Party.
- (8) The provisions of this Article 7 shall constitute the sole remedy available to a Party against another Party with respect to any and all breaches of any agreement, covenant, representation or warranty made by such other Party in this Agreement.
- (9) The amount of any Claim due under this Agreement shall be reduced by:
 - (a) the amount of any insurance or other reimbursement received by the Indemnifying Party in relation to the breach or other event giving rise to the Claim; and

(b) the amount expected to be recovered under any counterclaims against third parties in relation to the breach or other event giving rise to the Claim.

(10) Interest on Claims The amount of any Claim submitted under Section 7.5 as damages or by way of indemnification shall bear interest from and including the date any Indemnified Party is required to make payment in respect thereof at the Prime Rate calculated from and including such date to but excluding the date reimbursement of such Claim by the Indemnifying Party is made, and the amount of such interest shall be deemed to be part of such Claim.

(11) Set Off Any amount which results in a negative adjustment to the Purchase Price or any Claim submitted under Section 7.5 as damages for which the Indemnified Party is the Purchaser may be set-off by the Purchaser against any and all payments of the Purchase Price otherwise payable to the Vendor under this Agreement.

(12) Notwithstanding any other provision of this Agreement or of any agreement, certificate or other document made in order to carry out the transactions contemplated hereby, the maximum aggregate liability of both the Vendor and the Shareholders together in respect of all Claims by the Purchaser will be limited to \$500,000.00 (the “**Liability Amount**”), save and except with a respect to a Claim arising with respect to the result of the transactions contemplated by the BT Letter of Instructions or with respect to the Mor Gro Shares.

ARTICLE 8 GENERAL

8.1 Confidentiality

The Purchaser covenants and agrees that, except as otherwise authorized by the Vendor, neither the Purchaser nor its representatives, agents or employees will disclose to third parties, directly or indirectly, any confidential information or confidential data relating to the Vendor or the Business discovered or received by the Purchaser or its representatives, agents or employees as a result of the Vendor making available to the Purchaser and its representatives, agents or employees the information requested by them in connection with the Transactions.

8.2 Notices

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by facsimile, e-mail or similar means of recorded electronic communication or sent by registered mail, charges prepaid, addressed as follows:

if to the Vendor:

1921 Country Road 3 East
Kingsville, ON, N9Y 2E5

if to the Purchaser:

c/o Green Rise Capital Corp.
47 Colborne St., Suite 301
Toronto, Ontario M5E 1P8
Attention: Vincent Narang

Email: ynarang@greenrisecapital.ca

if to the Shareholders:

██████████
 ██████████
 Attn: Abe Schmitt

if to the Principal:

██████████
 ██████████
 Attn: Abe Schmitt

- (b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day or delivery was received after 5 p.m. (local time in the place of receipt), on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of e-mail or recorded electronic communication as described.
- (c) Any Party may at any time change its address for service from time to time by giving notice to the other Parties in accordance with this Section 8.2.

8.3 Public Announcements and Disclosure

The Parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the Transactions and, except as required by any applicable Law or stock exchange having jurisdiction, no Party shall issue any such press release or make any such public announcement without the prior written consent of the others, which consent may not be unreasonably withheld or delayed. Prior to any such press release or public announcement, none of the Parties shall disclose this Agreement or any aspect of the Transactions except to its board of directors, its senior management, its legal, accounting, financial or other professional advisors, any financial institution contacted by it with respect to any financing required in connection with the Transactions and counsel to such institution, or as may be required by any applicable Law or stock exchange having jurisdiction.

8.4 Assignment

The Purchaser may assign its rights under this Agreement in whole or in part to any other person, at any time up to 7 days prior to the Closing Date, upon giving the Vendor notice thereof; provided, however, that any such assignment shall not relieve the Purchaser from any of its obligations hereunder. The Vendor may not assign its rights under this Agreement.

8.5 Best Efforts

The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any Party to use its “best efforts” to obtain any waiver, Consent or other document shall not require such Party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

8.6 Expenses

Unless otherwise provided, each of the Vendor, the Shareholders and the Purchaser shall be responsible for the expenses (including fees and expenses of legal advisers, accountants and other professional advisers) incurred by them, respectively, in connection with the negotiation and settlement of this Agreement and the completion of the Transactions. In the event of termination of this Agreement, the obligation of each Party to pay its own expenses will be subject to any rights of such Party arising from a breach of this Agreement by another Party.

8.7 Further Assurances

Each of the Parties shall promptly do, make, execute, deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Parties may reasonably require from time to time after Closing at the expense of the requesting Party for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement and to ensure that the Purchaser receives the benefits of all the Purchased Assets.

8.8 Entire Agreement

This Agreement, including all Schedules, constitutes the entire agreement between the Parties with respect to the subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, including the term sheet between the Parties dated March 28, 2012. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter except provided in this Agreement. No reliance is placed by any Party on any warranty, representation, opinion, advice or assertion of fact made by any Party or its directors, officers, employees or agents, to any other Party or its directors, officers, employees or agents, except to the extent that it has been reduced to writing and included in this Agreement.

8.9 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

8.10 Rights Cumulative

The rights and remedies of the Parties are cumulative and not alternative.

8.11 Counterparts

This Agreement may be executed in any number of counterparts, and/or by facsimile or e-mail transmission of Adobe Acrobat files, each of which shall constitute an original and all of which, taken together, shall constitute one and the same instrument. Any Party executing this Agreement by fax or Adobe Acrobat file shall, immediately following a request by any other Party, provide an originally executed counterpart of this Agreement provided, however, that any failure to so provide shall not constitute a breach of this Agreement except to the extent that such electronic execution is not otherwise permitted under the *Electronic Commerce Act, 2000* (Ontario).

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

MOR GRO FARMS INC.

Per: 
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

We have authority to bind the Corporation

BULL MARKET FARMS INC.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

We have authority to bind the Corporation

Per: 
ABÉ SCHMITT

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

Witness as to the signature of:

ABRAHAM SCHMITT

MOR GRO FARMS INC.

Per: _____

Name: Abraham Schmitt
Title: President

We have authority to bind the Corporation

BULL MARKET FARMS INC.

Per: _____


Name:
Title: CEO.

Per: _____

Name:
Title:

We have the authority to bind the Corporation.

Schedule 1.1(u)	Excluded Assets
Schedule 1.1(oo)	Permitted Encumbrances
Schedule 1.1(rr)(ii)	List of Equipment
Schedule 1.1(rr)(ix)	Intellectual Property
Schedule 1.1(rr)(x)	Computer Hardware and Software
Schedule 1.1(rr)(xv)	Packing Line and Labelling Equipment
Schedule 3.1(3)	Jurisdictions in which Vendor Conducts Business
Schedule 3.1(9)	Regulatory and Contractual Consents
Schedule 3.1(11)	Undisclosed Liabilities
Schedule 3.1(12)	Consents
Schedule 3.1(13)	Notices
Schedule 3.1(15)	Government Incentives
Schedule 3.1(16)	Licenses and Permits
Schedule 3.1(21)	Title to Personal Other Property
Schedule 3.1(22)	Litigation
Schedule 3.1(23)	Equipment Leases
Schedule 3.1(25)	Material Contracts
Schedule 3.1(27)	Insurance
Schedule 3.1(30)	Real Property
Schedule 3.1(31)	Environmental Matters
Schedule 3.1(32)	Labour and Employment Matters
Schedule 3.1(34)(b)	Capitalization
Schedule 3.1(34)(c)	Corporate Records
Schedule 3.1(34)(d)	Financial Statements
Schedule 7.4	Arbitration Rules

SCHEDULE 7.4
ARBITRATION RULES

- (1) **Binding Arbitration.** Each of the Parties agrees to submit any dispute that they cannot resolve between themselves within a reasonable time to formal binding arbitration in accordance with this Schedule 0. The arbitration in connection with the dispute shall be held in Toronto, Ontario before a single arbitrator mutually agreed to by the Parties (the “**Arbitrator**”) in accordance with the *Arbitrations Act* (Ontario) (the “**Arbitration**”). The Arbitration shall be carried out in accordance with the *Arbitrations Act* (Ontario).
- (2) **Notice of Dispute.** Any Party (the “**Initiating Party**”) may serve a notice on the other Party (a “**Receiving Party**”) setting out a statement of the dispute and the facts relating or giving rise thereto, in reasonable detail (the “**Statement of Dispute**”).
- (3) **Response.** Within 30 days after receipt of such notice, the Receiving Party shall respond to the notice by agreeing or commenting on the Statement of Dispute, as the case may be.
- (4) **Qualified to Act.** The Arbitrator selected to act hereunder shall be qualified by profession or occupation to decide the matter in dispute.
- (5) **Submission of Written Statements.**
- (a) Within 15 Business Days of the appointment of the Arbitrator, the Initiating Party shall submit written statements to the Arbitrator setting out in sufficient detail the facts and any contentions of law on which it relies and the relief the Initiating Party claims. Each Responding Party shall have 10 Business Days from the date on which the written statement is received to reply to the written statements submitted by any other Party setting out in sufficient detail which of the facts and contentions of law in the written statement of the Initiating Party it admits or denies, and the grounds and other facts and contentions of law on which it relies.
 - (b) Within 10 Business Days of receipt of the Receiving Party's written statements, the Initiating Party may send the Responding Party a statement of reply.
 - (c) After submission of all the statements, the Arbitrator may give directions for documentary production and discovery of each Party's case, and for further conduct of the Arbitration bearing in mind the desirability of having cost effective and expeditious dispute resolution on the merits of the case.
 - (d) The Arbitrator may, upon application by any Party, modify or extend any time limit contained in this Schedule 7.4, including any time limit in the above rules.
- (6) **Confidentiality.** Save and except as may be necessary in the course of the enforcement of an Arbitration award, the Arbitration process and all information discussed therein and arising therefrom shall be held by the Parties in the strictest confidence. The Arbitrator and all other Persons participating in the Arbitration shall execute a confidentiality agreement or undertaking satisfactory to the Parties. For greater certainty, the Parties agree that the Arbitration shall proceed in the event that any other Person refuse to sign a confidentiality undertaking or agreement.
- (7) **The Decision.** The Arbitrator will make and send a decision in writing to the Parties within 30 days after the conclusion of all hearings unless that time period is extended for a fixed period by the

Arbitrator on written notice to each Party and, unless the Parties otherwise agree, will set out reasons for decision in the decision;

(8) The decision of the Arbitrator with respect to any matter in dispute (including as to all procedural matters) shall be final and binding on the Vendor, the Shareholders, the Principal and the Purchaser and, to the fullest extent permitted by law, shall not be subject to appeal or review by any party.

(9) **Survival.** This Schedule shall survive the Closing of the transactions contemplated in this Agreement and shall continue until all of the representations, warranties, covenants and indemnities given in this Agreement have expired.

TABLE OF CONTENTS

ARTICLE 1 INTERPRETATION	2
1.1 Definitions	2
1.2 Best Knowledge	10
1.3 Currency	10
1.4 Governing Law	10
1.5 Interpretation Not Affected by Headings	10
1.6 Number and Gender	10
1.7 Time of Essence	10
1.8 Severability	10
1.9 Accounting Terms	10
1.10 Calculation of Time Periods	10
1.11 Statutory Instruments	11
1.12 Incorporation of Schedules	11
ARTICLE 2 PURCHASE AND SALE	11
2.1 Purchased Assets	11
2.2 Purchase Price	12
2.3 Payment of Purchase Price	12
2.4 ETA Election	12
ARTICLE 3 REPRESENTATIONS AND WARRANTIES	12
3.1 Representations and Warranties of the Vendor and the Shareholders	12
3.2 Representations and Warranties of the Purchaser	24
3.3 Survival of Covenants, Representations and Warranties of the Vendor and the Shareholders	25
3.4 Survival of Covenants, Representations and Warranties of the Purchaser	26
ARTICLE 4 ADDITIONAL COVENANTS	26
4.1 Conduct During Interim Period	26
4.2 Conduct After Closing	28
4.3 Access to Information	29
4.4 Satisfaction of Closing Conditions	29
4.5 Delivery of Records	29
4.6 Employees	29
ARTICLE 5 CONDITIONS OF CLOSING	30
5.1 Conditions for the Benefit of the Purchaser	30
5.2 Waiver or Termination by the Purchaser	32
5.3 Conditions for the Benefit of the Vendor and the Shareholders	33
5.4 Waiver or Termination by the Vendor and Shareholders	34
5.5 Conditions Precedent	34
5.6 Survival following Termination	34
ARTICLE 6 CLOSING ARRANGEMENTS	34
6.1 Place of Closing	34
6.2 Deliveries at the Closing	35
ARTICLE 7 INDEMNIFICATION	35
7.1 Indemnification by the Vendor and the Shareholders	35
7.2 Indemnification by the Purchaser	35
7.3 Notice of Claim	35
7.4 Procedure for Indemnification	36

7.5	General Indemnification Rules.....	36
ARTICLE 8	GENERAL	38
8.1	Confidentiality.....	38
8.2	Notices.....	38
8.3	Public Announcements and Disclosure	39
8.4	Assignment.....	39
8.5	Best Efforts.....	39
8.6	Expenses.....	40
8.7	Further Assurances	40
8.8	Entire Agreement.....	40
8.9	Waiver, Amendment.....	40
8.10	Rights Cumulative	40
8.11	Counterparts	40
SCHEDULE 7.4	ARBITRATION RULES	44