

**THE FLOWR CORPORATION**

**and**

**TERRACE GLOBAL INC.**

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**ARRANGEMENT AGREEMENT**

**OCTOBER 19, 2020**

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## ARRANGEMENT AGREEMENT

Arrangement Agreement dated October 19, 2020 among The Flowr Corporation (“**Purchaser**”) and Terrace Global Inc. (“**Terrace**”).

### WHEREAS:

- A. Purchaser and Terrace wish to complete a transaction pursuant to which, among other things, Purchaser will acquire all of the Terrace Shares in exchange for the Consideration, by way of a statutory plan of arrangement, which is to be completed under the provisions of the OBCA and on and subject to the terms and conditions contained herein;
- B. the Terrace Financial Advisor has advised the Terrace Board, and the Terrace Board has determined, that the Consideration to be received by the Terrace Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Terrace Shareholders;
- C. the Terrace Board has determined, after having considered financial and legal advice, that it would be advisable and in the best interests of Terrace and the Terrace Shareholders for the Terrace Board to unanimously recommend that Terrace Shareholders vote in favour of the Terrace Arrangement Resolution at the Terrace Meeting;
- D. Purchaser has entered into the Terrace Voting Agreement with the Terrace Supporting Shareholders, pursuant to which, among other things, such Terrace Supporting Shareholders agree, subject to the terms and conditions thereof, to vote the Terrace Shares and any securities convertible, exercisable or exchangeable into Terrace Shares held by them in favour of the Terrace Arrangement Resolution;
- E. Terrace has entered into the Debenture Support Agreement (as defined below) with the Insiders (as defined below), pursuant to which, among other things, such Insiders irrevocably agree, subject to the terms and conditions thereof, to convert all of their respective holdings of Debentures into Purchaser Common Shares on the terms set out in the Debenture Support Agreement prior to the completion of the Arrangement;
- F. Terrace has entered into the Purchaser Voting Agreement with the Purchaser Supporting Securityholders, pursuant to which, among other things, such Purchaser Supporting Securityholders agree, subject to the terms and conditions thereof, to vote securities of the Purchaser held by them in favour of any Purchaser Securityholder Approval (as defined below);
- G. the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to the Arrangement; and
- H. Capitalized terms used but not otherwise defined in these recitals have the meanings ascribed to such terms in Section 1.1.

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

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, unless the context otherwise requires:

**“Access Limitations”** has the meaning ascribed thereto in Section 7.4;

**“Acquisition Proposal”** means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry from any Person or group of Persons acting jointly or in concert, whether or not in writing and whether or not delivered to Terrace, after the date hereof relating to: (a) any acquisition or purchase, direct or indirect, of: (i) the assets of Terrace and/or one or more of its subsidiaries that, individually or in the aggregate, constitute 20% or more of the consolidated assets of the Terrace Group, taken as a whole, or which contribute 20% or more of the consolidated revenue of the Terrace Group, taken as a whole (or any lease, long-term supply, hedging arrangement, joint venture, strategic alliance, partnership or other transaction having the same economic effect as a sale of such assets), or (ii) beneficial ownership of 20% or more of the issued and outstanding voting or equity securities of Terrace or any one or more of its subsidiaries that, individually or in the aggregate, contribute 20% or more of the consolidated revenues or constitute 20% or more of the consolidated assets of the Terrace Group, taken as a whole; (b) any take-over bid, tender offer or exchange offer that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of the issued and outstanding voting or equity securities of any class of voting or equity securities of Terrace or any of its subsidiaries; (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Terrace or any of its subsidiaries; in all cases, whether in a single transaction or in a series of related transactions; (d) any direct or indirect sale of assets (or any alliance, joint venture, earn-in right, option to acquire, lease, licence or other arrangement having a similar economic effect as a sale) by Terrace and/or one or more of its subsidiaries, which assets represent 20% or more of the consolidated assets of the Terrace Group measured by fair market value, or contribute 20% or more of the consolidated revenue of the Terrace Group, taken as a whole;

**“affiliate”** has the meaning ascribed thereto in the Securities Act;

**“Agreement”** means this arrangement agreement, including all schedules annexed hereto, together with the Terrace Disclosure Letter, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof;

**“Anti-Spam Laws”** means *An Act to Promote the Efficiency and Adaptability of the Canadian Economy by Regulating Certain Activities that Discourage Reliance on Electronic Means of Carrying out Commercial Activities, and to Amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act* (Canada), all other applicable Law enacted or issued with respect to same, and any similar applicable Law governing the sending of direct marketing messages by electronic means or the installation of computer programs in any jurisdiction;

**“Arrangement”** means the arrangement of Terrace under section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of this Agreement or Article 6 of the Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of the Parties, each acting reasonably;

**“Articles of Arrangement”** means the articles of arrangement of Terrace in respect of the Arrangement required by the OBCA to be sent to the Director after the Final Order is made, which shall be in a form and content satisfactory to the Parties, each acting reasonably;

**“Assets”** means the assets of the Terrace Group;

**“ATB Credit Agreement”** means the credit agreement dated as of November 18, 2019 among, *inter alios*, Purchaser, as borrower, The Flowr Canada Holdings ULC and The Flowr Group (Okanagan) Inc., as guarantors, ATB Financial, as administrative agent and the financial institutions party thereto from time to time as lenders, as the same may be amended, modified, amended and restated or replaced from time to time prior to the termination thereof;

**“Authorization”** means any authorization, order, Permit, approval, grant, licence, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, bylaw, rule or regulation, whether or not having the force of Law, and includes any environmental Permit;

**“Board”** means in respect of any Party, its board of directors;

**“Business”** means the business and affairs of the Terrace Group as described in the Terrace Disclosure Documents;

**“Business Day”** means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Toronto, Ontario are authorized or required by applicable Law to be closed;

**“Certificate of Arrangement”** means the certificate of arrangement to be issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement;

**“CFPOA”** has the meaning ascribed thereto in Schedule C((ee)(ii));

**“Change in Recommendation”** has the meaning ascribed thereto in Subsection 7.2(a)(ii);

**“Claim”** means (i) any suit, action, proceeding, dispute, investigation, claim, arbitration, order, summons, citation, directive, ticket, charge, demand or prosecution, whether legal or administrative; or (ii) any appeal or application for review; whether at Law or in equity or by any Governmental Entity;

**“Confidentiality Agreement”** means the confidentiality agreement between Terrace and the Purchaser dated October 24, 2018;

**“Consideration”** means the consideration to be received by Terrace Shareholders pursuant to the Plan of Arrangement which is 0.4973 Purchaser Common Shares in respect of each Terrace Share that is issued and outstanding immediately prior to the Effective Time;

**“Contract”** means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership or other right or obligation (written or oral) to which a Party or any of its subsidiaries is a party or by which it or any of its subsidiaries is bound or to which any of their respective properties or assets is subject;

**“Court”** means the Ontario Superior Court of Justice (Commercial List);

**“Cyber Security Incidents”** has the meaning ascribed thereto in Schedule C((gg)(ii));

**“Data Breach”** means the actual, possible, or suspected accidental, unauthorized, or unlawful access to, inability to account for, loss of, or use, copying, or disclosure of, any Personal Information;

**“Debenture Indenture Amendments”** means the amendments to the Debenture Indenture to be made by written consent, vote, extraordinary resolution or otherwise to be approved to give effect to the Debenture Conversion;

**“Debentures”** means the \$21.579 million principal amount of secured convertible debentures of the Purchaser as governed by the Debenture Indenture;

**“Debenture Conversion”** means the conversion of the principal amount of Debentures held by Insiders, at a conversion price of \$0.50 per Purchaser Common Share, and the conversion of interest on such Debentures from the issue date thereof to the maturity date thereof at a conversion price equal to the average trading price of the Purchaser Common Shares (calculated by dividing the total value of the Purchaser Common Shares by the total volume of Purchaser Common Shares traded on the TSXV on

the trading day prior to the date of this Agreement), into Purchaser Common Shares on the terms set out in the Debenture Support Agreement;

**“Debenture Indenture”** means the subordinated convertible debenture indenture dated April 27, 2020 between the Purchaser and Computershare Trust Company of Canada, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;

**“Debenture Support Agreement”** means the support agreements (including all amendments thereto) between Terrace and each of the Insiders, setting forth the terms and conditions upon which each of the Insiders has irrevocably agreed, among other things, to convert all of its respective holdings of Debentures into Purchaser Common Shares prior to the completion of the Arrangement;

**“Depository”** means Computershare Trust Company of Canada, appointed for the purpose of, among other things, exchanging certificates representing Terrace Shares for the Consideration;

**“Director”** means the Director appointed pursuant to section 278 of the OBCA;

**“Dissent Rights”** means the rights of dissent exercisable by the Terrace Shareholders under section 185 of the OBCA or as otherwise determined by the Court in the Interim Order in respect of the Terrace Arrangement Resolution;

**“Dissenting Shareholder”** has the meaning ascribed thereto in the Plan of Arrangement;

**“Effective Date”** means the date shown on the Certificate of Arrangement giving effect to the Arrangement, which shall be no later than the Outside Date;

**“Effective Time”** has the meaning ascribed thereto in the Plan of Arrangement;

**“Employee Plans”** means all benefit or compensation plans, programs, policies, practices, contracts, agreements or other arrangements, covering current or former employees, directors or consultants of the Terrace Group, including without limitation employment, consulting, deferred compensation, equity, benefit, bonus, incentive, pension, retirement, savings, stock purchase, profit sharing, stock option, stock appreciation, phantom stock, termination, change of control, life insurance, medical, health, welfare, hospital, dental, vision care, drug, sick leave, disability, and similar plans, programmes, arrangements or practices, whether or not in writing and whether or not funded, in each case, which is sponsored, maintained or contributed to by a member of the Terrace Group, or to which a member of the Terrace Group is obligated to contribute, or with respect to which a member of the Terrace Group has any liability, direct or indirect, contingent or otherwise, other than benefit plans established pursuant to statute;

**“Encumbrance”** means any Claim, encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, option, right of pre-emption, privilege or any matter capable of registration against title or any Contract to create any of the foregoing;

**“Environmental Laws”** means all Law aimed at, or relating to, the reclamation or restoration of properties, occupational health and safety, protection of the environment, abatement of pollution, protection of wildlife, ensuring public safety from environmental hazards and all other Laws relating to (a) the management processing, use, treatment, storage, disposal, discharge, transport or handling of any Hazardous Substances; (b) plant and animal life, (c) lands; or (d) other natural resources;

**“Equity Line and Profit-Sharing Agreement”** means the equity line and profit-sharing agreement dated as of May 12, 2020 among Purchaser, Terrace, RPK Biopharma, Unipessoal, LDA and Terra Nova Produção E Comercialização De Produtos Naturais E Farmacêuticos, Unipessoal, LDA as the same may be amended, modified, amended and restated or replaced from time to time prior to the termination thereof;

**“Expense Reimbursement Amount”** has the meaning ascribed thereto in Section 8.3(c);

**“FCPA”** has the meaning ascribed thereto in Schedule C((ee)(ii));

**“Final Order”** means an order of the Court granted pursuant to section 185 of the OBCA, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in the United States, in a form acceptable to each of the Parties, each acting reasonably, approving the Arrangement after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided, however, that any such amendment is acceptable to the Parties, each acting reasonably) on appeal, unless such appeal is withdrawn, abandoned or denied;

**“Governmental Entity”** means (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSXV, (iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing;

**“Hazardous Substance”** means any waste or other substance that is prohibited, listed, defined, designated or classified as hazardous, radioactive, corrosive, explosive, infectious, carcinogenic, or toxic or a pollutant or a contaminant under or pursuant to, or that could result in any Liability under, any applicable Environment Laws including petroleum and all derivatives thereof or synthetic substitutes therefor, hydrogen sulphide, arsenic, cadmium, lead, mercury, polychlorinated biphenyls (“**PCBs**”), PCB-containing equipment and material, mould, asbestos, asbestos-containing material, urea-formaldehyde, urea-formaldehyde-containing material and any other material or substance that may impair the environment;

**“IFRS”** means International Financial Reporting Standards;

**“Inbound License”** means a licence or royalty agreement, or other Contract relating to any third party Intellectual Property or to the development of any Intellectual Property for Terrace or its subsidiaries (other than agreements with employees entered into in the ordinary course of business on standard forms);

**“including”** means including without limitation, and **“include”** and **“includes”** have a corresponding meaning;

**“Insiders”** means Core Flow Holdings Canada Inc., Steven Klein and Vinay Tolia;

**“Intellectual Property”** means domestic and foreign intellectual property rights, whether or not registrable, patentable or otherwise formally protectable, including: (i) inventions (whether patentable or unpatentable and whether or not reduced to practice), patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) works, copyrights, copyright registrations and applications for copyright registration, including all moral rights or similar rights of authorship or attribution; (iii) designs, design registrations, design registration applications and integrated circuit topographies; (iv) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade-mark applications, trade dress and logos, and all goodwill related thereto; (v) know-how, trade secrets, proprietary information, algorithms, formulae, recipes, systems, compositions,



manufacturing and production processes, methods and techniques and related documentation, clinical and testing data, customer and supplier information, and market and survey information (collectively “**Trade Secrets**”); and (vi) telephone numbers, domain names and social media identities, and the goodwill associated with any of the foregoing;

“**Interim Order**” means an order of the Court, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in the United States, in a form acceptable to each of the Parties, acting reasonably, providing for, among other things, the calling and holding of the Terrace Meeting, as the same may be amended by the Court with the consent of the Parties, each acting reasonably;

“**Inventories**” means all inventories of raw materials, bulk materials, work-in-progress and finished goods and merchandise of Terrace or its subsidiaries and all parts and packaging materials used or consumed by Terrace or its subsidiaries (including any of the foregoing that is in possession of suppliers, customers and other third parties);

“**Key Regulatory Approvals**” means those sanctions, rulings, consents, orders, exemptions, permits, Authorizations and other approvals of Governmental Entities, necessary to proceed with the transactions contemplated by this Agreement and the Plan of Arrangement, as listed in Schedule C(bb) of the Terrace Disclosure Letter;

“**Key Third Party Consents**” means those notices, consents or approvals required to be delivered to or obtained from any third party (other than any Governmental Entity), including under any Contract, to proceed with or in connection with the transactions contemplated by this Agreement and the Plan of Arrangement, as listed in Schedule C(cc) of this Agreement;

“**Latest Balance Sheet Date**” means June 30, 2020;

“**Law**” means, with respect to any Person, any and all applicable law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended;

“**Liability**” means, in respect of any Person, any debt, liability or obligation of any kind or nature whatsoever, including (i) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, (ii) any right against such Person to an equitable remedy for breach of performance, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and (iii) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise);

“**Material Adverse Effect**” means, in respect of any Party, as applicable, any effect, fact, change, event, occurrence or circumstance that is, or would reasonably be expected to be, material and adverse to the business, condition (financial or otherwise), properties, assets (tangible or intangible), liabilities (whether absolute, accrued, conditional or otherwise), capital, operations or results of operations of that Party and its subsidiaries, taken as a whole, including, for greater certainty, (A) the occurrence of an event of default as set out in the ATB Credit Agreement or the RPK Loan provided that, such event of default has not been cured within the time specified in the ATB Credit Agreement or the RPK Loan, as applicable, or otherwise waived by the creditors thereunder in each case or (B) any loss of a material license required to conduct the business of the Party, but other than any effect arising from, relating to or resulting from, as applicable: (i) the global economy, political conditions (including the outbreak of war or any acts of terrorism), international trade or securities, financial or credit, markets in general, natural disasters or other acts of God (including without limitation the COVID-19 pandemic and any measures introduced by a

Governmental Entity to address such pandemic); (ii) the cannabis industry in general, (iii) any generally applicable change in applicable Law (other than orders, judgments, claims or decrees against that Party or any of its subsidiaries), or accounting standards or the enforcement or interpretation thereof; (iv) a change in the market trading price or trading volume of publicly traded securities of that Party (it being understood that the underlying cause of any such change may be taken into consideration when determining whether a Material Adverse Effect has occurred, unless otherwise excepted under this definition); (v) any action taken or refrained from being taken by that Party or its subsidiaries in connection with this Agreement, to the extent that the other Party has expressly consented to, approved or requested such action in writing following the date of this Agreement; provided, however, that (x) in the event that Party and its subsidiaries, taken as a whole, are materially and disproportionately affected by an effect described in clause (i), (ii) or (iii) above relative to other participants in the industries in which that Party and its subsidiaries operate, the extent (and only the extent) of such effect, relative to such other participants, on that Party or any of its subsidiaries, taken as a whole, may be taken into account in determining whether there has been a Material Adverse Effect; and (y) references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for the purposes of determining whether a "Material Adverse Effect" has occurred;

**"material change"**, **"material fact"** and **"misrepresentation"** have the meanings ascribed thereto in the Securities Act;

**"MI 61-101"** means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*;

**"Nomination and Voting Agreement"** means the nomination and voting agreement, substantially in the form attached as Schedule "F" hereto, between Core Flow Canada Holdings Inc., Steven Klein, Vinay Tolia, Francisco Ortiz von Bismarck, Michael Galego, Apolo Capital Advisory Corp., Stephen Arbib, Jonathan Goldman, Goldman Ventures Inc., 2646015 Ontario Inc., AJA Holdings 2013 Inc. and Purchaser to be entered into at the Effective Time;

**"OBCA"** means the *Business Corporations Act* (Ontario), including all regulations made thereunder;

**"OFAC"** has the meaning ascribed thereto in Schedule C((ss)(i));

**"Option Plan"** means the stock option plan of Terrace, last approved by Terrace Shareholders on September 10, 2020;

**"Options"** means, at any time, options exercisable to acquire Terrace Shares granted under the Option Plan which are, at such time, outstanding, whether or not vested;

**"ordinary course of business"**, **"ordinary course of business consistent with past practice"**, or any similar reference, means, with respect to an action taken by a Person, that such action is consistent with the past practices (in terms of nature, scope and magnitude) of such Person and is taken in the ordinary course of the normal day-to-day business and operations of such Person;

**"Outbound License"** means a Contract under which Terrace or its subsidiaries has licensed or otherwise granted the right to use any Business IP to another Person (including any settlement, co-existence, covenant not to sue or other agreement that restricts enforcement, use, or other exploitation, of any Intellectual Property);

**"Outside Date"** means January 8, 2021, or such later date as may be agreed to in writing by the Parties;

**"Parties"** means, collectively, Terrace and Purchaser, and **"Party"** means any one of them,

**"Permit"** means any license, permit, certificate, consent, order, grant, approval, agreement, classification, restriction, registration or other authorization of, from or required by any Governmental Entity;

**“Permitted Encumbrance”** means:

- (a) assignments of insurance provided to landlords (or their mortgagees) pursuant to the terms of any lease to which Terrace or any of its subsidiaries is the tenant;
- (a) liens for Taxes, assessments and governmental charges due and being contested in good faith and diligently by appropriate proceedings (and for the payment of which adequate provision has been made in the Terrace Financial Statements);
- (b) registered servitudes, easements, restrictions, rights of way and other similar rights in real property or any interest therein, provided: (i) the same are not of such nature as to materially restrict, limit, impair or impede the use of the property subject thereto in the Business; and (ii) each such encumbrance has been complied with and is in good standing;
- (c) security given in the ordinary course of the Business to any public utility, municipality or government or to any statutory or public authority in connection with the operations of the Business, other than security for borrowed money, provided that such security does not materially restrict, limit, impair or impede the ability of Terrace or any of its subsidiaries to carry on the Business; and
- (d) undetermined or inchoate liens, charges and privileges incidental to current construction or current operations and statutory liens, charges, adverse Claims, security interests or encumbrances to which any Governmental Entity may be entitled that have not at the time been filed or registered against the title to the asset or served upon the owner or lessee of the property subject thereto pursuant to Law and that relate to obligations not due or delinquent, provided that they do not materially restrict, limit, impair or impede the ability of Terrace or any of its subsidiaries to carry on the Business;

**“Person”** includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, body corporate, corporation, company, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

**“Personal Information”** means any information (regardless of form) that relates to an identified or identifiable individual; an identifiable individual is one who can be identified, directly or indirectly, in particular by reference to an identifier, such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person; or any other information about an individual that is defined as “personal data” or “personal information” by applicable Law. Personal Information may include information such as name, street address, telephone number, email address, photograph, date of birth, social security number, driver’s license number or data collected through an automated license plate recognition system, passport number, financial account information, username and password combinations or customer or account number, geolocation information of an individual or device, biometric data, medical or health information, cookie identifiers associated with registration information, or any other browser or device-specific number or identifier, and web or mobile browsing or usage information that is linked to the foregoing;

**“Plan of Arrangement”** means the plan of arrangement of Terrace, substantially in the form of Schedule “A” hereto, and any amendments or variations thereto made from time to time in accordance with this Agreement, the plan of arrangement or upon the direction of the Court in the Final Order with the consent of the Parties, each acting reasonably;

**“Proceeding”** has the meaning ascribed thereto in Schedule C((ii)(iii));

**“Purchaser”** has the meaning ascribed thereto in the preamble;

**“Purchaser Board”** means the board of directors of Purchaser as the same is constituted from time to time;

**“Purchaser Common Shares”** means common shares in the capital of Purchaser;

**“Purchaser Disclosure Documents”** means all information, disclosure, forms, reports, schedules, statements, certifications and other documents, including without limitation all press releases, forms, reports, schedules, financial statements and notes and schedules to such financial statements, management’s discussion and analysis of financial condition and results of operations, certifications, annual information forms, management information circulars, material change reports, business acquisition reports and other documents publicly disclosed or filed by Purchaser with the Securities Authorities and publicly available at [www.sedar.com](http://www.sedar.com) since December 31, 2018;

**“Purchaser Replacement Options”** means options to acquire Purchaser Common Shares to be issued by the Purchaser in exchange for the Options;

**“Purchaser Replacement Warrants”** means Purchaser Common Share purchase warrants issued to holders of Warrants in connection with the Arrangement;

**“Purchaser Securityholder Approval”** means any approval of securityholders of the Purchaser required under applicable Securities Laws (including of the TSXV and, for greater certainty, any “minority approval” as such term is defined in MI 61-101) in connection with the Arrangement (or any other transactions contemplated herein) or the Debenture Conversion;

**“Purchaser Supporting Securityholders”** means, collectively, the securityholders of Purchaser who have entered into the Purchaser Voting Agreement;

**“Purchaser Voting Agreement”** means the voting agreement (including all amendments thereto) between Terrace and the Purchaser Supporting Securityholders setting forth the terms and conditions upon which the Purchaser Supporting Securityholders have agreed, among other things, to vote securities of the Purchaser held by them in favour of any Purchaser Securityholder Approval;

**“Real Property”** has the meaning ascribed thereto in Schedule C(r);

**“Receivables”** means all accounts receivable, bills receivable, trade accounts, book debts and insurance Claims of Terrace and each of its subsidiaries together with any unpaid interest accrued on such items and any security or collateral for such items, including recoverable deposits;

**“Representative”** means, collectively, in respect of a Person, its subsidiaries and its affiliates and its and their officers, directors, employees, consultants, advisors, agents or other representatives (including financial, legal or other advisors);

**“RPK Loan”** means the term loan dated January 2019 between RPK Biopharma Unipessoal Lda, a subsidiary of Purchaser, and Caixa Central de Crédito Agrícola Mútuo, as the same may be amended, modified, amended and restated or replaced from time to time prior to the termination thereof;

**“Sanctions”** has the meaning ascribed thereto in Schedule C((ss)(ii));

**“SEC”** means the U.S. Securities and Exchange Commission;

**“Section 3(a)(10) Exemption”** means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof.

**“Securities Act”** means the *Securities Act* (Ontario) and the rules, regulations, instruments (including national and multilateral instruments) and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

**“Securities Authorities”** means all applicable securities regulatory authorities, including the applicable securities commission or similar regulatory authorities in each of the provinces and territories of Canada and the TSXV;

**“Securities Laws”** means the Securities Act, together with all other applicable Canadian provincial securities Laws, the U.S. Securities Laws, and the rules and regulations and published policies of the Securities Authorities under each of the foregoing securities Laws, as now in effect and as they may be promulgated or amended from time to time, and includes the applicable stock exchange and listing rules of the TSXV;

**“Subscription Receipts”** means subscription receipts issued pursuant to a subscription receipt agreement between Terrace and Computershare Trust Company of Canada on or about September 9, 2020;

**“subsidiary”** has the meaning ascribed thereto in the National Instrument 45-106 - *Prospectus Exemptions*;

**“Superior Proposal”** means any *bona fide* Acquisition Proposal made in writing by a third party or third parties acting jointly or in concert with one another, after the date hereof that would, if consummated, result in any Person or group of Persons acquiring, directly or indirectly, 100% of the consolidated net revenues, net income or total assets (including equity securities of Terrace’s subsidiaries) of the Terrace Group or securities representing 100% of the total voting power of the equity securities of Terrace (or of the surviving entity in a merger, amalgamation, arrangement or similar transaction involving Terrace) that, in the good faith determination of the Terrace Board, after receipt of advice from its outside financial advisor and outside legal counsel: (i) is reasonably capable of being completed in accordance with its terms without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal; (ii) in respect of which any required financing to complete such Acquisition Proposal is available and has been demonstrated to the satisfaction of the Terrace Board; (iii) is not subject to a due diligence, access or financing condition; (iv) did not result from a breach of Article 7 by Terrace or its Representatives; (v) in the case of a transaction that involves the acquisition of Terrace Shares, is made available to all Terrace Shareholders on the same terms and conditions other in respect of the Person making such Acquisition Proposal and any joint actor or any of their respective affiliates; and (vi) in respect of which the Terrace Board determines, in its good faith judgment after receiving advice of its outside legal counsel and financial advisor, that (a) failure to recommend such Acquisition Proposal to the Terrace Shareholders would be inconsistent with the Terrace Board’s fiduciary duties; and (b) taking into account all of the terms and conditions of such Acquisition Proposal, if consummated in accordance with its terms (but not assuming away any risk of non-completion), would result in a transaction more favourable to the Terrace Shareholders from a financial point of view, than the Arrangement (after taking into account any adjustment to the terms and conditions of the Arrangement proposed by Purchaser pursuant to Section 7.3;

**“Superior Proposal Notice”** has the meaning ascribed thereto in Subsection 7.3(a)(iii);

**“Superior Proposal Notice Period”** has the meaning ascribed thereto in Subsection 7.3(a)(iii);

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

**“Tax Returns”** means all domestic and foreign federal, state, provincial, territorial, municipal and local returns, reports, declarations, disclosures, elections, notices, filings, forms, statements, information statements and other documents (whether in tangible, electronic or other form) and including any

amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by Law in respect of Taxes;

**"Taxes"** means any and all domestic and foreign federal, state, provincial, municipal, territorial and local taxes, assessments and other governmental charges, duties, fees, levies, impositions and liabilities imposed by any Governmental Entity (whether payable directly or by withholding and whether or not requiring the filing of a Tax Return), including without limitation pension plan contributions, tax instalment payments, unemployment insurance contributions and employment insurance contributions, disability, severance, social security, workers' compensation and deductions at source, including taxes based on or measured by gross receipts, income, profits, sales, capital, use, and occupation, and including goods and services, value added, ad valorem, sales, capital gains, capital stock, windfall profits, premium, transfer, franchise, stamp, license, non-resident withholding, customs, payroll, recapture, employment, excise and property duties and taxes, together with all estimated taxes, deficiency assessments, interest, penalties, fines and additions to tax imposed with respect to such amounts, and shall include any liability for such amounts as a result of (i) being a transferee or successor or member of a combined, consolidated, unitary or affiliated group, or (ii) a contractual obligation to indemnify any Person or other entity;

**"Termination Payment"** means an amount equal to \$3 million, provided that if this Agreement is terminated by Purchaser pursuant to Section 8.2(a)(iii)B then the amount shall be equal to \$1.5 million and such payment shall be satisfied by Terrace subscribing in cash for Purchaser Common Shares and warrants of the Purchaser in accordance with the terms of the Equity Line and Profit Sharing Agreement;

**"Terrace"** has the meaning ascribed thereto in the preamble;

**"Terrace Annual Financial Statements"** means the audited financial statements of Terrace as at, and for the years ended December 31, 2019 and December 31, 2018 including the auditor's report thereon and the notes thereto;

**"Terrace Arrangement Resolution"** means the special resolution of the Terrace Shareholders approving the Plan of Arrangement, which is to be considered at the Terrace Meeting in the form of Schedule "B" hereto;

**"Terrace Board"** means the board of directors of Terrace as the same is constituted from time to time;

**"Terrace Circular"** means the notice of the Terrace Meeting and accompanying management proxy circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the Terrace Shareholders and other securityholders of Terrace, as required by the Court in the Interim Order, in connection with the Terrace Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement;

**"Terrace Disclosure Documents"** means all information, disclosure, forms, reports, schedules, statements, certifications and other documents, including without limitation all press releases, forms, reports, schedules, financial statements and notes and schedules to such financial statements, management's discussion and analysis of financial condition and results of operations, certifications, annual information forms, management information circulars, material change reports, business acquisition reports and other documents publicly disclosed or filed by Terrace with the Securities Authorities and publicly available at [www.sedar.com](http://www.sedar.com) since December 31, 2018;

**"Terrace Disclosure Letter"** means the disclosure letter executed by Terrace and delivered to Purchaser prior to or concurrently with the execution of this Agreement;

**"Terrace Fairness Opinion"** has the meaning ascribed thereto in Schedule C(rr);

**"Terrace Financial Advisor"** means Hyperion Capital Inc.;

**“Terrace Financial Statements”** means, collectively, the Terrace Annual Financial Statements and the Terrace Interim Financial Statements;

**“Terrace Group”** means Terrace and all of its direct and indirect subsidiaries;

**“Terrace Interim Financial Statements”** means the unaudited interim condensed consolidated financial statements of Terrace as at, and for the three-month and six-month period ended June 30, 2020 and June 30, 2019 including the notes thereto;

**“Terrace Material Contracts”** has the meaning ascribed thereto in Schedule C(t);

**“Terrace Meeting”** means the special meeting of Terrace Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Terrace Arrangement Resolution, and for any other purpose as may be set out in the Terrace Circular if and as agreed to by Purchaser;

**“Terrace Nominees”** means Michael Galego, Jörg Cieslok and Joanne Lee, or such other individuals selected by the applicable shareholder;

**“Terrace Privacy Policy”** has the meaning ascribed thereto in Schedule C((gg)(i));

**“Terrace Shareholder Approval”** has the meaning ascribed thereto in Section 2.3(c);

**“Terrace Shareholders”** means the holders of Terrace Shares;

**“Terrace Shares”** means issued and outstanding common shares in the capital of Terrace;

**“Terrace Supporting Shareholders”** means, collectively, the senior officers and directors of Terrace who have entered into Terrace Voting Agreement, as set out in Schedule “E”;

**“Terrace Voting Agreement”** means the voting agreements (including all amendments thereto) between Purchaser and the Terrace Supporting Shareholders setting forth the terms and conditions upon which the Terrace Supporting Shareholders have agreed, among other things, to vote their Terrace Shares in favour of the Terrace Arrangement Resolution;

**“Transaction Personal Information”** has the meaning ascribed thereto in Section 9.1;

**“TSXV”** means the TSX Venture Exchange;

**“U.S. Exchange Act”** means the *United States Securities Exchange Act of 1934*, as amended and the rules and regulations promulgated thereunder;

**“U.S. Securities Act”** means the *United States Securities Act of 1933*, as amended and the rules and regulations promulgated thereunder;

**“U.S. Securities Laws”** means all applicable securities laws in the United States, including, without limitation, the U.S. Securities Act and the U.S. Exchange Act, and any applicable state securities laws;

**“United States”** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia; and

**“Warrants”** means the common share purchase warrants to acquire Terrace Shares which are at such time outstanding.

## 1.2 Interpretation

For the purposes of this Agreement, except as otherwise expressly provided:

- (a) **“this Agreement”** means this Arrangement Agreement, including the recitals and Schedules hereto, and not any particular Article, Section, Subsection or other subdivision, recital or Schedule hereof, and includes any agreement, document or instrument entered into, made or delivered pursuant to the terms hereof, as the same may, from time to time, be supplemented or amended and in effect;
- (b) the words **“hereof”**, **“herein”**, **“hereto”** and **“hereunder”** and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection, or other subdivision, recital or Appendix hereof;
- (c) all references in this Agreement to a designated **“Article”**, **“Section”**, **“Subsection”** or other subdivision, recital or **“Schedule”** hereof are references to the designated Article, Section, Subsections or other subdivision, recital or Schedule to, this Agreement;
- (d) the division of this Agreement into Article, Sections, Subsections and other subdivisions, recitals or Schedule, the inclusion of a table of contents and the insertion of headings and captions are for convenience of reference only and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof; and
- (e) a reference to a statute in this Agreement includes all regulations, rules, policies or instruments made thereunder, all amendments to the statute, regulations, rules, policies or instruments in force from time to time, and any statutes, regulations, rules, policies or instruments that supplement or supersede such statute, regulations, rules, policies or instruments.

## 1.3 Number, Gender and Persons

In this Agreement, unless the context otherwise requires, words importing the singular shall include the plural and vice versa, words importing the use of either gender shall include both genders and neuters.

## 1.4 Date for Any Action

If the date on which any action is required to be taken hereunder by a Party is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## 1.5 Currency

Unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and “\$” refers to Canadian dollars.

## 1.6 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement in respect of Terrace or Purchaser shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature in respect of Terrace required to be made shall be made in a manner consistent with IFRS consistently applied.

## 1.7 Knowledge

Where the phrases “to the knowledge of the Purchaser” or “to the Purchaser’s knowledge” or “to the knowledge of Terrace” or “to Terrace’s knowledge” are used in respect of the Purchaser, the subsidiaries of the Purchaser, Terrace or the subsidiaries of Terrace, as applicable, such phrase shall mean, in



respect of each representation and warranty or other statement which is qualified by such phrase, that such representation and warranty or other statement is being made based upon: (a) in the case of the Purchaser and the subsidiaries of the Purchaser, the actual collective knowledge, after reasonable inquiry, of Vinay Tolia, Lance Emanuel and Irina Hossu; and (b) in the case of Terrace and the subsidiaries of Terrace, the actual collective knowledge, after reasonable inquiry, of the officers and directors of Terrace and the subsidiaries of Terrace.

## **1.8 Schedules**

The following Schedules are annexed to this Agreement and are incorporated by reference into this Agreement and form a part hereof:

Schedule "A" – Plan of Arrangement

Schedule "B" – Terrace Arrangement Resolution

Schedule "C" – Representations and Warranties of Terrace

Schedule "D" – Representations and Warranties of Purchaser

Schedule "E" – Terrace Supporting Shareholders

Schedule "F" – Form of Nomination and Voting Agreement

Schedule "G" – Purchaser Employment Matters

Schedule "H" – Purchaser Material Contracts

## **ARTICLE 2 THE ARRANGEMENT**

### **2.1 Arrangement**

The Parties agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement, pursuant to which (among other things) each Terrace Shareholder (other than Terrace Shareholders who have validly exercised Dissent Rights) shall receive the Consideration for each Terrace Share held.

### **2.2 Obligations**

Subject to the terms and conditions of this Agreement, Terrace will take all actions reasonably needed to facilitate the Arrangement in accordance with all applicable Law, including Securities Laws, to:

- (a) make and diligently prosecute a motion to the Court for the Interim Order in connection with the application for the Final Order in respect of the Arrangement;
- (b) subject to Sections 6.4 and 7.3(a), in accordance with the terms of and the procedures contained in the Interim Order, duly call, give notice of, convene and hold the Terrace Meeting as soon as practicable, and in any event not later than December 23, 2020;
- (c) unless the Terrace Board has effected a Change in Recommendation in accordance with Section 7.3(c), solicit proxies of the Terrace Shareholders in favour of the Terrace Arrangement Resolution and against any resolution or proposal submitted by any Person that is inconsistent with the Terrace Arrangement Resolution or that would reasonably be expected to materially impair, delay or impede the completion of any of the transactions contemplated by this Agreement;

- (d) provide Purchaser with copies of or access to information regarding the Terrace Meeting generated by any dealer and/or proxy solicitation agent, as requested from time to time by Purchaser;
- (e) fix the date of the Terrace Meeting, which date shall be no later than December 23, 2020, give notice to Purchaser of the Terrace Meeting, and allow Purchaser and Purchaser's Representatives (including legal counsel) to attend the Terrace Meeting;
- (f) not change the record date for the Terrace Shareholders entitled to vote at the Terrace Meeting, including in connection with any adjournment or postponement of the Terrace Meeting in accordance with the terms of this Agreement, unless required by applicable Law;
- (g) subject to obtaining the approvals as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary to submit the Arrangement to the Court and appear at Court to seek the Final Order as soon as reasonably practicable (and, in any event, within five (5) Business Days following the approval of the Terrace Arrangement Resolution at the Terrace Meeting);
- (h) deliver the Articles of Arrangement to the Director in accordance with Section 2.8 upon satisfaction or waiver of the conditions set out in Article 6; and
- (i) consult with Purchaser in respect of the actions as set out in this Article 2, including providing Purchaser with a reasonable opportunity to comment on all draft documentation prepared by Terrace in connection with the foregoing, and to give due consideration to and act reasonably with respect to adopting such comments.

### **2.3 Interim Order**

As soon as reasonably practicable after the date of this Agreement and no later than November 18, 2020, Terrace shall apply to the Court in a manner and on terms acceptable to Purchaser, acting reasonably, pursuant to Section 182 of the OBCA and, in cooperation with Purchaser, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

- (a) for the class of Persons to whom notice is to be provided in respect of the Arrangement and the Terrace Meeting and for the manner in which such notice is to be provided;
- (b) for a fixed record date for the purposes of determining the Terrace Shareholders entitled to receive notice of and vote at the Terrace Meeting;
- (c) that the requisite approval for the Terrace Arrangement Resolution shall be (i) two-thirds of the votes cast on the Terrace Arrangement Resolution by the Terrace Shareholders present in person or represented by proxy and entitled to vote at the Terrace Meeting; and (ii) a majority of the minority votes cast on the Terrace Arrangement Resolution by Terrace Shareholders present in person or represented by proxy and entitled to vote at the Terrace Meeting, as required pursuant to MI 61-101 (the "**Terrace Shareholder Approval**");
- (d) that, in all other respects, the terms, conditions and restrictions of the constating documents of Terrace relating to a meeting of Terrace Shareholders, including quorum requirements, shall apply in respect of the Terrace Meeting;
- (e) for the grant of Dissent Rights to the Terrace Shareholders who are registered Terrace Shareholders, as set out in the Plan of Arrangement;

- (f) subject to Sections 6.4 and 7.3(a), that the Terrace Meeting may be adjourned or postponed from time to time by Terrace only with the prior written consent of the Purchaser, without the need for additional approval of the Court;
- (g) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
- (h) that the record date for Terrace Shareholders entitled to notice of and to vote at the Terrace Meeting will not change in respect of any adjournment(s) or postponement(s) of the Terrace Meeting, unless required pursuant to applicable Law;
- (i) that each Terrace Shareholder, holder of Options and holder of Warrants shall have the right to appear before the Court at the hearing of the Court to approve the application for the Final Order so long as they enter a notice of appearance within a reasonable time;
- (j) that it is Terrace's and Purchaser's intention to rely upon the Section 3(a)(10) Exemption with respect to the issuance of Purchaser Common Shares, the Purchaser Replacement Options and the Purchaser Replacement Warrants to the Terrace Shareholders, the holders of Options and the holders of Warrants, as applicable, to be issued pursuant to the Arrangement, based on the Court's approval of the Arrangement, and that, in connection therewith, the Court will be required to approve the substantive and procedural fairness of the terms and conditions of the Arrangement to each Person to whom Purchaser Common Shares, Purchaser Replacement Options and Purchaser Replacement Warrants will be issued. Each Person to whom Purchaser Common Shares, Purchaser Replacement Options and Purchaser Replacement Warrants will be issued on completion of the Arrangement will be given adequate notice advising them of their right to attend and appear before the Court at the hearing of the Court for the Final Order and providing them with adequate information to enable such Person to exercise such right; and
- (k) for such other matters as Purchaser and/or Terrace may reasonably require, subject to obtaining the prior consent of Terrace and/or Purchaser, respectively, such consent not to be unreasonably withheld or delayed provided that such other matters would not reasonably be expected to materially impair, delay or impede the completion of the transactions contemplated by this Agreement.

## **2.4 Terrace Meeting**

Subject to the terms of this Agreement:

- (a) subject to Sections 6.4 and 7.3(a) and compliance by the Purchaser with its obligations under Article 5, Terrace agrees to convene and conduct the Terrace Meeting in accordance with the Interim Order, the constating documents of Terrace and applicable Law as soon as practicable, with a current target date of December 21, 2020 and, in any event not later than December 23, 2020.
- (b) subject to Sections 6.4, Terrace shall not adjourn, postpone or cancel (or propose or permit the adjournment, postponement or cancellation of) the Terrace Meeting without Purchaser's prior written consent, except as required for quorum purposes (in which case the meeting will be adjourned and not cancelled) or by applicable Law or by a Governmental Entity, provided, however, that, if Terrace provides Purchaser with a Superior Proposal Notice prior to the Terrace Meeting, Terrace shall upon the request of Purchaser adjourn the Terrace Meeting to a date that is not less than five (5) Business Days and not more than fifteen (15) days after the date of the Superior Proposal Notice (and in such event, Terrace shall not be deemed to be in breach of Section 2.2(b) due to the change in the date of the Terrace Meeting).

- (c) Terrace will advise Purchaser from time to time as Purchaser may reasonably request, and at least on a daily basis on each of the last ten (10) Business Days prior to the day of the Terrace Meeting, as to the aggregate tally of the proxies received by Terrace “for” and “against” the Terrace Arrangement Resolution and provide copies thereof if so requested by Purchaser.
- (d) Terrace will promptly advise Purchaser of any written communication from or written claims brought by (or threatened in writing, to be brought by) any Terrace Shareholder or holder of Options, Warrants, or Subscription Receipts or any other Person in opposition to the Arrangement, the Terrace Arrangement Resolution and/or any exercise or purported exercise by any Terrace Shareholder of Dissent Rights received by Terrace and any withdrawal of Dissent Rights received by Terrace and any written communications sent by or on behalf of Terrace to any Terrace Shareholder exercising or purporting to exercise Dissent Rights. Terrace shall not settle or compromise, or agree to settle or compromise, any such claims without the prior written consent of Purchaser, such consent not to be unreasonably withheld, delayed or conditioned.
- (e) Except as required by applicable Law, Terrace will not propose or submit for consideration at the Terrace Meeting any business other than the approval of the Terrace Arrangement Resolution without Purchaser’s prior written consent, such consent not to be unreasonably withheld, delayed or conditioned provided that such business would not reasonably be expected to materially impair, delay or impede the completion of the transactions contemplated by this Agreement.
- (f) Terrace will promptly as reasonably practicable provide Purchaser with any reports Terrace receives from any proxy advisory services firms in respect of the Arrangement or the Terrace Meeting.

## **2.5 Terrace Circular**

- (a) Subject to compliance by the Purchaser with its obligations under Article 5, as soon as reasonably practicable following execution of this Agreement, but subject to Section 2.5(c), Terrace shall (i) prepare, in consultation with Purchaser, the Terrace Circular, together with any other documents required by applicable Law, (ii) provide the Terrace Circular to the TSXV for review in connection with de-listing the Terrace Shares from the TSXV in accordance with the timeframe required or communicated by the TSXV, (iii) cause the Terrace Circular to be sent to Terrace Shareholders and any other Person as required by the Interim Order and applicable Law, and (iv) cause the Terrace Circular (and any other filings required to be filed under applicable Law) to be filed in all jurisdictions where the same is required to be filed, all in accordance with all applicable Law and the Interim Order. Terrace shall ensure that the Terrace Circular complies in all material respects with all applicable Law and the Interim Order and, without limiting the generality of the foregoing, that the Terrace Circular does not include any misrepresentation (other than with respect to any information relating solely to Purchaser and provided by Purchaser in writing for inclusion in the Terrace Circular) and contains sufficient detail to permit the Terrace Shareholders, to form a reasoned judgement concerning the Arrangement and the Terrace Arrangement Resolution to be placed before them at the Terrace Meeting.
- (b) Terrace shall disclose in the Terrace Circular:
  - (i) that the Terrace Board has received a fairness opinion from the Terrace Financial Advisor stating that, as at the date of such opinion, the Consideration to be received pursuant to the Plan of Arrangement is fair, from a financial point of view, to the Terrace Shareholders;
  - (ii) the general terms of the fairness opinion from the Terrace Financial Advisor and a copy of such fairness opinion shall be included in the Terrace Circular;

- (iii) that the Terrace Board has unanimously determined, after receiving financial and legal advice, that (i) the Arrangement is fair and reasonable to the Terrace Shareholders, (ii) the Arrangement is in the best interests of Terrace, and (iii) the Terrace Board unanimously recommends that the Terrace Shareholders vote in favour of the Terrace Arrangement Resolution (the "**Terrace Board Recommendation**"); and
  - (iv) that each director and senior officer of Terrace set out in Schedule E hereto has signed a Terrace Voting Agreement and agreed to vote all of such Person's Terrace Shares (including any Terrace Shares issued upon the exercise of any securities convertible, exercisable or exchangeable into or for Terrace Shares) in favour of the Terrace Arrangement Resolution, subject to the other terms of the Terrace Voting Agreement.
- (c) Purchaser shall promptly provide to Terrace all information regarding Purchaser or its subsidiaries and affiliates, as required by the Interim Order and applicable Law for inclusion in the Terrace Circular, or in any amendments or supplements to such Terrace Circular. Purchaser shall ensure that no such information provided by the Purchaser for inclusion in the Terrace Circular will contain any misrepresentation concerning Purchaser.
  - (d) Purchaser and its legal counsel shall be given a reasonable opportunity to review and comment on the Terrace Circular and all such other documents required to be filed or distributed to Terrace Shareholders under the Securities Laws and will incorporate all reasonable comments of Purchaser and its counsel, and the Terrace Circular and all such other documents shall be satisfactory to Purchaser, acting reasonably, before they are printed, or distributed to Terrace Shareholders or filed with any Governmental Entity, subject to any disclosure obligations imposed on Terrace by any Securities Authorities. Terrace agrees that all information relating solely to Purchaser included in the Terrace Circular must be in a form and content satisfactory to Purchaser, acting reasonably.
  - (e) Each of Terrace and Purchaser shall promptly notify the other Party if at any time before the Effective Date either becomes aware that the Terrace Circular contains a misrepresentation, or otherwise requires an amendment or supplement, and the Parties shall co-operate in the preparation of any amendment or supplement to the Terrace Circular as required or appropriate, and Terrace shall promptly mail or otherwise publicly disseminate any amendment or supplement to the Terrace Circular to Terrace Shareholders and, if required by the Court or applicable Law, file the same with any Governmental Entity and as otherwise required.
  - (f) Terrace shall keep Purchaser informed of any requests or comments made by any Securities Authorities in connection with the Terrace Circular and promptly as reasonably practicable provide Purchaser with copies of any correspondence received by Terrace from, or sent by Terrace to, any Securities Authorities in connection with the Terrace Circular.

## **2.6 Final Order**

If the Interim Order is obtained and the Terrace Arrangement Resolution is passed at the Terrace Meeting in accordance with applicable Law and the Interim Order then Terrace shall as soon as practicable (and, in any event, within five (5) Business Days following the Terrace Meeting) apply to the Court for the Final Order pursuant to section 185 of the OBCA approving the Arrangement on terms reasonably satisfactory to each of Terrace and Purchaser.

## **2.7 Court Proceedings**

- (a) Subject to the terms of this Agreement, Terrace shall use reasonable all commercially reasonable efforts to pursue, and Terrace and Purchaser shall cooperate with each other in pursuing, the Interim Order and the Final Order. Terrace will provide Purchaser and its legal counsel with a reasonable opportunity to review and comment upon drafts of all material to be filed with the

Court in connection with the Interim Order and the Final Order, and will incorporate all reasonable comments of Purchaser and its legal counsel. Subject to applicable Law, Terrace will not file any material with the Court in connection with the Interim Order and the Final Order, or serve any such material, and will not agree to modify or amend materials so filed or served, except as contemplated by this Agreement, the Plan of Arrangement, or with Purchaser's prior written consent, such consent not to be unreasonably withheld, delayed or conditioned; provided, however, that nothing herein shall require Purchaser to agree or consent to any increase in Consideration or other modification or amendment to such filed or served materials that expands or increases Purchaser's obligations or liabilities set forth in any such filed or served materials or under this Agreement or the Plan of Arrangement. Terrace shall also provide to Purchaser and to Purchaser's legal counsel on a timely basis copies of any notice of appearance or other Court documents served on Terrace in respect of the application for the Interim Order or the Final Order or any appeal therefrom and of any notice, whether written or oral, received by Terrace indicating any intention to oppose the granting of the Interim Order or the Final Order or to appeal the Interim Order or the Final Order. Terrace will ensure that all materials filed with the Court in connection with the Interim Order and the Final Order, are consistent in all material respects with the terms of this Agreement and the Plan of Arrangement. In addition, Terrace will not object to legal counsel to Purchaser making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate, acting reasonably, provided, however, that Terrace is advised of the nature of any submissions prior to the hearing and such submissions are consistent with this Agreement and the Plan of Arrangement. Terrace will also oppose any proposal from any party that the Interim Order or the Final Order contain any provision inconsistent with this Agreement, and, if at any time after the issuance of the Final Order and prior to the Effective Time, Terrace is required by the terms of the Final Order or by Law to return to Court with respect to the Final Order, it shall do so only after reasonable advance notice to, and in consultation and cooperation with, Purchaser.

- (b) If the Court is closed due to the outbreak of disease, a pandemic or an epidemic or other similar or related health concerns, then the time to make application to the Court or convene and conduct the Terrace Meeting as contemplated in this Article 2 shall be postponed until the fifth Business Day following the re-opening of the Court; provided, however, that in no event shall postponement extend beyond the Outside Date.

## **2.8 Articles of Arrangement and Effective Date**

- (a) The Articles of Arrangement shall implement the Plan of Arrangement and will become effective as of the Effective Time. On the second (2nd) Business Day after the satisfaction or, where permitted, the waiver of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver of those conditions as of the Effective Date) set forth in Article 6, unless another time or date is agreed to in writing by the Parties, the Articles of Arrangement shall be filed by Terrace with the Director, provided, however, that the Articles of Arrangement shall not be sent to the Director, for endorsement and filing by the Director, except as contemplated hereby or with Purchaser's prior written consent. From and after the Effective Time, the Plan of Arrangement will have all of the effects provided by applicable Law, including the OBCA. Each of Terrace and Purchaser agrees to amend the Plan of Arrangement at any time prior to the Effective Time in accordance with Section 8.4 of this Agreement to include such other terms determined to be reasonably necessary or desirable by Purchaser or Terrace, as the case may be, provided, however, that the Plan of Arrangement shall not be amended in any manner which has the effect of changing the Consideration, expanding or increasing Purchaser's obligations or liabilities or is inconsistent with the provisions of this Agreement or the Plan of Arrangement.
- (b) The closing of the Arrangement will take place at the offices of Fasken Martineau DuMoulin LLP in Toronto at 8:00 a.m. (Toronto time) on the Effective Date, or at such other time and place as may be agreed to by the Parties.



## **2.9 Payment of Consideration**

Purchaser will, following receipt by Terrace of the Final Order and prior to the filing by Terrace of the Articles of Arrangement, issue in escrow with the Depositary sufficient Purchaser Common Shares to satisfy the aggregate Consideration for the Terrace Shares outstanding and those Terrace Shares to be issued upon conversion of the Subscription Receipts under the Arrangement.

## **2.10 Governance**

- (a) The Purchaser agrees that it and the Purchaser Board shall use all commercially reasonable efforts necessary to: (i) set the number of directors comprising the Purchaser Board to nine (9) directors or such other number as agreed to by the Parties; and (ii) appoint or have elected to the Purchaser Board, prior to or as of the Effective Time, subject to applicable Laws and the constating documents and by-laws of the Purchaser and otherwise agreed to by the Parties, the Terrace Nominees and one (1) new director who is “independent” within the meaning of National Instrument 52-110 – *Audit Committees* such that, as of the Effective Time, the Purchaser Board shall be comprised of: (x) five (5) of the current members of the Purchaser Board, including two (2) current independent directors within the meaning of National Instrument 52-110 – *Audit Committees*; (y) a new third independent director; and (z) the Terrace Nominees.
- (b) The Purchaser agrees to enter into the Nomination and Voting Agreement, substantially in the form attached as Schedule “F” hereto.

## **2.11 Announcements and Consultations**

Purchaser and Terrace shall consult with each other in respect to issuing any press release, preparing any presentations or otherwise making any public statement with respect to this Agreement or the Arrangement and, except as otherwise set forth in this Agreement, in making any filing with any Governmental Entity with respect to this Agreement or the Arrangement. Each of Purchaser and Terrace shall use all commercially reasonable efforts to enable the other Party to review and comment on all such press releases, presentations, public statements and, except as otherwise set forth in this Agreement, filings prior to the release or filing, respectively, thereof, and neither Purchaser nor Terrace shall release, make or file any press release, presentation, public statements or, except as otherwise set forth in this Agreement, filing without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed), provided, however, that the obligations herein shall not prevent a Party from making such disclosure as is required by applicable Law or the rules and policies of any applicable stock exchange, and the Party making such disclosure shall use all commercially reasonable efforts to enable the other Party to review or comment on the disclosure or filing, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing. Reasonable consideration shall be given to any comments made by the other Party and its counsel.

## **2.12 Withholding Taxes**

The Parties, the Depositary and any Person making any payment on their behalf shall be entitled to deduct and withhold from the Consideration or amount payable or otherwise deliverable to any Person hereunder and from all dividends, interest or other amounts payable to any Person (including, for greater certainty, any Terrace Shareholder, any holder of Options, any holder of Warrants and any Dissenting Shareholder) such amounts as any of the Parties or the Depositary or any Person on their behalf may be required or permitted to deduct and withhold therefrom under any provision of applicable Law in respect of Taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

### **2.13 List of Securityholders**

Subject to Section 9.1, at the reasonable request of Purchaser from time to time, Terrace shall provide Purchaser with a list (in both written and electronic form) of the registered Terrace securityholders (including the Terrace Shareholders and holders of Options and Warrants) that includes their addresses and respective holdings, with a list of the names and addresses and holdings of all Persons having rights issued by Terrace to acquire such Terrace securities and a list of non-objecting beneficial owners of Terrace Shares, together with their addresses and respective holdings of Terrace Shares. Terrace shall from time to time furnish Purchaser with such additional information, including updated or additional lists of Terrace Shareholders and lists of holders of Options and Warrants, and other assistance as Purchaser may reasonably request.

### **2.14 Holders of Convertible Securities**

- (a) Each Option outstanding immediately prior to the Effective Time shall be exchanged for a Purchaser Replacement Option to purchase from Purchaser, without further act or formality, the number of Purchaser Common Shares equal to the product of: (A) the number of Terrace Shares that were issuable upon exercise of such Option immediately before the Effective Time; and (B) the Consideration, provided that if the foregoing would result in the issuance of a fraction of a Purchaser Common Share on any particular exercise of Purchaser Replacement Options, then the number of Purchaser Common Shares otherwise issued shall be rounded down to the nearest whole number of Purchaser Common Shares. The exercise price per Purchaser Common Share subject to any such Purchaser Replacement Option shall be an amount equal to the quotient of: (A) the exercise price per Terrace Share of the exchanged Option immediately prior to the Effective Time divided by (B) the Consideration, rounded up to the nearest whole cent. Except as set out above, all terms and conditions of a Purchaser Replacement Option, including the term to expiry, conditions to and manner of exercising, will be the same as the Option for which it was exchanged and any document evidencing an Option shall thereafter evidence and be deemed to evidence such Purchaser Replacement Option. If the exchange contemplated by this paragraph results in a disposition of Options, it is intended that the provisions of subsection 7(1.4) of the Tax Act apply to any such disposition.
- (b) Each issued and outstanding Warrants immediately prior to the Effective Time shall, without further action or formality by or on behalf of the holders thereof, be transferred and assigned (free and clear of all Encumbrances) by the holders thereof to the Purchaser and Purchaser Replacement Warrants shall be issued to such holders in exchange for the Warrants. All terms and conditions of a Purchaser Replacement Warrants, including the term to expiry, conditions to and manner of exercising, will be the same as the Warrants for which it was exchanged.
- (c) Each Subscription Receipt outstanding immediately prior to the Effective Time shall, and shall be deemed to, have been transferred by the holder thereof, without any further act or formality on its part, to Terrace for cancellation in exchange for one (1) Terrace Share in accordance with the terms of the Arrangement.

### **2.15 U.S. Securities Law Matters**

The Parties agree that the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants but excluding any Purchaser Common Shares issuable upon conversion of the Purchaser Replacement Options or Purchaser Replacement Warrants) to be issued to holders of Terrace securities pursuant to the Arrangement will not be registered under the U.S. Securities Act and will be issued in reliance on the Section 3(a)(10) Exemption. The parties agree that any securities of the Purchaser issuable on the exercise of the Purchaser Replacement Options or Purchaser Replacement Warrants subsequent to the Effective Time may be subject to restrictions on transfer in accordance with applicable U.S. Securities Laws. In order to ensure the availability of the Section 3(a)(10) Exemption, the Parties agree that the Arrangement will be structured and carried out on the following basis:



- (a) prior to the issuance of the Interim Order, the Court will be advised of the intention of the Parties to rely on the Section 3(a)(10) Exemption with respect to the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in connection with the Arrangement, based on the Court's approval of the Arrangement;
- (b) the Court will be asked to satisfy itself that the Arrangement is substantively and procedurally fair and reasonable to the Terrace Shareholders;
- (c) the hearing of the Court to give approval of the Arrangement must be open to any Persons to whom securities will be issued under the Arrangement and there will not be any improper impediments to the appearance by those Persons at the hearing;
- (d) Terrace will ensure that each Terrace Shareholder and holder of Options and Warrants entitled to receive Purchaser Replacement Options or Purchaser Replacement Warrants pursuant to the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right;
- (e) the Terrace Shareholders and holders of Options and Warrants will be advised that the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) to be issued has not been registered under the U.S. Securities Act and will be issued by Purchaser in reliance on the Section 3(a)(10) Exemption and, with respect to affiliates of Purchaser and persons who have been affiliates of Purchaser within 90 days of the date of the closing, may be subject to restrictions on resale under the Securities Laws of the United States, including Rule 144 under the U.S. Securities Act;
- (f) the Interim Order approving the Terrace Meeting shall specify that each Person to whom Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) will be issued pursuant to the Arrangement will have the right to appear before the Court at the hearing for the Final Order so long as they comply with the requirements in the Interim Order;
- (g) holders of Options and Warrants entitled to receive Purchaser Replacement Options and Purchaser Replacement Warrants, respectively, pursuant to the Arrangement will be advised that although the Purchaser Replacement Options and the Purchaser Replacement Warrants issued pursuant to the Arrangement will be issued by the Purchaser in reliance on the Section 3(a)(10) Exemption, such exemption does not exempt the issuance of the underlying securities upon the exercise of such Purchaser Replacement Options and Purchaser Replacement Warrants; therefore, the Purchaser Common Shares issuable upon exercise of the Purchaser Replacement Options and Purchaser Replacement Warrants cannot be issued in the United States or to a Person in the United States in reliance on the exemption under the Section 3(a)(10) Exemption and the Purchaser Replacement Options and the Purchaser Replacement Warrants may only be exercised pursuant to a then-available exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws; and
- (h) the Final Order approving the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court and that the terms and conditions of the Arrangement are being fair and reasonable both procedurally and substantively to the Terrace Shareholders and holders of Options and Warrants, as well as the following or substantially similar language: "This Order will serve as a basis of a claim to an exemption, pursuant to Section 3(a)(10) of the United States Securities Act of 1933, as amended, from the registration requirements otherwise imposed by that Act regarding the distribution of securities of The Flowr Corporation pursuant to the Plan of Arrangement".

## **2.16 Equity Line and Profit-Sharing Agreement Funding**

Promptly and, in any event, within one (1) Business Day of the date of this Agreement, Terrace shall have funded \$1,500,000.00 in immediately available funds to Purchaser under the Equity Line and Profit-Sharing Agreement and shall have provided to Purchaser a copy of the irrevocable written instructions given to its bank to pay such funding.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF TERRACE**

### **3.1 Representations and Warranties of Terrace**

Except as disclosed in the correspondingly numbered paragraph of the Terrace Disclosure Letter (in the manner contemplated by the first page thereof), Terrace represents and warrants to Purchaser as set forth in Schedule "C" and acknowledges and agrees that Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement. Any investigation by Purchaser or its Representatives shall not mitigate, diminish or affect the representations and warranties of Terrace pursuant to this Agreement.

### **3.2 Survival of Representations and Warranties**

The representations and warranties of Terrace contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF PURCHASER**

### **4.1 Representations and Warranties of Purchaser**

Purchaser represents and warrants to Terrace as set forth in Schedule "D" and acknowledge and agree that Terrace is relying upon such representations and warranties in connection with the entering into of this Agreement. Any investigation by Terrace or its Representatives shall not mitigate, diminish or affect the representations and warranties of Purchaser pursuant to this Agreement.

### **4.2 Survival of Representations and Warranties**

The representations and warranties of Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

## **ARTICLE 5 COVENANTS**

### **5.1 Covenants of Terrace Relating to the Arrangement**

Except such actions as are expressly permitted pursuant to any other term of this Agreement, Terrace shall perform all obligations required to be performed by Terrace under this Agreement, co-operate with Purchaser in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the Arrangement and the other transactions contemplated in this Agreement and, without limiting the generality of the foregoing, Terrace shall:

- (a) apply for and use all commercially reasonable efforts to obtain all Key Regulatory Approvals and all Key Third Party Consents and, in doing so, keep Purchaser informed in a timely manner as to

the status of the proceedings or other actions related to obtaining the Key Regulatory Approvals and Key Third Party Consents, including (w) providing Purchaser with copies of all related applications and notifications, in draft form, in order for Purchaser to provide its comments thereon, and Terrace shall consult with the Purchaser on any comments provided in good faith; (x) promptly furnishing to Purchaser copies of notices or other formal communications received by Terrace from, or given by Terrace to, any Governmental Entity (including any Securities Authority) with respect to the transactions contemplated by this Agreement or otherwise; (y) not making any commitments, providing any undertakings or assuming any obligations, in each case, that are outside the ordinary course of business, without the prior written consent of Purchaser; and (z) subject to applicable Law, Terrace shall, to the extent reasonably practicable, provide the Purchaser and its counsel with the opportunity to participate in any substantive meeting, teleconference or other material communication with any Governmental Entity in respect of any filing, investigation or other inquiry in connection with the Key Regulatory Approvals;

- (b) use all commercially reasonable efforts to satisfy all conditions precedent in this Agreement in its power to satisfy and take all steps set forth in the Interim Order and Final Order applicable to it and comply promptly with all requirements which applicable Law may impose on Terrace with respect to the Arrangement or the other transactions contemplated by this Agreement and including effecting all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by Terrace or its subsidiaries in connection with the Arrangement and cooperating with Purchaser in connection with its performance of its obligations hereunder;
- (c) use all commercially reasonable efforts to defend all lawsuits or other legal, regulatory or other proceedings against Terrace challenging or affecting this Agreement or the consummation of the transactions contemplated hereby and use all commercially reasonable efforts to have lifted or rescinded any injunction or restraining order or other order relating to Terrace which may materially impede the ability of the Parties to consummate the Arrangement or the other transactions contemplated by this Agreement;
- (d) use all commercially reasonable efforts to obtain, and to assist Purchaser with respect to obtaining, as applicable, all consents, waivers or approvals under all Terrace Material Contracts, including waivers required in connection with any change of control provisions contained in any agreements or other arrangements of Terrace or any of its subsidiaries;
- (e) cooperate with Purchaser and use all commercially reasonable efforts to take, or cause to be taken, all actions and do or cause to be done all things reasonably necessary, proper or advisable on its part under applicable Law and the policies of the TSXV to enable the delisting by Terrace of the Terrace Shares from the TSXV as soon as reasonably practicable (and in any event in compliance with applicable Law) after the Effective Date;
- (f) until the earlier of the Effective Time and termination of this Agreement in accordance with its terms, subject to applicable Law, make available and cause to be made available to Purchaser, and its Representatives, information reasonably requested by Purchaser for the purposes of preparing, considering and implementing integration and strategic plans for the acquisition by Purchaser of Terrace following the Effective Date; and
- (g) until the earlier of the Effective Time and termination of this Agreement in accordance with its terms, Terrace shall, to the extent not precluded by applicable Law, promptly notify Purchaser, in writing, and promptly provide copies of any related documentation received, when Terrace has knowledge of:
  - (i) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person (or other Person) is or may be required in connection with this Agreement or the Arrangement;

- (ii) any notice or other communication from any Governmental Entity in connection with the Arrangement or this Agreement;
- (iii) any matter that has resulted in, or is reasonably likely to result in, a condition set forth in Section 6.1 or 6.2 not being satisfied;
- (iv) the failure of Terrace to perform in any material respect any obligations to be performed by it under this Agreement such that any conditions set forth in Section 6.1 or 6.2 would not be satisfied; or
- (v) any filing, actions, suits, claims, investigations or proceedings commenced or, to the knowledge of Terrace, threatened orally or in writing against, or, in respect of any filing, actions, suits, claims, investigations or proceedings existing as at the date hereof, if any additional filing, actions, suits, claims, investigations or proceedings are made or threatened orally or in writing, in each case relating to or involving or otherwise affecting Terrace, its subsidiaries or any of their respective assets that would reasonably be expected to be material to the Terrace Group, taken as a whole.

## **5.2 Covenants of Purchaser Relating to the Arrangement**

Purchaser shall perform all obligations required to be performed by Purchaser under this Agreement, cooperate with Terrace in connection therewith, and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the Arrangement and the other transactions contemplated in this Agreement and, without limiting the generality of the foregoing, Purchaser shall:

- (a) use all commercially reasonable efforts to assist Terrace in applying for and obtaining all Key Regulatory Approvals;
- (b) use all commercially reasonable efforts to satisfy all conditions precedent in this Agreement in its power to satisfy and take all steps set forth in the Interim Order and Final Order applicable to it and comply promptly with all requirements which applicable Law may impose on Purchaser with respect to the Arrangement or the other transactions contemplated by this Agreement;
- (c) as promptly as reasonably practicable after the date hereof, provide Terrace with copies of all documentation relating to the Debenture Indenture Amendments (including drafts of any supplemental indenture);
- (d) as promptly as reasonably practicable after the date hereof, use commercially reasonable efforts to take all steps and to do all things that are reasonably necessary to initiate and to obtain any approval required pursuant to the Debenture Indenture to consummate and effect the Debenture Indenture Amendments (including entering into any supplemental indenture in respect thereof) and the Debenture Conversion in accordance with the terms of the Debenture Support Agreement;
- (e) use commercially reasonable efforts and to do all things that are reasonably necessary to solicit such additional holders of the outstanding Debentures to approve the Debenture Indenture Amendments by written consent or otherwise, and to exercise their rights to convert such Debentures into Purchaser Common Shares in accordance with the terms of each of the Debenture Support Agreement and the Debenture Indenture Amendments; and
- (f) to the extent required under applicable Securities Laws (including the TSXV), use commercially reasonable efforts to take all steps and to do all things that are reasonably necessary to obtain the Purchaser Securityholder Approval, including preparing a written consent resolution or calling and holding a meeting of any of the securityholders of Purchaser to vote on the Arrangement (or

any other transactions contemplated herein) or the Debenture Conversion, as applicable, and prepare an information circular with respect therewith in each case.

### **5.3 Covenants of Terrace Relating to the Conduct of Business**

Terrace covenants and agrees that at all times prior to the Effective Time, except as disclosed in the Terrace Disclosure Letter or unless Purchaser shall otherwise agree in writing or as otherwise expressly contemplated or permitted by this Agreement or as required by applicable Law or a Governmental Entity, it shall, and shall cause the other members of the Terrace Group to:

- (a) use all commercially reasonable efforts to conduct the Business and maintain any properties and facilities related to the Business, and not take any action respecting the Business except, in the ordinary course of business consistent with past practice and in accordance with applicable Law;
- (b) use all commercially reasonable efforts to preserve intact its and its subsidiaries' present business organization, its Assets (including associated Intellectual Property) and goodwill, and preserve the current material relationships with suppliers, distributors, employees, consultants, customers and others having business relationships with it and/or its subsidiaries;
- (c) not:
  - (i) issue, deliver, sell, pledge, lease, dispose of or encumber, or agree or offer to issue, deliver sell, pledge, lease, dispose of or encumber, any Terrace Shares (including, for certainty, through an at-the-market offering) or securities of its subsidiaries, or any securities convertible, exchangeable or exercisable into or for Terrace Shares or securities of its subsidiaries, or any stock appreciation rights, phantom stock awards or other rights that are linked to the price or value of the Terrace Shares or securities of the subsidiaries of Terrace (other than pursuant to the exercise, in accordance with their respective terms, of Options, Subscription Receipts or Warrants outstanding on the date hereof) or amend, extend or terminate, or agree to amend, extend or terminate, any of the terms of, or agreements governing, any of the outstanding Options, Warrants or Subscription Receipts or other convertible securities of Terrace or its subsidiaries;
  - (ii) amend or propose to amend its articles or by-laws or other constating documents or the terms of any of its securities; or, except as contemplated by this Agreement, split, consolidate or reclassify, or propose to split, consolidate or reclassify, any of the Terrace Shares or undertake or propose to undertake any other capital reorganization or change in or exchange of Terrace Shares, any other of its securities or its share capital;
  - (iii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, securities or property or any combination thereof) in respect of the Terrace Shares or any other securities of Terrace, redeem, purchase or otherwise acquire, or offer to redeem, purchase or otherwise acquire, any outstanding securities of Terrace, adopt a plan of liquidation or resolution providing for the liquidation, winding-up or dissolution of Terrace or any of its subsidiaries, or enter into any agreement with respect to any of the foregoing;
  - (iv) except with respect to inter-company transfers between Terrace and its subsidiaries, sell, pledge, lease, transfer, dispose of or encumber any assets, rights or properties of Terrace or any of its subsidiaries, except in the ordinary course of business consistent with past practice, and provided that the aggregate amount of all such sales, pledges, leases, transfers, disposals and encumbrances (excluding product sales) shall not be for proceeds of greater than \$100,000;

- (v) acquire or agree to acquire (by merger, amalgamation, arrangement, acquisition of shares or assets or otherwise) any Person or division or business unit thereof, or incorporate or form, or agree to incorporate or form, any Person or make or agree to make any investment either by purchase of shares or securities, contributions of capital, property transfer or purchase of, any property or assets of any other Person, except pursuant to the terms of the Equity Line and Profit-Sharing Agreement;
- (vi) make any material change to its Business or enter into enter into any Contract that, if entered into prior to the date hereof, would be a Terrace Material Contract;
- (vii) enter into or agree to the terms of any joint venture, strategic alliance, partnership, or similar agreement, arrangement or relationship, other than those currently in place as of the date hereof;
- (viii) other than in respect of the Equity Line and Profit-Sharing Agreement or fees incurred in connection with consummating the transactions contemplated under this Agreement, incur, create, assume or otherwise become liable for, any indebtedness for borrowed money, or any other liability or obligation, other than in respect of trade payables, which trade payables in no event will exceed \$50,000 individually or \$150,000 in the aggregate; issue any debt or derivative securities; or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligation of any other Person; make any loans, capital contribution, investments or advances; or create or permit to be created any Encumbrance on the Business or the property or assets of Terrace or its subsidiaries (other than Permitted Encumbrances) not existing as at the date of this Agreement;
- (ix) pay, discharge or satisfy any material claims, liabilities or obligations of Terrace or any of its subsidiaries other than fees incurred in connection with consummating the transactions contemplated under this Agreement or the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in Terrace's Financial Statements or incurred in the ordinary course of business consistent with past practice;
- (x) waive, release, grant or transfer any rights of value, other material rights, claims or benefits or modify or change any existing Terrace Material Contract, Authorization or Permit, without first advising Purchaser and obtaining Purchaser's consent and direction, as to any action to be taken in that regard, and forthwith taking any action directed by Purchaser, acting reasonably;
- (xi) enter into or modify (or make a promise regarding entering into or modifying) any Employee Plan or any employment, consulting, severance or similar agreements or arrangements with, or grant any bonuses, salary or fee increases, severance or termination pay to, any officers or directors or, in the case of employees or consultants who are not officers or directors, take any action other than in the ordinary course of business and consistent with past practice with respect to the grant of any bonuses, salary or fee increases, severance or termination pay or with respect to any increase of benefits payable in effect on the date of this Agreement *provided, however, that* it is acknowledged and agreed that Terrace will abide by the terms and conditions of any Employment Plan and any employment agreements and consulting agreements, including with respect to the payments of any severance amounts or change of control payments, if applicable;
- (xii) enter into any collective bargaining or similar agreement;
- (xiii) enter into or adopt any shareholder rights plan or similar agreement or arrangement;

- (xiv) take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entities to institute proceedings for the suspension, revocation or limitation of rights under, any Authorizations or Permits; or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities;
- (xv) change any method of Tax accounting; make, revoke or change any Tax election; amend any previously filed Tax Return; file any Tax Return inconsistent with past practice; settle or compromise any Liability for Taxes; agree to an extension or waiver of the limitation period with respect to the assessment, reassessment, or determination of Taxes; enter into any closing agreement with respect to any Tax; surrender any right to claim a material Tax refund; change an annual accounting period; adopt or change any accounting method with respect to Taxes; or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment unless, in each case, Terrace reasonably determines, after prior consultation with Purchaser, that such action is required by Law;
- (xvi) amend its accounting policies or adopt new accounting policies, except as may be required by applicable Law or IFRS;
- (xvii) other than with respect to the Equity Line and Profit-Sharing Agreement, make any capital expenditures in excess of \$10,000;
- (xviii) waive, release, settle, agree to settle or compromise any pending or threatened suit, action, claim, arbitration, mediation, inquiry, proceeding or investigation against Terrace or any of its subsidiaries;
- (xix) engage in any transaction with any related parties, other than transactions with subsidiaries and under employment agreements in the ordinary course of business consistent with past practice;
- (xx) grant, modify sell, lease, license, sublicense, covenant not to assert, abandon, allow to lapse, assign, transfer, or otherwise dispose of or terminate any rights in any Business IP or enter into any agreement relating to Intellectual Property or do or omit to do anything to jeopardize the validity or enforceability of the Business IP, including the non-payment of any application, search, maintenance or other official fees; or (ii) disclosing any Trade Secrets to any other person (except pursuant to sufficiently protective non-disclosure agreements);
- (xxi) take any action that would be reasonably expected to cause a violation by any Person of economic sanctions or export controls, including but not limited to Laws described in Schedule C(ss);
- (xxii) take any action or fail to take any action that prevents, or materially delays, impedes or interferes with, or that would reasonably be expected to prevent or materially delay, impede or interfere with, the ability of the Parties to consummate the transactions contemplated by this Agreement or the Arrangement;
- (xxiii) enter into any transaction or perform any act that would render, or would reasonably be expected to render any representations and warranties made by Terrace set forth in this Agreement untrue or inaccurate in any material respect; or



- (xxiv) announce an intention, enter into any formal or informal agreement, or otherwise make a commitment to do any of the things prohibited by any of the foregoing Subsections.
- (d) Terrace shall use all commercially reasonable efforts to cause its current insurance (or re-insurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse before the Outside Date, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (e) Terrace shall not authorize or propose, or enter into or modify any Contract, agreement, commitment or arrangement, to do any of the matters prohibited by the other Subsections of this Section 5.3.
- (f) Terrace shall promptly notify Purchaser orally and in writing upon becoming aware of any circumstance or development that, to the knowledge of Terrace, would, or could reasonably be expected to, constitute or result in a Material Adverse Effect in respect of Terrace.
- (g) Terrace shall promptly notify Purchaser of any oral or written communications, material and adverse to Terrace, with any creditor of Terrace or Governmental Entity (including any Securities Authority or cannabis regulatory agency), and promptly provide copies of all such written correspondence and any responses by Terrace thereto.

#### **5.4 Covenants of Purchaser Relating to the Conduct of Business**

- (a) The Purchaser covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except (i) with the prior written consent of Terrace (which consent may not be unreasonably withheld, conditioned or delayed), (ii) as required or expressly permitted by this Agreement, or (iii) as required by applicable Law or a Governmental Entity, the Purchaser shall, and shall cause each of its subsidiaries to, conduct its business in the ordinary course in all material respects and in accordance with applicable Laws, and the Purchaser shall use commercially reasonable efforts to maintain and preserve in all material respects its business organization, assets, goodwill, employment relationships with senior management and business relationships with other Persons with which the Purchaser or any of its subsidiaries have business relations.
- (b) Purchaser shall promptly notify Terrace orally and in writing upon becoming aware of any circumstance or development that, to the knowledge of Purchaser, would, or could reasonably be expected to, constitute or result in a Material Adverse Effect in respect of Purchaser.
- (c) Purchaser shall promptly notify Terrace of any oral or written communications, material and adverse to the Purchaser, with any creditor of Purchaser or Governmental Entity (including any Securities Authority or cannabis regulatory agency), and promptly provide copies of all such written correspondence and any responses by Purchaser thereto.
- (d) The Purchaser covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except (i) with the prior written consent of Terrace (which consent may not be unreasonably withheld, conditioned or delayed), (ii) as required or expressly permitted by this Agreement, or (iii) as required by applicable Law or a Governmental Entity, the Purchaser shall not:



- (i) amend or propose to amend its articles or by-laws or other constating documents or the terms of any of its securities except in respect of the Debenture Conversion; or, except as contemplated by this Agreement, split, consolidate or reclassify, or propose to split, consolidate or reclassify, any securities of Purchaser or undertake or propose to undertake any other capital reorganization or change in or exchange of the any securities or the share capital of the Purchaser;
- (ii) reduce its stated capital, or split, combine, subdivide or reclassify any of the Purchaser Common Shares;
- (iii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, securities or property or any combination thereof) in respect of any securities of Purchaser, redeem, purchase or otherwise acquire, or offer to redeem, purchase or otherwise acquire, any outstanding securities of Purchaser other than the securities in respect of the Debenture Conversion, adopt a plan of liquidation or resolution providing for the liquidation, winding-up or dissolution of Purchaser or any of its subsidiaries, or enter into any agreement with respect to any of the foregoing;
- (iv) acquire or agree to acquire (by merger, amalgamation, arrangement, acquisition of shares or assets or otherwise) any Person or division or business unit thereof that is material to the business conducted by Purchaser, or incorporate or form, or agree to incorporate or form, any material Person or make or agree to make any investment either by purchase of shares or securities, contributions of capital, property transfer or purchase of, any property or assets of any other Person that is material to the business conducted by Purchaser;
- (v) incur, create, assume or otherwise become liable for, any indebtedness for borrowed money, or any other liability or obligation, other than in respect of trade payables, issue any debt or derivative securities; or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligation of any other Person; make any loans, capital contribution, investments or advances;
- (vi) except in the ordinary course of business, terminate, except for cause, the employment of any senior management employees of the Purchaser;
- (vii) enter into or modify any employment, consulting, severance or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase securities, profit sharing, deferred compensation, incentive compensation, severance, change of control or termination pay to, or make any loan to, any senior management employee or consultant of Purchaser or any of its subsidiaries and shall cause its subsidiaries not to do any of the foregoing, except as contemplated in Schedule "G".
- (viii) other than grants of equity incentives approved by the Purchaser as of the date hereof, but not yet implemented or awarded, issue, deliver, sell, dispose of or encumber, or agree or offer to issue, deliver, pledge, any Purchaser Common Shares (including, for certainty, through an at-the-market offering) or securities of its subsidiaries, or any securities convertible, exchangeable or exercisable into or for Purchaser Common Shares or securities of its subsidiaries, including, but only with respect to senior management employees, awards under any executive compensation arrangement or stock option plan, or any stock appreciation rights, phantom stock awards or other rights that are linked to the price or value of the Purchaser Common Shares or securities of the subsidiaries of the Purchaser (other than pursuant to the exercise, in accordance with their respective terms, of any options or other convertible securities outstanding on the date hereof), except as contemplated in Schedule "G"; or

- (ix) take any action, or refrain from taking any action (subject to commercially reasonable efforts), or permit any action to be taken or not taken, inconsistent with the provisions of this Agreement or that would reasonably be expected to materially impede the completion of the transactions contemplated hereby.

## **5.5 Indemnification and Insurance**

- (a) Prior to the Effective Date, Terrace shall purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate than the protection provided by the policies maintained by Terrace which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and Purchaser shall, or shall cause Terrace to maintain such tail policies in effect without any reduction in scope or coverage for six years from the Effective Date; provided that Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 200% of Terrace's current annual aggregate premium for policies currently maintained by Terrace. It is understood and agreed that in the event such coverage cannot be obtained for such amount or less, then Terrace shall obtain the maximum amount of coverage as may be obtained for such amount.
- (b) Purchaser and Terrace agree that all rights to indemnification or exculpation now existing in favour of current and former directors or officers of the Terrace Group as provided in the articles, notice of articles and by-laws thereof, or in any agreement, shall survive the completion of the Arrangement and shall continue in full force and effect for a period of not less than six years from the Effective Date.
- (c) Purchaser shall, from and after the Effective Time, honour all rights to indemnification or exculpation now existing in favour of present and former officers and directors of the Terrace Group to the extent that they are contained in Terrace's or the applicable Terrace subsidiary's current articles and/or by-laws, which provisions shall not, except to the extent required by applicable Laws, be amended, repealed or otherwise modified for a period of six years from the Effective Date in any manner that would adversely affect any rights of indemnification of individuals who, immediately prior to the Effective Date, were directors or officers of Terrace or any of the subsidiaries of Terrace.
- (d) If Terrace or any of its subsidiaries or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not a continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to any Person, Purchaser shall ensure that any such successor or assign (including, as applicable, any acquirer of substantially all of the properties and assets of the Terrace Group) assumes all of the obligations set forth in this Section 5.5.

## **ARTICLE 6 CONDITIONS**

### **6.1 Mutual Conditions Precedent**

The obligations of the Parties to complete the Arrangement are subject to the fulfillment of each of the following conditions precedent on or before the Effective Time or the waiver by each of Terrace and Purchaser to the extent permitted by applicable Law and without prejudice to their right to rely on the fulfillment of any other of such conditions:

- (a) the Interim Order having been granted on terms consistent with this Agreement and the Interim Order not having been set aside or modified in a manner unacceptable to either Party, acting reasonably, on appeal or otherwise;
- (b) the Terrace Arrangement Resolution having been passed by the Terrace Shareholders in accordance with the Interim Order;
- (c) the Final Order having been granted on terms consistent with this Agreement and the Final Order not having been set aside or modified in a manner unacceptable to either Party, acting reasonably, on appeal or otherwise;
- (d) there shall have been no action taken under any applicable Law or by any Governmental Entity of competent jurisdiction which makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the completion of the Arrangement;
- (e) the Articles of Arrangement to be filed with the Director in accordance with this Agreement shall be in form and substance acceptable to the Parties, each acting reasonably;
- (f) this Agreement shall not have been terminated in accordance with its terms;
- (g) the TSXV shall have conditionally approved the listing thereon of the Purchaser Common Shares to be issued pursuant to the Arrangement (including any Purchaser Common Shares issuable upon exercise of Purchaser Replacement Options and Purchaser Replacement Warrants), subject in each case only to compliance with the usual requirements of the TSXV, including customary post-closing deliveries;
- (h) the governance agreement entered into on August 20, 2019 between DFT Trading Limited and Mr. Duffy in connection with Purchaser shall be terminated and of no force and effect;
- (i) the Nomination and Voting Agreement, substantially in the form attached as Schedule "F" hereto, shall have been entered into; and
- (j) the Key Regulatory Approvals shall have been obtained.

## **6.2 Additional Conditions Precedent in Favour of Purchaser**

The obligation of Purchaser to complete the Arrangement is subject to the fulfillment of each of the following additional conditions precedent on or before the Effective Time (each of which is for the exclusive benefit of Purchaser and may be waived by Purchaser):

- (a) all covenants of Terrace under this Agreement to be performed on or before the Effective Time which have not been waived by Purchaser shall have been duly performed by Terrace in all material respects and Purchaser shall have received a certificate of Terrace addressed to Purchaser and dated the Effective Date, signed on behalf of Terrace by two of its senior executive officers (on Terrace's behalf and without personal liability), confirming the same as of the Effective Time;
- (b) (i) the representations and warranties of Terrace set forth in this Agreement, that are qualified by reference to materiality or Material Adverse Effect, shall, in all cases, be true and correct in all respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date); and (ii) the representations and warranties of Terrace set forth in this Agreement that are not qualified by materiality or Material Adverse Effect shall be true and correct in all respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where any failure or failures of such

representations and warranties to be so true and correct would not have, individually or in the aggregate, a Material Adverse Effect, and Purchaser shall have received a certificate of Terrace addressed to Purchaser and dated the Effective Date, signed on behalf of Terrace by two senior executive officers of Terrace (on Terrace's behalf and without personal liability), confirming the same as at the Effective Time;

- (c) there shall not have occurred a Material Adverse Effect with respect of Terrace, and Purchaser shall have received a certificate signed on behalf of Terrace by two senior executive officers of Terrace (on Terrace's behalf and without personal liability) to such effect;
- (d) the Terrace Supporting Shareholders shall have voted their Terrace Shares in accordance with the terms of the Terrace Voting Agreement at the Terrace Meeting;
- (e) holders of no more than five percent (5%) of the Terrace Shares shall have duly and validly exercised, and at the date of the Terrace Meeting, have not withdrawn, Dissent Rights;
- (f) Terrace shall have not less than \$[REDACTED – commercially sensitive information] of unencumbered cash as evidenced to the reasonable satisfaction of the Purchaser;
- (g) all of the directors and officers of Terrace and the directors and officers of all of its subsidiaries shall have resigned as required by the Purchaser effective as of the Effective Date and shall have delivered releases in favour of Terrace and its subsidiaries in such form that is satisfactory to the Purchaser, acting reasonably effective as of the Effective Date;
- (h) all of the signatories in respect of the bank accounts held by Terrace and all of the bank accounts held by its subsidiaries shall be replaced effective as of the Effective Date with such signatories as directed by the Purchaser;
- (i) Terrace shall have complied with Section 2.16; and
- (j) the Key Third Party Consents shall have been obtained.

The foregoing conditions will be for the sole benefit of Purchaser and may be waived by the Purchaser in whole or in part at any time in its sole discretion.

### **6.3 Additional Conditions Precedent in Favour of Terrace**

The obligation of Terrace to complete the Arrangement is subject to the fulfillment of each of the following additional conditions precedent on or before the Effective Time (each of which is for the exclusive benefit of Terrace and may be waived by Terrace):

- (a) all covenants of Purchaser under this Agreement to be performed on or before the Effective Time which have not been waived by Terrace shall have been duly performed by Purchaser in all material respects and Terrace shall have received a certificate of Purchaser addressed to Terrace and dated the Effective Date, signed on behalf of Purchaser by two of its senior executive officers (on Purchaser's behalf and without personal liability), confirming the same as of the Effective Time;
- (b) (i) the representations and warranties of Purchaser set forth in this Agreement, that are qualified by reference to materiality shall be true and correct in all respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date); and (ii) the representations and warranties of Purchaser set forth in this Agreement that are not qualified by materiality shall be true and correct in all respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of that specified date), except where the failure or

failures of all such representations and warranties to be so true and correct in all respects would not reasonably be expected to prevent or have a material adverse effect on the ability of Purchaser to perform its obligations under this Agreement or consummate the Arrangement, and Terrace shall have received a certificate of Purchaser addressed to Terrace and dated the Effective Date, signed on behalf of Purchaser by two senior executive officers of Purchaser (on Purchaser's behalf and without personal liability), confirming the same as at the Effective Time;

- (c) there shall not have occurred a Material Adverse Effect with respect of Purchaser, and Terrace shall have received a certificate signed on behalf of Purchaser by two senior executive officers of Purchaser (on Purchaser's behalf and without personal liability) to such effect;
- (d) the ATB Credit Agreement has been amended in accordance with the terms agreed to in writing by the Parties;
- (e) the Debenture Conversion shall have been completed in accordance with the terms of the Debenture Support Agreement;
- (f) the Insiders shall have consented to, or voted for, the Debenture Indenture Amendments, as applicable, and converted their Debentures in accordance with the terms of the Debenture Support Agreement;
- (g) any other holders of Debentures who have signed support agreements with Terrace in connection with the Debenture Indenture Amendments shall have consented to, or voted for, the Debenture Indenture Amendments, as applicable, in accordance with the terms of the Debenture Support Agreements;
- (h) if applicable, the Purchaser Supporting Securityholders shall have voted their Purchaser Securities in accordance with the terms of the Purchaser Voting Agreement at any meeting of securityholders of the Purchaser held in connection with any Purchaser Securityholder Approval; and
- (i) Purchaser shall have complied with its obligations under Section 2.9 and the Depositary shall have confirmed receipt of the aggregate Consideration contemplated thereby.

The foregoing conditions will be for the sole benefit of Terrace and may be waived by Terrace in whole or in part at any time in its sole discretion.

#### **6.4 Notice and Cure Provisions**

- (a) Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Agreement and the Effective Time, of any event or state of facts which occurrence or failure would, or would be likely to:
  - (i) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Time; or
  - (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder prior to the Effective Time.
- (b) Purchaser may not exercise its rights to terminate this Agreement pursuant to Subsection 8.2(a)(iii)C (except in the case of a breach of Section 2.16, in which case this Section 6.4(b) shall not apply) and Terrace may not exercise its right to terminate this Agreement pursuant to Subsection 8.2(a)(iv)A unless the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and

warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfilment or the applicable condition or termination right, as the case may be. If any such notice is delivered, provided that a Party is proceeding diligently to cure such matter and such matter is capable of being cured, no Party may terminate this Agreement until the expiration of a period of ten (10) Business Days from such notice, and then only if such matter has not been cured by such date. If such notice has been delivered by Terrace to the Purchaser less than ten (10) Business Days prior to the Terrace Meeting, the Terrace Meeting shall be adjourned or postponed until the earlier of (i) the expiry of such period, and (ii) five (5) Business Days prior to the Outside Date. If such notice has been delivered by the Purchaser to Terrace less than ten (10) Business Days prior to the Terrace Meeting, then the Terrace Meeting may only be adjourned or postponed at the request of the Purchaser. For greater certainty, in the event that such matter is cured within the time period referred to herein without having a Material Adverse Effect with respect to the applicable Party, this Agreement may not be terminated as a result of the cured breach.

## **6.5 Satisfaction of Conditions**

Other than as set forth in this section, the conditions precedent set out in Section 6.1, Section 6.2 and Section 6.3 shall be conclusively deemed to have been satisfied, waived or released when the Certificate of Arrangement is issued by the Director following filing of the Articles of Arrangement with the consent of the Parties in accordance with the terms of this Agreement.

## **ARTICLE 7 ADDITIONAL COVENANTS**

### **7.1 Covenant Regarding Non-Solicitation**

Terrace shall, and shall direct and cause its Representatives to immediately cease and cause to be terminated any solicitation, encouragement, activity, discussion or negotiation with any parties (other than Purchaser and its Representatives) that may be ongoing with respect to an Acquisition Proposal whether or not initiated by Terrace, discontinue access to any parties who are not Purchaser and its Representatives to any data room that contains information regarding the Terrace Group, and to the extent Terrace entered into a confidentiality agreement with any such parties, Terrace shall within two Business Days of the date hereof, to the extent it is permitted to do so under applicable Laws, request the return or destruction of information regarding the Terrace Group previously provided to such parties, in each case, pursuant to any such confidentiality agreement. Terrace agrees not to release or permit the release of any Person from, or waive or forbear in the enforcement of, any confidentiality agreement or other similar agreement relating to an Acquisition Proposal to which such third party is a party provided, however, the Parties acknowledge and agree that the automatic termination or release of any such agreement, restriction or covenant in accordance with its terms shall not be a violation of this Section 7.1. Terrace further agrees not to release or permit the release of any Person from, or waive or forbear in the enforcement of, any standstill or similar agreement or obligation to which such third party is a party or by which such third party is bound; provided, however, the Parties acknowledge and agree that the automatic termination or release of any such agreement, restriction or covenant in accordance with its terms shall not be a violation of this Section 7.1.

### **7.2 Covenant Regarding Acquisition Proposal**

- (a) Subject to Section 7.3 or unless expressly permitted pursuant to this Section 7.2, Terrace agrees that it shall not, and shall cause its Representatives (including the Terrace Board) not to, directly or indirectly:
  - (i) make, solicit, initiate, entertain, encourage, promote or knowingly facilitate, (including by way of furnishing non-public information, permitting any visit to its facilities or properties or entering into any form of agreement, arrangement or understanding, other than a confidentiality agreement or standstill agreement permitted under Section 7.2(b)) any



inquiries or offers or the making of any proposals regarding or that would reasonably be expected to constitute an Acquisition Proposal or that would be reasonably be expected to lead to an Acquisition Proposal;

- (ii) participate, directly or indirectly, in any discussions or negotiations regarding, or furnish to any Person any non-public information or otherwise co-operate with, respond to, assist or participate in any Acquisition Proposal or participate in any discussions or negotiations regarding an actual or potential Acquisition Proposal, or furnish any information or access to any Person (other than Purchaser and its Representatives) with respect to any inquiries, proposals or offers that constitute, or that would reasonably be expected to lead to, an actual or potential Acquisition Proposal, provided however that Terrace may communicate and participate in discussions with a third party solely for the purpose of advising such third party that an Acquisition Proposal does not constitute a Superior Proposal and cannot reasonably be expected to result in a Superior Proposal;
  - (iii) remain neutral with respect to, or agree to, approve or recommend any, Acquisition Proposal or potential Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for three (3) Business Days following formal announcement of such Acquisition Proposal shall not be considered to be a violation of this Subsection 7.2(a)(iii));
  - (iv) (A) withhold, withdraw, amend, modify or qualify, or publicly propose to withhold, withdraw, amend, modify or qualify, the Terrace Board Recommendation in a manner adverse to Purchaser, the Arrangement or the Terrace Arrangement Resolution; (B) fail to include the Terrace Board Recommendation in the Terrace Circular; (C) endorse, approve or recommend or publicly propose to endorse, approve or recommend any Acquisition Proposal or publicly declare it advisable that Terrace enter into an agreement relating to any Acquisition Proposal or that Terrace Shareholders vote in favour of an Acquisition Proposal or against the Terrace Arrangement Resolution; or (D) refrain from recommending against any Acquisition Proposal that is a take-over bid, tender offer or exchange offer within three (3) Business Days after the commencement thereof (or in the event that the Terrace Meeting is scheduled to occur within such three (3) Business Day period, on or prior to the Business Day immediately prior to the date of the Terrace Meeting) (any of the actions set forth in clauses (A) through (D), a “**Change in Recommendation**”); or
  - (v) enter into any agreement, arrangement or understanding related to any Acquisition Proposal or requiring it to abandon, terminate or fail to consummate the Arrangement or providing for the payment of any break, termination or other fees or expenses to any Person in the event that the Arrangement is completed or in the event that it completes any other transaction with Purchaser or with an affiliate of Purchaser that is agreed to prior to any termination of this Agreement (other than a confidentiality or standstill agreement permitted under Section 7.2(b)).
- (b) Notwithstanding anything contained in this Section 7.2 and any other provisions of this Agreement, the Terrace Board and its Representatives may, if at any time prior to obtaining the approval by the Terrace Shareholders of the Arrangement Resolution, consider, participate in any discussions or negotiations with and provide information to, any arm’s length Person who has delivered a *bona fide* written Acquisition Proposal which did not result from a breach of Section 7.1, Section 7.2 or Section 7.3 by Terrace and that the Terrace Board determines in good faith, after consultation with its financial advisor and outside legal counsel, that such Acquisition Proposal is a Superior Proposal, or would reasonably be expected to constitute a Superior Proposal; provided, however, that prior to taking any such action the Terrace Board shall determine in good faith, after consultation with outside legal counsel that it is necessary to take such action in order to properly discharge its fiduciary duties, and if Terrace provides confidential non-public information to such Person, Terrace obtains a confidentiality agreement from the

Person making such Acquisition Proposal that is substantively similar to the Confidentiality Agreement, and otherwise on terms no more favourable to such Person than the Confidentiality Agreement, including a standstill provision, provided that such confidentiality agreement shall not preclude such Person from making a Superior Proposal and such agreement shall not restrict or prohibit Terrace from disclosing to Purchaser any details concerning the Acquisition Proposal or any Superior Proposal made by such Person to the extent contemplated by this Agreement. Terrace shall be permitted to provide such Person with access to information regarding Terrace; provided that Terrace sends a copy of any such confidentiality agreement to Purchaser promptly upon its execution and Purchaser is provided with a list of the information provided to such Person and is promptly provided with access to the same information to which such Person was provided.

- (c) Terrace shall promptly (and in any event within 24 hours) notify Purchaser, at first orally and then in writing, of any proposals, offers or inquiries relating to or constituting or that would reasonably be expected to lead to an Acquisition Proposal or any request for non-public information relating to Terrace or any of its subsidiaries. Such notice shall include a description of the terms and conditions of any proposal, inquiry or offer, the identity of the Person making such proposal, inquiry or offer, a copy of the proposal, offer or inquiry (if written), and provide such other details of the proposal, inquiry or offer as Purchaser may reasonably request. Terrace shall keep Purchaser fully informed on a prompt basis of the status, including any change to the material terms, of any such proposal, inquiry or offer.
- (d) Terrace shall ensure that its officers, directors and any financial advisors or other advisors or Representatives retained by it are aware of the provisions of Section 7.1 and this Section 7.2, and Terrace shall be responsible for any breach of Section 7.1 or this Section 7.2 by such officers, directors, financial advisors or other advisors or Representatives.
- (e) Notwithstanding any of the provisions of this Agreement, if a Material Adverse Effect has occurred with respect to Purchaser prior to the Terrace Meeting, Terrace and the Terrace Board shall not be prohibited from advising Terrace Shareholders of such fact; provided that, the Terrace Board has reasonably determined in good faith after consultation with its outside legal counsel that the failure to do so would be inconsistent with its fiduciary duties.
- (f) Nothing contained in this Agreement will prohibit Terrace or the Terrace Board from complying with applicable Securities Laws in respect of the Arrangement or an Acquisition Proposal; provided that the foregoing shall in no way eliminate or modify the effect that such act or disclosure would otherwise have under this Agreement; and provided further that this Section 7.2(f) shall not permit nor be deemed to permit Terrace or the Terrace Board to effect a Change in Recommendation except in accordance with Section 7.3 and shall not otherwise diminish nor derogate from the obligations and covenants of Terrace and the Terrace Board under this Agreement.

### **7.3 Right to Accept a Superior Proposal**

- (a) If Terrace has complied with Section 7.1 and Section 7.2 of this Agreement, Terrace may accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality agreement, the execution of which shall not be subject to the conditions of this Section 7.3) received by Terrace prior to the date of the approval of the Terrace Arrangement Resolution and terminate this Agreement if, and only if:
  - (i) Terrace has provided Purchaser with an unredacted copy of a draft definitive agreement in respect of the Superior Proposal;
  - (ii) Terrace has provided Purchaser with the information regarding such Superior Proposal required under Section 7.2(c);



- (iii) the Terrace Board has determined in good faith, after consultation with its financial advisors and its outside legal counsel that it is necessary in order for the Terrace Board to discharge properly its fiduciary duties to effect a Change in Recommendation and/or accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal,;
- (iv) five (5) Business Days (the “**Superior Proposal Notice Period**”) shall have elapsed from the later of (A) the date Purchaser received written notice (a “**Superior Proposal Notice**”) advising it that Terrace’s Board has determined that the Acquisition Proposal constitutes a Superior Proposal and has resolved and intends to accept, approve, recommend or enter into an agreement in respect of such Superior Proposal subject only to this Section 7.3, and (B) the date Purchaser was delivered a copy of such Superior Proposal document in Subsection 7.3(a)(i); and
- (v) Terrace has complied with Section 7.3(b) and, if any offer to amend this Agreement is delivered by Purchaser pursuant to Section 7.3(b), the Terrace Board has determined that any amended proposal of Purchaser referred to in Section 7.3(b) would, upon acceptance by Terrace, not result in the Superior Proposal ceasing to be a Superior Proposal.

In the event that Terrace provides Purchaser with a Superior Proposal Notice on a date that is less than five (5) Business Days prior to the scheduled date of the Terrace Meeting, Terrace shall at the request of Purchaser, adjourn such meeting to a date that is not less than five (5) Business Days and not more than fifteen (15) days after the date of the scheduled date of the Terrace Meeting (and in such event, Terrace shall not be deemed to be in breach of Section 2.2(b) due to the change in the date of the Terrace Meeting).

- (b) During the Superior Proposal Notice Period, Terrace agrees that Purchaser shall have the right, but not the obligation, to offer in writing to amend the terms of this Agreement. The Terrace Board will review any written proposal to amend the terms of this Agreement in good faith in order to determine, in the exercise of its fiduciary duties, whether the amended proposal would, upon acceptance by Terrace, result in such Superior Proposal ceasing to be a Superior Proposal.
- (c) Upon the expiry of the Superior Proposal Notice Period, if: (i) Purchaser has determined not to offer in writing to amend the terms of this Agreement pursuant to Section 7.3(b); or (ii) the Terrace Board has determined that any offer by Purchaser in writing to amend the terms of this Agreement (pursuant to Section 7.3(b)) would, upon acceptance by Terrace, not result in any Superior Proposal ceasing to be a Superior Proposal, then Terrace may effect a Change in Recommendation and/or accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal, provided that Terrace must: (i) terminate this Agreement pursuant to Section 8.2(a)(iv)B; and (ii) pay the Termination Payment pursuant to the provisions in Section 8.3 hereof.
- (d) Terrace also acknowledges and agrees that each successive material modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of the requirements of Section 7.3 and will initiate a new Superior Proposal Notice Period.

#### **7.4 Access to Information; Confidentiality; Transition**

From the date hereof until the earlier of the Effective Time and the termination of this Agreement pursuant to its terms, subject to compliance with applicable Law and the terms of any existing Contracts, Terrace shall, and shall cause its Representatives to afford to Purchaser and to Representatives of Purchaser, at Purchaser’s sole expense, reasonable access during normal business hours upon reasonable notice, to the properties, information and records relating to, and the personnel of, the Terrace Group, including but not limited to, the related facilities, books, contracts, financial statements, forecasts, financial projections (to the extent permitted by confidentiality agreements in force on the date hereof), studies, records,

operating Permits, Authorizations and any other documentation (whether in writing or stored in computerized, electronic, disk, tape, microfilm or any other form), and Purchaser and Terrace acknowledge and agree that information furnished pursuant to this Section 7.4 shall be subject to the terms and conditions of the Confidentiality Agreement; provided, however, that (a) Purchaser shall provide Terrace with at least one (1) Business Day prior written notice of any requested on site access to any real property of Terrace, (b) if Terrace so requests, Purchaser shall be accompanied by a Representative of Terrace and (c) Purchaser and its Representatives shall conduct any such activities in such a manner as not to unreasonably interfere with the business or operations of Terrace. In no event shall Terrace be obligated to provide such access or information if Terrace determines, in its reasonable judgment and on the advice of legal counsel, that doing so is reasonably likely to (i) violate applicable Law or any other obligation owing to a third Person, (ii) waive or jeopardize the protection of the solicitor-client privilege or any other similar privilege or immunity, or (iii) expose Terrace or any of its subsidiaries to risk of Liability for disclosure of sensitive, confidential or personal information (the limitations contemplated in clauses (i) through (iii), but giving effect to the following proviso, the “**Access Limitations**”); provided that to the extent that Terrace asserts that an Access Limitation applies, the Parties shall use all commercially reasonable efforts to establish a process that would provide Purchaser or its applicable Representatives with such access or information in a manner that would not result in a violation of the Access Limitations. It is further agreed that, prior to the Effective Time, Purchaser and its Representatives shall not contact any of the employees, customers, distributors or suppliers of Terrace or its subsidiaries in connection with the transactions contemplated by this Agreement, without the specific written authorization of Terrace, which consent may not be unreasonably withheld, delayed or conditioned. Each of Purchaser and Terrace shall, and shall cause their subsidiaries and their respective Representatives to, as the case may be, work cooperatively and in good faith to ensure an orderly transition following the Effective Time, including with respect to transitional planning, transitional services, and the retention of personnel (and any related arrangements thereto). From the date hereof until the earlier of the Effective Time and the termination of this Agreement pursuant to its terms, Terrace will maintain the access of Purchaser and its Representatives to the information contained as at the date of this Agreement in any data room that contains information regarding the Terrace Group to which Purchaser and its Representatives have access as at the date of this Agreement.

## **7.5 Other Deliveries**

Concurrent with the execution and delivery of this Agreement, Terrace shall deliver to Purchaser all of the Terrace Voting Agreement executed by the Terrace Supporting Shareholders.

## **ARTICLE 8 TERM, TERMINATION, AMENDMENT AND WAIVER**

### **8.1 Term**

This Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with its terms.

### **8.2 Termination**

(a) This Agreement may be terminated:

- (i) at any time prior to the Effective Time by mutual written agreement of Terrace and Purchaser;
- (ii) by either Terrace or Purchaser, if:
  - A. the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate this Agreement under this Subsection 8.2(a)(ii)A shall not be available to any Party whose failure to fulfil any of its obligations or breach

any of its covenants, representations and warranties under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before the Outside Date; *provided however*, that if completion of the Arrangement is delayed by (i) an injunction or order made by a Governmental Entity of competent jurisdiction, or (ii) Purchaser or Terrace not having obtained any regulatory waiver, consent or approval or the Interim Order or the Final Order which is necessary to permit the completion of the Arrangement such that the conditions set forth in Section 6.1(h) shall not have been satisfied or waived then, provided that such injunction or order is being contested or appealed or such regulatory waiver, consent or approval or the Interim Order or the Final Order is being actively sought, as applicable, except in the case where such regulatory waiver, consent or approval or the Interim Order or the Final Order has not been obtained as a result of the conditions set forth in Section 2.7(b) (in which case there shall be no automatic extension of the Outside Date), the Outside Date shall automatically be extended for an additional period of 30 days;

- B. any Governmental Entity of competent jurisdiction shall have issued an order, decree or ruling or there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or otherwise restrains, enjoins or prohibits Terrace or Purchaser from consummating the Arrangement (unless such order, decree, ruling or applicable Law has been withdrawn, reversed or otherwise made inapplicable) and, if applicable, such order, decree, ruling or applicable Law or enjoinder shall have become final and non-appealable; or
- C. the Terrace Shareholder Approval shall not have been obtained at the Terrace Meeting in accordance with applicable Law and the Interim Order.
- D. any approval of shareholders of Purchaser or holders of Debentures, in connection with the Debenture Conversion, the Arrangement or any of the other transactions contemplated under this Agreement required under applicable Securities Laws (including the TSXV) or in accordance with the terms of the Debentures, shall have not been obtained.

(iii) by Purchaser, if:

- A. prior to the approval by the Terrace Shareholders of the Terrace Arrangement Resolution (1) the Terrace Board shall have made a Change in Recommendation, (2) the Terrace Board shall have approved or recommended an Acquisition Proposal, or (3) Terrace shall have entered into a definitive agreement with respect to a Superior Proposal;
- B. the Terrace Meeting has not occurred on or before December 23, 2020 or such later date as may be agreed by Terrace and Purchaser in writing, provided that the right to terminate this Agreement pursuant to this Section 8.2(a)(iii)B shall not be available to Purchaser if the Terrace Meeting does not occur on or before such date: (1) due to an adjournment, postponement or cancellation of the Terrace Meeting (x) as required by Purchaser in accordance with the terms of this Agreement, or (y) pursuant to Section 6.4(b); (2) pursuant to Section 2.7(b); (3) due to the failure by Purchaser to fulfil any obligation of Purchaser hereunder which is the cause of, or results in, the failure of the Terrace Meeting to occur on or before such date; or (4) due to any action taken under any applicable Law or by a Governmental Entity of competent jurisdiction which makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the occurrence of the Terrace Meeting on or before such date;

- C. subject to Section 6.4, Terrace is in default of a covenant or obligation hereunder (other than Sections 7.1, 7.2 and 7.3) that would cause the condition contained in Section 6.2(a) not to be satisfied, or Terrace breaches any representation or warranty of Terrace under this Agreement which would cause the condition contained in Section 6.2(b) not to be satisfied; provided that Purchaser is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.2(a) or Section 6.2(b) not to be satisfied;
  - D. there shall have occurred a Material Adverse Effect in respect of Terrace which would cause the condition in Section 6.2(c) not to be satisfied; or
  - E. Terrace shall have breached any of its obligations set forth in Sections 7.1, 7.2 or 7.3.
- (iv) by Terrace, if
- A. subject to Section 6.4, Purchaser is in default of a covenant or obligation hereunder that would cause the condition contained in Section 6.3(a) not to be satisfied, or Purchaser breaches any representation or warranty of Purchaser under this Agreement which would cause the condition contained in Section 6.3(b) not to be satisfied; provided that Terrace is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 6.3(a) or 6.3(b) not to be satisfied;
  - B. Terrace proposes to enter into any agreement, arrangement or understanding with respect to a Superior Proposal (other than a confidentiality agreement permitted by Section 7.2), subject to and in compliance with Article 7 and Terrace has paid or causes to be paid the Termination Payment in accordance with Subsection 8.3(b)(ii);
  - C. to the extent required pursuant to applicable securities laws (including the rules of the TSXV), any meeting of securityholders of Purchaser that is required to be held in connection with any Purchaser Securityholder Approval and such securityholders' meeting of Purchaser has not occurred on or before December 23, 2020 or such later date as may be agreed by Terrace and Purchaser in writing, provided that the right to terminate this Agreement pursuant to this Section 8.2(a)(iv)C shall not be available to Terrace if such securityholders' meeting of Purchaser does not occur by such date: (1) due to the failure by Terrace to fulfil any obligation of Terrace hereunder is the cause of, or results in, the failure of such securityholders' meeting of Purchaser to occur on or before such date; or (2) due to any action taken under any applicable Law or by a Governmental Entity of competent jurisdiction which makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the occurrence of such securityholders' meeting of Purchaser on or before such date; or
  - D. there shall have occurred a Material Adverse Effect in respect of the Purchaser which would cause the condition in Section 6.3(c) not to be satisfied;
- (b) Subject to Section 6.4(b), the Party desiring to terminate this Agreement pursuant to this Section 8.2 (other than pursuant to Subsection 8.2(a)(i)) shall give notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.
- (c) If this Agreement is terminated pursuant to this Section 8.2, this Agreement shall become void and be of no further force or effect without liability of any Party (or any shareholder, director,

officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except that the provisions of this Section 8.2(c) and Sections 2.5(c), 2.10, 5.5, 8.3, 9.1, 9.2, 9.3, 9.4, 9.6, 9.7 and 9.8 and all related definitions set forth in Section 1.1 and the provisions of the Confidentiality Agreement shall survive any termination of this Agreement pursuant to this Section 8.2; provided further that neither the termination of this Agreement pursuant to this Section 8.2 nor anything contained in this Section 8.2 shall relieve a Party from any Liability arising prior to such termination arising from any breach of this Agreement or fraud.

### 8.3 Expenses and Termination Payments

- (a) Except as otherwise provided herein, the Parties agree that all costs and expenses of the Parties relating to the Arrangement and the transactions contemplated in this Agreement, including legal fees, accounting fees, financial advisory fees, strategic advisory fees, regulatory filing fees, stock exchange fees, all disbursements of advisors and printing and mailing costs, shall be paid by the Party incurring such expenses.
- (b) The Termination Payment shall be payable by Terrace to Purchaser in the event that the Agreement is terminated in the following circumstances:
  - (i) the termination of this Agreement pursuant to Subsection 8.2(a)(iii)A, 8.2(a)(iii)B or 8.2(a)(iii)E, in which case the Termination Payment shall be paid to Purchaser as soon as practicable and in any event within two (2) Business Days of the day on which this Agreement is terminated;
  - (ii) the termination of this Agreement pursuant to Subsection 8.2(a)(iv)B, in which case the Termination Payment shall be paid to Purchaser concurrently with the earlier of the termination of this Agreement and the execution of a definitive agreement in respect of a Superior Proposal; or
  - (iii) the termination of this Agreement pursuant to Subsection 8.2(a)(ii)A, 8.2(a)(ii)C or 8.2(a)(iii)C if, in any such case, prior to the earlier of the termination of this Agreement or the holding of the Terrace Meeting, (A) an Acquisition Proposal, or the intention to make an Acquisition Proposal, with respect to Terrace shall have been made to Terrace and made known to Terrace Shareholders or publicly announced by any Person (other than Purchaser or any of its affiliates) and not withdrawn prior to the Terrace Meeting, and (B) within twelve (12) months after the later of the date of termination of this Agreement or the holding of the Terrace Meeting either (x) any Acquisition Proposal has been accepted, recommended, approved or entered into by the Terrace Board or by Terrace, and if applicable has not expired, been withdrawn or been publicly abandoned, in which case the Termination Payment shall be paid to Purchaser concurrently with the completion, consummation or effectiveness of such Acquisition Proposal (whether or not such Acquisition Proposal is completed, consummated or effected during or after such twelve (12) month period), or (y) any Person or company acquires, directly or indirectly, more than 50% of the issued and outstanding Terrace Shares or more than 50% of the consolidated assets of Terrace under any Acquisition Proposal, in which case the Termination Payment shall be paid to Purchaser at the time that the Terrace Shares or assets of Terrace are acquired as described in this clause (y). For the purpose of this Subsection 8.3(b)(iii), the term "Acquisition Proposal" shall have the meaning ascribed to such term in Section 1.1, except that references to "20%" shall be deemed to be "50%".
- (c) In the event this Agreement is terminated by Terrace or Purchaser pursuant to Section 8.2(a)(ii)D or by Terrace pursuant to Section 8.2(a)(iv)C, then the Purchaser shall pay to Terrace within two (2) Business Days of the day the Agreement is terminated \$500,000 (the "**Expense Reimbursement Amount**"). In the event this Agreement is terminated by Terrace or the Purchaser pursuant to Section 8.2(a)(ii)C, then Terrace shall pay to the Purchaser within two (2) Business Days of the day the Agreement is terminated the Expense Reimbursement Amount. If

the Expense Reimbursement Amount is paid by Terrace to Purchaser in accordance with this Section 8.3(c), in the event Terrace becomes liable to pay the Termination Payment to Purchaser pursuant to Section 8.3(b)(iii), the amount of the Expense Reimbursement shall be credited against the Termination Payment payable by Terrace pursuant to Section 8.3(b)(iii). For greater certainty, in no event shall Terrace be required to pay to the Purchaser in connection with this Section 8.3, in the aggregate, an amount in excess of the Termination Payment.

- (d) The Parties hereby acknowledge that the Termination Payment and the Expense Reimbursement Amount to which either Party may become entitled to is a payment of liquidated damages which is a genuine pre-estimate of the damages which such Party will suffer or incur as a result of the event giving rise to such damages and the resultant non-completion of the transactions contemplated by this Agreement and is not a penalty. Each Party hereby irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. Upon receipt by Purchaser of any Termination Payment or Expense Reimbursement Amount (provided that in the case of payment of the Expense Reimbursement Amount paid to Purchaser, Purchaser shall retain its rights under Section 8.3(b)(iii) payable or receipt by Terrace of the Expense Reimbursement Amount, such Party shall have no further Claim against the other Party at Law or in equity or otherwise (including injunctive relief to restrain any breach or threatened breach by such Party of any of its obligations hereunder or otherwise to obtain specific performance).

#### **8.4 Amendment**

Subject to the provisions of the Interim Order and Final Order, the Plan of Arrangement and applicable Law, this Agreement and the Plan of Arrangement may, at any time and from time to time prior to the Effective Time, be amended only by mutual written agreement of Purchaser and Terrace, without, subject to applicable Laws, further notice to or authorization on the part of the Terrace Shareholders, and any such amendment may without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and
- (d) waive compliance with or modify any mutual conditions precedent herein contained; provided, however, notwithstanding the foregoing, following the Terrace Meeting, the Consideration shall not be amended without the approval of the Terrace Shareholders.

#### **8.5 Waiver**

Any Party may (a) extend the time for the performance of any of the obligations or acts of the other Party, (b) waive compliance, except as provided herein, with any of the other Party's agreements or the fulfilment of any conditions to its own obligations contained herein, or (c) waive inaccuracies in any of the other Party's representations or warranties contained herein or in any document delivered by the other Party, in each case only to the extent such obligations, agreements and conditions are intended for its benefit. No extension or waiver shall be valid unless set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived and shall not extend to any other matter or occurrence. No failure or delay in exercising any right, power or privilege under this Agreement will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under this Agreement.



**ARTICLE 9  
GENERAL PROVISIONS AND MISCELLANEOUS**

**9.1 Privacy**

Each Party shall comply with applicable privacy Laws in the course of collecting, using and disclosing Personal Information in connection with the transactions contemplated hereby (the “**Transaction Personal Information**”). Neither Party shall disclose Transaction Personal Information to any Person other than to its advisors who are evaluating and advising on the transactions contemplated by this Agreement. If Purchaser completes the transactions contemplated by this Agreement, Purchaser shall not, following the Effective Date, without the consent of the individuals to whom such Transaction Personal Information relates or as required by applicable Law, use or disclose Transaction Personal Information:

- (a) for purposes other than those for which such Transaction Personal Information was collected, used or disclosed by Terrace prior to the Effective Date; and
- (b) which does not relate directly to the carrying on of the business of Terrace (including carrying on the Business) or to the carrying out of the purposes for which the transactions contemplated by this Agreement were implemented;

The Parties shall protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure. Purchaser shall cause its advisors to observe the terms of this Section 9.1 and to protect and safeguard all Transaction Personal Information in their possession. If the Arrangement is not consummated or this Agreement shall be terminated, each Party shall promptly deliver to the other Party all Transaction Personal Information in its possession or in the possession of any of its advisors, including all copies, reproductions, summaries or extracts thereof, except, unless prohibited by applicable Law, for electronic backup copies made automatically in accordance with the usual backup procedures of the Party returning such Transaction Personal Information.

**9.2 Notices**

All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed to have been duly given and received on the day it is delivered, provided, however, that it is delivered on a Business Day prior to 4:30 p.m. Toronto time in the place of delivery or receipt. However, if notice is delivered after 4:30 p.m. Toronto time or if such day is not a Business Day then the notice shall be deemed to have been given and received on the next Business Day. Notice shall be sufficiently given if delivered (either in Person, by courier service or other personal method of delivery), or if transmitted by email to the Parties at the following addresses (or at such other addresses as shall be specified by any Party by notice to the other given in accordance with these provisions):

- (a) if to Purchaser:

The Flowr Corporation  
60 Adelaide Street East, Toronto, Ontario, M5C 3E4

Attention: Andrew Teehan  
Email: [REDACTED – personal contact information]

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

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

Attention: John Sabetti  
Email: [REDACTED – personal contact information]

(b) if to Terrace:

Terrace Global Inc.  
365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1

Attention: Francisco Ortiz von Bismarck  
Email: [REDACTED – personal contact information]

with a copy (that shall not constitute notice) to:

Wildeboer Dellelce LLP  
365 Bay Street, Suite 800  
Toronto, Ontario M5H 2V1

Attention: Jeff Hergott  
Email: [REDACTED – personal contact information]

### **9.3 Governing Law**

This Agreement shall be governed, including as to validity, interpretation and effect, by the Laws of the Province of Ontario and the Laws of Canada applicable therein, without giving effect to any principles of conflict of Laws thereof which would result in the application of the Laws of any other jurisdiction. Each of the Parties hereby irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario in respect of all matters arising under and in relation to this Agreement and the Arrangement.

### **9.4 Injunctive Relief**

Subject to Sections 8.3(c) and 8.3(d), the Parties acknowledge and agree that irreparable harm would occur for which money damages would not be an adequate remedy at Law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the Parties agree that, in the event of any breach or threatened breach of this Agreement by a Party, the non-breaching Party will be entitled, without the requirement of posting a bond or other security, to equitable relief, including injunctive relief and specific performance, and the Parties shall not object to the granting of injunctive or other equitable relief on the basis that there exists an adequate remedy at Law. Subject to Sections 8.3(c) and 8.3(d), such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available at Law or equity to each of the Parties.

### **9.5 Time of Essence**

Time shall be of the essence in this Agreement.

### **9.6 Entire Agreement, Binding Effect and Assignment, Third Party Beneficiaries**

(a) This Agreement (including the exhibits and schedules hereto, the Terrace Disclosure Letter and the other agreements, documents and certificates delivered pursuant to this Agreement) and the Confidentiality Agreement constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof and thereof and, except as expressly provided herein, this Agreement is not intended to and shall not confer upon any Person other than the Parties any rights or remedies hereunder; provided, however, that the insured and indemnified persons and their heirs, executors, administrators and other legal representatives, in each case as



contemplated by Section 5.5 shall be express third party beneficiaries of Section 5.57.5. This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the Parties without the prior written consent of the other Parties.

- (b) Except as provided in Section 5.5, which, without limiting its terms, is intended as a stipulation for the benefit of the third Persons mentioned in such provision, the Parties intend that this Agreement shall not benefit or create any right or cause of action in favour of any Person, other than the Parties and that no Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

#### **9.7 No Liability**

No director or officer of Purchaser shall have any personal liability whatsoever to Terrace under this Agreement, or any other document delivered in connection with the transactions contemplated hereby on behalf of Purchaser. No director or officer of Terrace shall have any personal liability whatsoever to Purchaser under this Agreement, or any other document delivered in connection with the transactions contemplated hereby on behalf of Terrace.

#### **9.8 Severability**

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

#### **9.9 Counterparts, Execution**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement among the Parties.

*[Remainder of page intentionally left blank; signature page follows]*

IN WITNESS WHEREOF the Parties have executed this Arrangement Agreement as of the date first written above by their respective officers thereunto duly authorized.

**THE FLOWR CORPORATION**

Per: (signed) "Vinay Tolia"  
Vinay Tolia  
Chief Executive Officer

**TERRACE GLOBAL INC.**

Per: (signed) "Francisco Ortiz von Bismarck"  
Francisco Ortiz von Bismarck  
Chief Executive Officer and Director

**SCHEDULE A  
PLAN OF ARRANGEMENT**

## PLAN OF ARRANGEMENT

### PLAN OF ARRANGEMENT UNDER SECTION 182 OF THE *BUSINESS CORPORATIONS ACT (ONTARIO)*

#### ARTICLE 1 INTERPRETATION

##### 1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith and unless otherwise indicated, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

- (a) “**Arrangement**” means the arrangement of Terrace under Section 182 of the OBCA, on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 8.4 of the Arrangement Agreement or ARTICLE 6 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the consent of Terrace and Purchaser, each acting reasonably;
- (b) “**Arrangement Agreement**” means the agreement made as of October 19, 2020 between Terrace and Purchaser, including the schedules thereto, as the same may be supplemented, amended and/or amended and restated from time to time;
- (c) “**Articles of Arrangement**” means the articles of arrangement of Terrace in respect of the Arrangement required by the OBCA, to be sent to the Director after the Final Order is made, which shall be in a form and content satisfactory to the Parties, each acting reasonably;
- (d) “**Business Day**” means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Toronto, Ontario are authorized or required by applicable Law to be closed;
- (e) “**Certificate of Arrangement**” means the certificate of arrangement to be issued by the Director pursuant to subsection 183(2) of the OBCA in respect of the Articles of Arrangement;
- (f) “**Claim**” means (i) any suit, action, proceeding, dispute, investigation, claim, arbitration, order, summons, citation, directive, ticket, charge, demand or prosecution, whether legal or administrative; or (ii) any appeal or application for review; whether at Law or in equity or by any Governmental Entity;
- (g) “**Consideration**” means the consideration to be received by Terrace Shareholders pursuant to the Plan of Arrangement, which is 0.4973 Purchaser Common Shares in respect of each Terrace Share that is issued and outstanding immediately prior to the Effective Time;
- (h) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (i) “**Depository**” means Computershare Trust Company of Canada;
- (j) “**Director**” means the director appointed pursuant to Section 278 of the OBCA;
- (k) “**Dissent Rights**” has the meaning ascribed thereto in Section 4.1;
- (l) “**Dissenting Shareholder**” means a registered Terrace Shareholder who has duly and validly exercised the Dissent Rights in respect of the Terrace Arrangement Resolution in strict compliance with the Dissent Rights and who has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

- (m) **"Dissenting Shares"** means the Terrace Shares held by Dissenting Shareholders in respect of which such Dissenting Shareholders have given Notice of Dissent;
- (n) **"Effective Date"** means the date upon which the Arrangement becomes effective as established by the date shown on the Certificate of Arrangement giving effect to the Arrangement;
- (o) **"Effective Time"** means 12:01 a.m. (Toronto time) on the Effective Date or such other time as Terrace and Purchaser may agree upon in writing;
- (p) **"Final Order"** means an order of the Court granted pursuant to section 185 of the OBCA, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in the United States, in a form acceptable to each of the Parties, each acting reasonably, approving the Arrangement after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement, as such order may be affirmed, amended, modified, supplemented or varied by the Court (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Date or, if appealed, as affirmed or amended (provided, however, that any such amendment is acceptable to the Parties, each acting reasonably) on appeal, unless such appeal is withdrawn, abandoned or denied;
- (q) **"Former Terrace Shareholders"** means the holders of Terrace Shares immediately prior to the Effective Time;
- (r) **"Governmental Entity"** means (i) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing, (ii) any self-regulatory organization or stock exchange, including the TSXV, (iii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing;
- (s) **"holder"**, when used with reference to any securities of Terrace, means the holder of such securities shown from time to time in the register maintained by or on behalf of Terrace in respect of such securities;
- (t) **"Interim Order"** means an order of the Court, after being informed of the intention to rely upon the Section 3(a)(10) Exemption in connection with the issuance of the Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) in the United States, in a form acceptable to each of the Parties, acting reasonably, providing for, among other things, the calling and holding of the Terrace Meeting, as the same may be amended by the Court with the consent of the Parties, each acting reasonably;
- (u) **"Law"** means, with respect to any Person, any and all applicable law (statutory, common, civil or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended;
- (v) **"Liability"** means, in respect of any Person, any debt, liability or obligation of any kind or nature whatsoever, including (i) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,

undisputed, legal, equitable, secured or unsecured, (ii) any right against such Person to an equitable remedy for breach of performance, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured, and (iii) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise);

- (w) **“Lien”** means any Claim, encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, option, right of pre-emption, privilege or any matter capable of registration against title or any contract to create any of the foregoing;
- (x) **“Notice of Dissent”** means a notice of dissent duly and validly given by a registered Terrace Shareholder exercising Dissent Rights as contemplated in the Interim Order and as described in ARTICLE 4;
- (y) **“OBICA”** means the *Business Corporations Act* (Ontario), including all regulations made thereunder;
- (z) **“Option”** means, at any time, an option exercisable to acquire a Terrace Share granted under the Option Plan which is, at such time, outstanding, whether or not vested;
- (aa) **“Option Plan”** means the stock option plan of Terrace, last approved by Terrace Shareholders on September 10, 2020;
- (bb) **“Optionholder”** means a holder of one or more Options;
- (cc) **“Parties”** means, collectively, Terrace and Purchaser, and **“Party”** means any one of them;
- (dd) **“Person”** includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, body corporate, corporation, company, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;
- (ee) **“Plan of Arrangement”** means this plan of arrangement and any amendments or variations hereto made from time to time in accordance with the Arrangement Agreement, the terms hereof or upon the direction of the Court in the Final Order with the consent of the Parties, each acting reasonably;
- (ff) **“Purchaser”** means The Flowr Corporation, a corporation existing under the laws of Ontario;
- (gg) **“Purchaser Common Shares”** means common shares in the capital of the Purchaser;
- (hh) **“Purchaser Replacement Option”** means an option to acquire Purchaser Common Shares to be issued by the Purchaser in exchange for the Options;
- (ii) **“Purchaser Replacement Warrants”** means Purchaser Common Share purchase warrants issued to Warrantholders in connection with the Arrangement;
- (jj) **“Section 3(a)(10) Exemption”** means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof.
- (kk) **“Subscription Receiptholder”** means a holder of one or more Subscription Receipts;
- (ll) **“Subscription Receipt Agent”** means Computershare Trust Company of Canada;

- (mm) **“Subscription Receipt Agreement”** means the subscription receipt agreement between Terrace and the Subscription Receipt Agent dated September 9, 2020, as may the same may be supplemented, amended and/or amended and restated from time to time;
- (nn) **“Subscription Receipts”** means subscription receipts issued pursuant to the Subscription Receipt Agreement;
- (oo) **“Tax Act”** means the *Income Tax Act* (Canada) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;
- (pp) **“Terrace”** means Terrace Global Inc., a corporation incorporated under the laws of Ontario;
- (qq) **“Terrace Arrangement Resolution”** means the special resolution of the Terrace Shareholders approving the this Plan of Arrangement, which is to be considered at the Terrace Meeting;
- (rr) **“Terrace Circular”** means the notice of the Terrace Meeting and accompanying management proxy circular, including all schedules, appendices and exhibits thereto and enclosures therewith, to be sent to the Terrace Shareholders and other securityholders of Terrace, as required by the Court in the Interim Order, in connection with the Terrace Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement;
- (ss) **“Terrace Meeting”** means the special meeting of the Terrace Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Terrace Arrangement Resolution, and for any other purpose as may be set out in the Terrace Circular if and as agreed to by Purchaser;
- (tt) **“Terrace Share Letter of Transmittal”** means the letter of transmittal to be delivered by Terrace to the Terrace Shareholders providing for the delivery of Terrace Shares to the Depository;
- (uu) **“Terrace Shareholder”** means a holder of one or more Terrace Shares;
- (vv) **“Terrace Shares”** means issued and outstanding common shares in the capital of Terrace;
- (ww) **“Warrantholder”** means a holder of one or more Warrants; and
- (xx) **“Warrants”** means the common share purchase warrants to acquire Terrace Shares which are at such time outstanding.

Any capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Arrangement Agreement. In addition, words and phrases used herein and defined in the OBCA and not otherwise defined herein or in the Arrangement Agreement shall have the same meaning herein as in the OBCA unless the context otherwise requires.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an “Article”, “Section” or “paragraph” followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement.

## **1.3 Number**

In this Plan of Arrangement, unless the context otherwise requires, words used herein importing the singular include the plural and *vice versa*.

#### **1.4 Date of Any Action**

In the event that any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

#### **1.5 Time**

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in any letter of transmittal contemplated herein are local time (Toronto, Ontario) unless otherwise stipulated herein or therein.

#### **1.6 Currency**

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

### **ARTICLE 2 EFFECT OF THE ARRANGEMENT**

#### **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms a part of the Arrangement Agreement, except in respect of the sequence of the steps comprising the Arrangement, which shall occur in the order set forth herein.

#### **2.2 Binding Effect**

This Plan of Arrangement will become effective at the Effective Time and shall be binding upon Purchaser, Terrace, the Subscription Receipt Agent, the Depositary, the registrar and transfer agent in respect of the Terrace Shares and all registered and beneficial Terrace Shareholders, Optionholders, Warranholders and Subscription Receiptholders.

#### **2.3 U.S. Securities Law Exemption**

Notwithstanding any provision herein to the contrary, the Parties agree that the Arrangement will be carried out with the intention that all Consideration (including any Purchaser Replacement Options or Purchaser Replacement Warrants) issued on completion of the Arrangement in the United States will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof.

### **ARTICLE 3 ARRANGEMENT**

#### **3.1 The Arrangement**

- (a) Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence, without any further authorization, act or formality of or by Terrace, Purchaser or any other Person:
- (i) all Purchaser Common Shares owned directly or indirectly by Terrace immediately prior to the Effective Time shall be hereby cancelled without any payment thereon;
  - (ii) each Terrace Share held by a Dissenting Shareholder in respect of which Dissent Rights have been duly and validly exercised shall be deemed to be transferred by the holder thereof, without any further act or formality on its part, free and clear of all Liens, to



Terrace and Terrace shall thereupon be obliged to pay the consideration therefor determined and payable in accordance with ARTICLE 4 hereof, and the name of such holder shall be removed as a holder of Terrace Shares from the register of Terrace Shares maintained by or on behalf of Terrace and Terrace shall be recorded as the registered holder of such Terrace Shares so transferred and shall be deemed to be the legal owner of such Terrace Shares, and such Terrace Shares shall thereafter be automatically cancelled;

- (iii) each Subscription Receipt outstanding immediately prior to the Effective Time shall, and shall be deemed to, have been converted, without any further act or formality, into one (1) Terrace Share and the Escrowed Funds (as defined in the Subscription Receipt Agreement) shall be released to Terrace (with all conditions and notices for release of the Terrace Shares and the Escrowed Funds deemed to have been satisfied and/or delivered to the Subscription Receipt Agent), and the Subscription Receiptholders outstanding immediately prior to the Effective Time shall, and shall be deemed to, cease to be the holder thereof and to have any rights as a holder thereof, and the name and holder thereof shall be removed from the register of Subscription Receipts maintained by and on behalf of Terrace and added to the register of holders of Terrace Shares;
- (iv) each outstanding Terrace Share (including Terrace Shares issued upon conversion of the Subscription Receipts pursuant to Section 3.1(a)(iii) above, but other than Terrace Shares held by a Dissenting Shareholder who has duly and validly exercised and not withdrawn such holder's Dissent Rights (which Terrace Shares will have been transferred pursuant to Section 3.1(a)(ii) above)) will, without further act or formality by or on behalf of a holder of Terrace Shares, be irrevocably assigned and transferred by the holder thereof to Purchaser (free and clear of all Liens) in exchange for payment of Consideration in accordance with Section 5.1 less any amounts withheld in accordance with Section 5.4, and
  - A. the holder of such Terrace Share shall cease to be the holder thereof and to have any rights as a holder of such Terrace Share other than the right to receive payment in accordance with this Plan of Arrangement;
  - B. such holder's name shall be removed from the register of the Terrace Shares maintained by or on behalf of Terrace; and
  - C. Purchaser shall be deemed to be the transferee and the legal and beneficial holder of such Terrace Share (free and clear of all Liens) and shall be entered as the registered holder of such Terrace Share in the register of the Terrace Shares maintained by or on behalf of Terrace.
- (v) Each Option outstanding immediately prior to the Effective Time shall be exchanged for a Purchaser Replacement Option to purchase from Purchaser, without further act or formality, the number of Purchaser Common Shares equal to the product of: (A) the number of Terrace Shares that were issuable upon exercise of such Option immediately before the Effective Time; and (B) the Consideration, provided that if the foregoing would result in the issuance of a fraction of a Purchaser Common Share on any particular exercise of Purchaser Replacement Options, then the number of Purchaser Common Shares otherwise issued shall be rounded down to the nearest whole number of Purchaser Common Shares. The exercise price per Purchaser Common Share subject to any such Purchaser Replacement Option shall be an amount equal to the quotient of: (A) the exercise price per Terrace Share of the exchanged Option immediately prior to the Effective Time divided by (B) the Consideration, rounded up to the nearest whole cent. Except as set out above, all terms and conditions of a Purchaser Replacement Option, including the term to

expiry, exercise price, conditions to and manner of exercising, will be the same as the Option for which it was exchanged and any document evidencing an Option shall thereafter evidence and be deemed to evidence such Purchaser Replacement Option. If the exchange contemplated by this paragraph results in a disposition of Options, it is intended that the provisions of subsection 7(1.4) of the Tax Act apply to any such disposition. Notwithstanding the terms of the Option Plan and any stock option agreement pursuant to which Options were granted, the Option Plan and all stock option agreements shall be terminated, and neither Terrace nor Purchaser shall have any Liability with respect to such plans and agreements other than the delivery of the Purchaser Replacement Options in accordance with this Plan of Arrangement;

- (vi) Each issued and outstanding Warrants immediately prior to the Effective Time shall be exchanged, without further action or formality by or on behalf of the holders thereof, for a Purchaser Replacement Warrant to purchase from Purchaser the number of Purchaser Common Shares equal to the product of: (A) the number of Terrace Shares that were issuable upon exercise of such Warrant immediately before the Effective Time; and (B) the Consideration, provided that if the foregoing would result in the issuance of a fraction of a Purchaser Common Share on any particular exercise of Purchaser Replacement Warrants, then the number of Purchaser Common Shares otherwise issued shall be rounded down to the nearest whole number of Purchaser Common Shares. The exercise price per Purchaser Common Share subject to any such Purchaser Replacement Warrant shall be an amount equal to the quotient of: (A) the exercise price per Terrace Share of the exchanged Warrant immediately prior to the Effective Time divided by (B) the Consideration, rounded up to the nearest whole cent. Except as set out above, all terms and conditions of a Purchaser Replacement Warrant, including the term to expiry, exercise price, conditions to and manner of exercising, will be the same as the Warrant for which it was exchanged and any document evidencing a Warrant shall thereafter evidence and be deemed to evidence such Purchaser Replacement Warrant. Notwithstanding the terms of any warrant agreement or indenture pursuant to which Warrants were granted, the warrant agreements or indenture shall be terminated, and neither Terrace nor Purchaser shall have any Liability with respect to such plans and agreements other than the delivery of the Purchaser Replacement Warrants in accordance with this Plan of Arrangement.
- (b) The transfers and exchanges provided for in this Section 3.1 will be deemed to occur on the Effective Date, notwithstanding that certain of the procedures related thereto are not completed until after the Effective Date.

#### **ARTICLE 4** **DISSENT RIGHTS**

##### **4.1 Rights of Dissent**

Pursuant to the Interim Order, each registered Terrace Shareholder may exercise rights of dissent ("**Dissent Rights**") under Section 185 of the OBCA as modified by this ARTICLE 4 as the same may be modified by the Interim Order or the Final Order in respect of the Arrangement, provided that the written objection to the Terrace Arrangement Resolution contemplated by Section 185 of the OBCA must be sent to and received by Terrace by 5:00 p.m. (Toronto time) at least two (2) Business Days before the Terrace Meeting. Terrace Shareholders who duly and validly exercise such rights of dissent and who:

- (a) are ultimately determined to be entitled to be paid fair value from Terrace, for the Dissenting Shares in respect of which they have exercised Dissent Rights, will be deemed to have irrevocably transferred such Dissenting Shares (free and clear of all Liens) to Terrace pursuant to Section 3.1(a)(ii) in consideration of such fair value; or

- (b) are ultimately not entitled, for any reason, to be paid fair value for the Dissenting Shares in respect of which they have exercised Dissent Rights, will be deemed to have participated in the Arrangement on the same basis as a Terrace Shareholder who has not exercised Dissent Rights;

but in no case will Terrace or Purchaser or any other person be required to recognize such holders as holders of Terrace Shares after the completion of the steps set forth in Section 3.1(a), and each Dissenting Shareholder will cease to be entitled to the rights of a Terrace Shareholder in respect of the Terrace Shares in relation to which such Dissenting Shareholder has exercised Dissent Rights and the register of Terrace Shares maintained by or on behalf of Terrace will be amended to reflect that such former holder is no longer the holder of such Terrace Shares from and after the Effective Time.

For greater certainty, and in addition to any other restriction under Section 185 of the OBCA, Terrace Shareholders who vote, or who have instructed a proxyholder to vote, in favour of the Terrace Arrangement Resolution, will not be entitled to any Dissent Rights.

Furthermore: (i) Optionholders; (ii) Warrantholders; and (iii) Subscription Receiptholders are not entitled to any Dissent Rights and none of them are entitled to vote in respect of the Terrace Arrangement Resolution.

## **ARTICLE 5**

### **CERTIFICATES AND PAYMENTS**

#### **5.1 Payment of Consideration and Delivery of Purchaser Replacement Options and Purchaser Replacement Warrants**

- (a) Following the receipt of the Final Order and prior to the Effective Date, Purchaser shall deposit or arrange to be deposited with the Depository sufficient number of Purchaser Common Shares in respect of Consideration payable in accordance with the provisions of Section 3.1(a) hereof, with the Consideration per Terrace Share in respect of which Dissent Rights have been exercised being deemed to be the Consideration per Terrace Share for this purpose, net of applicable withholdings, which amount shall be held by the Depository as agent and nominee for such Former Terrace Shareholders for distribution to such Former Terrace Shareholders in accordance with the provisions of this ARTICLE 5.
- (b) As soon as practicable following the later of the Effective Date and the surrender to the Depository for cancellation of a certificate, if any, that immediately prior to the Effective Time represented outstanding Terrace Shares that were transferred under Section 3.1(a), together with a duly completed Terrace Share Letter of Transmittal and such additional documents and instruments as the Depository may reasonably require and such other documents and instruments as would have been required to effect such transfer under the OBCA and the articles of Terrace after giving effect to Section 3.1(a), the former holder of such Terrace Shares shall be entitled to receive in exchange therefor, and the Depository shall deliver on behalf of Purchaser to each holder who immediately before the Effective Time was a holder of Terrace Shares, such number of Purchaser Common Shares, in certificated form or uncertificated, representing the Consideration which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4, and any certificate so surrendered shall forthwith be cancelled.
- (c) Subject to Section 5.3, until surrendered as contemplated by this Section 5.1, each certificate which immediately prior to the Effective Time represented Terrace Shares (other than Terrace Shares in respect of which Dissent Rights have been validly exercised and not withdrawn) will be deemed after the time described in Section 3.1(a) to represent only the right to receive from the Depository the Consideration that the holder is entitled to receive in accordance with Section 3.1 hereof, less any amounts withheld pursuant to Section 5.4.
- (d) As soon as practicable following the Effective Date each former Optionholder, as evidenced in the Options register of Terrace, shall be entitled to receive in exchange therefor, and the Purchaser

shall deliver to each holder who immediately before the Effective Time was an Optionholder, such number of Purchaser Replacement Options in certificated form or uncertificated, representing the Purchaser Replacement Options which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4. For greater certainty, neither a certificate nor a letter of transmittal need be surrendered by a former Optionholder in order for such former holder to receive the Purchaser Replacement Options that such former holder is entitled to receive pursuant to Section 3.1.

- (e) As soon as practicable following the Effective Date each former Warrantholder, as evidenced in the Warrants register of Terrace, shall be entitled to receive in exchange therefor, and the Purchaser shall deliver to each holder who immediately before the Effective Time was a Warrantholder, such number of Purchaser Replacement Warrants in certificated form or uncertificated, representing the Purchaser Replacement Warrants which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4. For greater certainty, neither a certificate nor a letter of transmittal need be surrendered by a former Warrantholder in order for such former holder to receive the Purchaser Replacement Warrants that such former holder is entitled to receive pursuant to Section 3.1.
- (f) No holder of Terrace Shares, Options, Warrants or Subscription Receipts shall be entitled to receive any consideration or entitlement with respect to such Terrace Shares, Options, Warrants or Subscription Receipts, other than any consideration or entitlement to which such holder is entitled to receive in accordance with Section 3.1, this Section 5.1 and the other terms of this Plan of Arrangement and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

## **5.2 Loss of Certificates**

In the event any certificate which immediately prior to the Effective Time represented any outstanding Terrace Shares that were acquired by Purchaser or Terrace pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of such Terrace Shares, the Depository will deliver to such person or make available for pick up at its offices in exchange for such lost, stolen or destroyed certificate, the Consideration to which such holder is entitled in accordance with Section 3.1 less any amounts withheld pursuant to Section 5.4 in accordance with such holder's Terrace Share Letter of Transmittal. When authorizing such payment of the Consideration in relation to any lost, stolen or destroyed certificate, the former holder of such Terrace Shares will, as a condition precedent to the delivery of such Consideration, give a bond satisfactory to Purchaser and the Depository in such sum as Purchaser may direct or otherwise indemnify Purchaser in a manner satisfactory to Purchaser against any Claim that may be made against Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed.

## **5.3 Extinction of Rights**

If any Former Terrace Shareholder fails to deliver to the Depository the certificates, documents or instruments required to be delivered to the Depository under Section 5.1 or Section 5.2 in order for such Former Terrace Shareholder to receive the Consideration which such former holder is entitled to receive pursuant to Section 3.1, on or before the sixth anniversary of the Effective Date: (i) such former holder will be deemed to have donated and forfeited to Purchaser or its successors, any Consideration held by the Depository in trust for such former holder to which such former holder is entitled; and (ii) any certificate representing Terrace Shares formerly held by such former holder will cease to represent a Claim of any nature whatsoever and will be deemed to have been surrendered to the Purchaser and will be cancelled. Neither Terrace nor Purchaser, or any of their respective successors, will be liable to any person in respect of any Consideration (including any consideration previously held by the Depository in trust for any such former holder) which is forfeited to Terrace or Purchaser or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

#### **5.4 Withholding Rights**

The Parties, the Depositary and any Person making any payment on their behalf shall be entitled to deduct and withhold from any consideration or amount payable or otherwise deliverable to any Person hereunder and from all dividends, interest or other amounts payable to any Person (including, for greater certainty, any Terrace Shareholder, any Optionholder, any Warrantholder and any Dissenting Shareholder) such amounts as any of the Parties or the Depositary or any Person on their behalf may be required or permitted to deduct and withhold therefrom under any provision of applicable Law in respect of Taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

#### **5.5 No Liens**

Any exchange or transfer of securities pursuant to this Plan of Arrangement shall be free and clear of any Liens or other Claims of third parties of any kind.

#### **5.6 Paramountcy**

From and after the Effective Time: (a) this Plan of Arrangement shall take precedence and priority over any and all Terrace Shares, Options, Warrants and Subscription Receipts issued prior to the Effective Time; (b) the rights and obligations of the Terrace Shareholders, Optionholders, Warrantholders, Subscription Receiptholders, Terrace, Purchaser, the Depositary, the Subscription Receipt Agent and any transfer agent or other depositary or agent therefor in relation thereto, shall be solely as provided for in this Plan of Arrangement; and (c) all actions, causes of action, Claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Terrace Shares, Options, Warrants and Subscription Receipts shall be deemed to have been settled, compromised, released and determined without Liability of Terrace or Purchaser except as set forth in this Plan of Arrangement.

### **ARTICLE 6** **AMENDMENTS**

#### **6.1 Amendments to Plan of Arrangement**

- (a) The Parties may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must: (i) be set out in writing (subject to the Arrangement Agreement); (ii) be approved by the Parties, each acting reasonably; (iii) filed with the Court and, if made following the Terrace Meeting, approved by the Court; and (iv) communicated to Terrace Shareholders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Parties at any time prior to the Terrace Meeting (provided that Purchaser and Terrace (subject to the Arrangement Agreement), as applicable, shall have consented thereto) with or without any other prior notice or communication to, and if so proposed and accepted by, the persons voting at the Terrace Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Terrace Meeting shall be effective only if: (i) it is consented to in writing by each of the Parties (in each case, acting reasonably); and (ii) if required by the Court, it is consented to by some or all of the Terrace Shareholders voting in the manner directed by the Court.

- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Purchaser, provided that it concerns a matter which, in the reasonable opinion of Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former holder of Terrace Shares, Options, Warrants or Subscription Receipts.
- (e) This Plan of Arrangement may be withdrawn prior to the Effective Time if the Arrangement Agreement is terminated in accordance with its terms prior to the Effective Time.

**ARTICLE 7**  
**FURTHER ASSURANCES**

**7.1 Further Assurances**

Notwithstanding that the transactions and events set out herein will occur and are hereby deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of Terrace and Purchaser will make, do and execute, or cause to be made, done and executed, any such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

**SCHEDULE B  
TERRACE ARRANGEMENT RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

- (1) the arrangement (the “**Arrangement**”) under Section 182 of the *Business Corporations Act* (Ontario) (the “**OBCA**”) involving The Flowr Corporation (“**Purchaser**”) and Terrace Global Inc. (“**Terrace**”), as more particularly described and set forth in the management proxy circular of Terrace (the “**Circular**”) dated [●] accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified, amended or supplemented in accordance with the definitive agreement (as it may be amended, the “**Arrangement Agreement**”) made as of October 19, 2020 between Purchaser and Terrace) is hereby authorized, approved and adopted;
- (2) the plan of arrangement of Terrace (as may be, or may have been, modified, amended or supplemented in accordance with its terms and the terms of the Arrangement Agreement as the “**Plan of Arrangement**”) implementing the Arrangement, the full text of which is set out in Appendix “[●]” to the Circular, is hereby authorized, approved and adopted;
- (3) the (i) Arrangement Agreement and related transactions, (ii) actions of the directors of Terrace in approving the Arrangement Agreement, and (iii) actions of the directors and officers of Terrace in executing and delivering the Arrangement Agreement, and any amendments, modifications or supplements thereto, are hereby ratified and approved;
- (4) Terrace be and is hereby authorized to apply for a final order from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be modified, amended or supplemented as described in the Circular);
- (5) notwithstanding that this resolution has been passed (and the Arrangement approved) by the shareholders of Terrace or that the Arrangement has been approved by the Court, the directors of Terrace are hereby authorized and empowered, without further notice to, or approval of, the shareholders of Terrace to (i) modify, amend or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the terms of the Arrangement Agreement or the Plan of Arrangement; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions;
- (6) any director or officer of Terrace is hereby authorized and directed for and on behalf of Terrace to execute, whether under corporate seal of Terrace or otherwise, and to deliver for filing with the Director under the OBCA articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents;
- (7) Terrace be and is hereby authorized to apply for the delisting of its common shares from the TSX Venture Exchange (the “**Delisting**”) in connection with the transactions contemplated in the Arrangement Agreement; and
- (8) any one director or officer of Terrace is hereby authorized and directed, for and on behalf and in the name of Terrace, to execute or cause to be executed and to deliver or cause to be delivered, whether under corporate seal of Terrace or otherwise, all such agreements, forms, waivers, notices, certificate, confirmations and other documents and instruments, and to perform or cause to be performed all such other acts and things, as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions and the matters authorized thereby, the Arrangement Agreement, completion of the Plan of Arrangement, and the Delisting, including:

- a. all actions required to be taken by or on behalf of Terrace, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
- b. the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by Terrace;

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.



**SCHEDULE C**  
**REPRESENTATIONS AND WARRANTIES OF TERRACE**

Terrace hereby represents and warrants to Purchaser as follows, and acknowledges and agrees that Purchaser is relying upon such representations and warranties in connection with the entering into of this Agreement:

- (a) Organization and Operation of the Terrace Group.
  - (i) Terrace is duly incorporated and is validly existing and in good standing under the *Business Corporations Act* (Ontario) and has all requisite corporate power and capacity to carry on its business as now conducted and to own, lease and operate its properties and assets; and
  - (ii) Schedule C(a) of the Terrace Disclosure Letter sets forth the name and jurisdiction of incorporation and the directors and officers of Terrace and each of its subsidiaries. Each such subsidiary is duly formed and in good standing (or equivalent) under the Laws of such jurisdiction opposite the name of such subsidiary as set out in Schedule C(a) of the Terrace Disclosure Letter. There are no shareholders' agreements governing the affairs of Terrace or any of its subsidiaries or the relationship, rights and duties of its shareholders or equityholders, nor are there any voting trusts, registration rights, preemptive or tag along rights or rights of first refusal, voting agreements (other than the Terrace Voting Agreement), pooling arrangements or other similar agreements with respect to the ownership, dividend, transfer or voting rights of any shares or equity interests of Terrace or any of its subsidiaries. Neither Terrace nor any of its subsidiaries is in material violation of its constating documents.
- (b) Power and Authority. Terrace has the requisite corporate power and authority to enter into, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement and performance by Terrace of its obligations under this Agreement and the consummation of the Arrangement and other transactions contemplated hereby have been duly authorized by all necessary corporate action of Terrace and no other corporate proceedings on the part of Terrace are necessary to authorize the execution, delivery and performance of this Agreement or the consummation of the Arrangement and the other transactions contemplated hereby other than the approval by the Terrace Board of the Terrace Circular and the approval by the Terrace Shareholders in the manner required by the Interim Order, the constating documents of Terrace, applicable Law and approval of the Arrangement by the Court.
- (c) Execution and Binding Obligation. This Agreement has been duly and validly executed and delivered by Terrace and, assuming due authorization, execution and delivery by Purchaser, constitutes a legal, valid and binding obligation of Terrace, enforceable against Terrace in accordance with its terms, subject however, to limitations with respect to enforcement imposed by Law in connection with bankruptcy, insolvency, reorganization or other Laws affecting creditors' rights generally and to the extent that equitable remedies such as specific performance and injunctions are only available in the discretion of the court from which they are sought.
- (d) No Conflict. The execution, delivery and performance of this Agreement, the performance by Terrace of its obligations hereunder and the consummation of the Arrangement and the other transactions provided for in this Agreement or the Plan of Arrangement do not constitute or result in, directly or indirectly, with or without notice or the passage of time or the occurrence of any event:
  - (i) a violation or breach of, or conflict with, or allow any Person to exercise any rights under, or require the consent, notice or other action by any Person under, applicable Law, any of the terms or provisions of the constating documents of Terrace or any of its subsidiaries;

- (ii) any order or judgment relating to Terrace or any of its subsidiaries;
  - (iii) a violation, breach, default, termination, cancellation or acceleration or other change of any right or obligation or the loss of any benefit to which Terrace or any of its subsidiaries is entitled (including by triggering any rights of first refusal or first offer, change in control provision or other restriction or limitation), in whole or in part, under any Contract to which Terrace or any of its subsidiaries is a party or under any Permit or Authorization issued to Terrace or any of its subsidiaries; or
  - (iv) create an Encumbrance upon any of the properties or assets of Terrace or any of its subsidiaries.
- (e) Capitalization. Schedule C(e) of the Terrace Disclosure Letter sets forth the authorized, issued and outstanding share capital of Terrace and each of its subsidiaries. The constating documents of Terrace and the terms and conditions attached to each class of shares of Terrace, copies of which have previously been made available to the Purchaser, are true, correct and complete copies of such documents as currently in effect. All of the issued and outstanding shares of capital stock of, or other equity or voting interests in, each of Terrace and each of its subsidiaries has been duly authorized and validly issued and, is fully paid and non-assessable, were not issued in violation of any pre-emptive rights, purchase options, call options, rights of first refusal, first offer, co-sale or participation or subscription rights or other similar rights. All of the issued and outstanding shares of capital stock of, or other equity or voting interests in each Terrace subsidiary is owned, directly or indirectly, by Terrace and is free and clear of all Encumbrances (except for Permitted Encumbrances), except for restrictions imposed by applicable Laws. There are no outstanding bonds, debentures, notes or other indebtedness the holders of which have the right to vote (or convertible into, exchangeable for, or evidencing the right to subscribe for or acquire securities having the right to vote) with the equity holders of Terrace or any of its subsidiaries on any matter. Neither Terrace nor any of its subsidiaries is prohibited, restricted or impeded, directly or indirectly, from declaring or paying any dividends, from making any other distribution on their capital stock or other securities, from paying any interest or repaying any loans, advances or other indebtedness of Terrace or any of its subsidiaries, except in accordance with any Permitted Encumbrances, applicable Law or as set out in Schedule C(e) of the Terrace Disclosure Letter. Terrace does not have any shareholder rights plan, "poison pill" or similar agreement or arrangement.
- (f) Absence of Other Interests. Terrace has no subsidiaries other than its subsidiaries set out in Schedule C(a) of the Terrace Disclosure Letter, and neither Terrace nor any of its subsidiaries have a direct or indirect equity interest in any other Person (nor an interest convertible into such an interest or a right, obligation or commitment to acquire such an interest), nor has Terrace or a subsidiary entered into any agreement to acquire or lease any other material businesses, assets or investments other than in the ordinary course of Business.
- (g) Absence of Options. Other than set out at Schedule C(g) of the Terrace Disclosure Letter, no Person has any agreement, right or option, present or future, contingent, absolute or capable of becoming an agreement, right or option or which with the passage of time or the occurrence of any event could become an agreement, right or option:
- (i) to require Terrace or any of its subsidiaries to (A) issue any further shares in its capital, voting interests, or any other security convertible or exchangeable into shares, voting interests or other securities in its capital, or (B) pay any amount determined by reference to the value or market price of any of its shares;
  - (ii) for the allotment of any unissued shares or other securities in the capital of Terrace or any of its subsidiaries;

- (iii) to require Terrace or any of its subsidiaries to purchase, redeem or otherwise acquire any of the issued and outstanding shares or other securities in the capital of Terrace or its subsidiaries or any of their voting interests, as applicable;
  - (iv) to acquire the shares or other securities or voting interests of Terrace or any of its subsidiaries; or
  - (v) relating to the voting, dividend, ownership or transfer rights of any capital stock or voting interests of Terrace or any of its subsidiaries.
- (h) Qualification to do Business. Each of Terrace and its subsidiaries is duly registered, licensed or otherwise qualified to do business under the Laws of the jurisdictions specified in Schedule C(h) of the Terrace Disclosure Letter, being the only jurisdictions in which the location of the properties and assets owned, licenced or leased or operated by Terrace or the nature of the Business requires registration, licensing or other qualification. Each of Terrace and its subsidiaries have all necessary corporate power, authority, and capacity to carry on the Business and to own, license or lease and operate its property and assets as now carried on and owned, licensed or leased and operated. Each such registration, license or other qualification is valid, subsisting and in good standing and neither Terrace nor any subsidiary has received a notice of non-compliance, revocation, termination or suspension in respect of any such registration, license or other qualification.
- (i) Corporate Records. The corporate minute books, central securities register, register of transfers and register of directors and officers of Terrace and each of its subsidiaries contain minutes of all meetings and resolutions of its board of directors and committees of its board of directors, other than those portions of minutes of meetings reflecting discussions of the Arrangement, and shareholders, held according to applicable Laws and complete and accurate in all material respects.
- (j) Solvency & Bankruptcy. Neither Terrace nor any of its subsidiaries: (i) is insolvent or bankrupt under or pursuant to any corporate, insolvency, winding-up, restructuring, reorganization, administration or other Laws applicable to it; (ii) has commenced, approved, authorized or taken any action in furtherance of proceedings in respect of it under any applicable bankruptcy, insolvency, restructuring, reorganization, administration, winding up, liquidation, dissolution, or similar Law; (iii) has proposed a compromise or arrangement with its creditors generally or is or has been subject to any actions taken, orders received or proceedings commenced by creditors or other persons for or in respect of the bankruptcy, receivership, insolvency, restructuring, reorganization, administration, winding-up, liquidation or dissolution of it, or any of its property or assets; (iv) had any encumbrancer take possession of any of its property, or (v) had any execution or distress become enforceable or become levied upon any of its property. Terrace is not unable to pay its liabilities as they become due and the realizable value of the assets of Terrace are not less than the aggregate of its liabilities and stated capital of all classes.
- (k) Financial Statements & Controls.
  - (i) The Terrace Financial Statements have been prepared in accordance with IFRS consistently applied throughout the periods related thereto, subject, (i) in the case of the Terrace Interim Financial Statements, to usual year-end adjustments and the exclusion of footnotes consistent with past practice of Terrace which, in any case, would not be material. The balance sheets contained in the Terrace Financial Statements fairly present the financial position of Terrace and its subsidiaries as of their respective dates and the statements of earnings and retained earnings contained in the Terrace Financial Statements fairly present the revenues, earnings and results of operations for the periods indicated. The Terrace Financial Statements are accurate and complete in all material respects, consistent with Terrace and its subsidiaries' financial records, and represent the financial position and results of operations of Terrace and its subsidiaries as of the date

thereof, or for the period related thereto, as applicable. Neither Terrace nor any of its subsidiaries is a party to, or has any commitment to become a party to, any off balance sheet arrangement, including any "off balance sheet arrangement". During the past five (5) years, there has been no material change in the Terrace's accounting methods or principles that would be required to be disclosed in its financial statements in accordance with IFRS, except as described in the notes thereto.

- (ii) Terrace has established and maintains disclosure controls and procedures and a system of internal controls over financial reporting (as such terms are defined under applicable Securities Laws) as required by Securities Laws which are designed to ensure that material information relating to Terrace and its subsidiaries required to be included in Terrace Disclosure Documents filed with the Securities Authorities is made known to Terrace's principal executive officer and its principal financial officer, and such disclosure controls and procedures are effective in timely alerting Terrace's principal executive officer and its principal financial officer to all material information required to be disclosed by Terrace in the Terrace Disclosure Documents that it files or submits to the Securities Authorities under the Securities Laws and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Authorities. Such internal controls provide reasonable assurance regarding the reliability of Terrace's financial reporting and the preparation of Terrace's financial statements for external purposes in accordance with IFRS. Neither Terrace nor, to the knowledge of Terrace, its independent registered public accounting firm, has identified or been made aware of (i) any "significant deficiencies" or "material weaknesses" (as defined under applicable Securities Laws) in the design or operation of Terrace's internal controls over financial reporting which would reasonably be expected to adversely affect Terrace's ability to record, process, summarize and report financial data, in each case which has not been subsequently remediated or (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in Terrace's internal control over financial reporting. During the past five years, no director or officer of Terrace or any of its subsidiaries or, to the knowledge of Terrace, non-officer employee, external auditor, external accountant or similar authorized representative of Terrace or any of its subsidiaries, has received or otherwise been made aware of any material complaint, allegation or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Terrace or any of its subsidiaries or their respective internal accounting controls, including any material complaint, allegation or claim that Terrace or any of its subsidiaries has engaged in questionable accounting or auditing practices, and no officer, director, manager, member or employee of Terrace or any of its subsidiaries has refused to execute any certificate of any kind whatsoever required by Law or requested by any accounting, banking, financial or legal firm or Person with respect to the subject matter of the Terrace Financial Statements which has not been subsequently remediated.
- (l) Receivables. All Receivables are recorded in the financial records of Terrace or its subsidiaries, as the case may be, and the Receivables are valid obligations, net of any reserves shown on the Terrace Interim Financial Statements, which arose from *bona fide* collectible obligations arising from transactions entered into by Terrace or any of its subsidiaries in the ordinary course of business and are not subject to any set-off or counterclaim.
- (m) Absence of Undisclosed Liabilities. Except to the extent reflected or reserved against in the Terrace Financial Statements or incurred subsequent to the Latest Balance Sheet Date in the ordinary and usual course of business or otherwise set out in Schedule C(m) of the Terrace Disclosure Letter, neither Terrace nor any of its subsidiaries have any outstanding indebtedness or any liabilities or obligations of any nature (whether known or unknown, liquidated or unliquidated, due or to become due and whether accrued, absolute, contingent or otherwise), and any liabilities or obligations incurred in the ordinary and usual course of business since the Latest Balance Sheet Date have not, individually or in the aggregate, had a Material Adverse Effect.

- (n) Banking Information. Schedule C(n) of the Terrace Disclosure Letter sets forth the name and location (including municipal address) of each bank, trust corporation or other institution in which Terrace or its subsidiaries have an account, money on deposit or a safety deposit box and the name of each Person authorized to draw thereon or to have access thereto and the name of any Persons holding a power of attorney from Terrace or its subsidiaries and a summary of the terms thereof.
- (o) No Material Adverse Effect. Since the Latest Balance Sheet Date there has not been:
- (i) any Material Adverse Effect or any change, event, development, effect, condition, occurrence or state of circumstances (or combination of the foregoing) which, individually or in the aggregate, would constitute a Material Adverse Effect; or
  - (ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to Purchaser, which has or could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.
- (p) Absence of Certain Changes or Events. Since the Latest Balance Sheet Date, Terrace and its subsidiaries have carried on the Business in the ordinary course and, in particular, neither Terrace nor any of its subsidiaries have:
- (i) amended or authorized the amendment of its constating documents or filed in connection with the creation, formation, or organization of Terrace or its subsidiaries, as the case may be;
  - (ii) directly or indirectly, declared, set aside for payment or paid any dividend or made any other payment or distribution on or in respect of any of its shares or other securities;
  - (iii) redeemed, purchased, retired or otherwise acquired, directly or indirectly, any of its shares or other securities;
  - (iv) issued or sold any shares or other securities or issued, sold or granted any option, warrant or right to purchase any of its shares or other securities or issued any security convertible into its shares, granted any registration rights, or otherwise made any change to its authorized or issued share capital (including by way of a recapitalization, reclassification or equity split);
  - (v) disposed of, assigned, exclusively licensed or revalued any of the assets reflected on the balance sheet forming part of the Terrace Interim Financial Statements, except sales of Inventories in the ordinary course of business;
  - (vi) changed any accounting principles, policies, practices or methods;
  - (vii) incurred or assumed any liabilities or obligations (direct or contingent), except unsecured current liabilities incurred in the ordinary course of business;
  - (viii) granted a security interest in or otherwise created an Encumbrance (other than Permitted Encumbrances) on any of its property or assets except in the ordinary course of business;
  - (ix) entered into any contract or any other transaction that was not in the ordinary and usual course of business;

- (x) terminated, not renewed, cancelled, modified or amended in any material respect or received notice or a request for termination, non-renewal, cancellation, modification or amendment of any Terrace Material Contract to which it is a party or taken or failed to take any action that would entitle any party to a Terrace Material Contract or any of its subsidiaries to terminate, not renew, modify, cancel or amend it;
  - (xi) cancelled or waived any debt, Claim or other right with a value to Terrace;
  - (xii) purchased or otherwise acquired any interest in any securities of any other Person;
  - (xiii) made any capital expenditure or authorized any capital expenditure or made any commitment for the purchase, construction or improvement of any capital assets except in the ordinary course of business;
  - (xiv) entered into any acquisition or agreement to acquire by merging or consolidating with, or by purchasing the equity securities or all or substantially all of the assets of, any business or Person or division thereof;
  - (xv) suffered any material damage, destruction or other casualty loss with respect to material property or assets owned by it that is not covered by insurance;
  - (xvi) forgiven or cancelled any indebtedness or claims held by Terrace or any of its subsidiaries;
  - (xvii) paid, discharged, settled or otherwise satisfied any proceeding involving Terrace or any of its subsidiaries or any of their assets or properties;
  - (xviii) taken any action which, if taken after the date of this Agreement and prior to consummation of the Arrangement, would be prohibited by Section 5.3; or
  - (xix) authorized or agreed or otherwise become committed to do any of the foregoing.
- (q) Title to and Sufficiency of Assets. Each of Terrace and its subsidiaries has, and immediately following the closing of the Arrangement will have, good, valid and marketable ownership, leasehold, licenced or other rights, as applicable, to the property and assets utilized in the Business, free and clear of any and all Encumbrances (other than Permitted Encumbrances), and the property and assets held by Terrace and its subsidiaries will, as at the Effective Time, be sufficient to permit the continued operation of the Business in substantially the same manner as conducted as of the date hereof and during the year ended on the date of the Terrace Financial Statements and during the three month period ended on the date of the Terrace Interim Financial Statements. There is no agreement, option or other right or privilege outstanding in favour of any Person for the purchase from Terrace or any of its subsidiaries of the Business or of any of its property or assets other than the purchase of Inventories in the ordinary course of business.
- (r) Real Property.
- (i) Schedule C((r)(i)) of the Terrace Disclosure Letter contains a complete and accurate description of all real property in respect of which Terrace or its subsidiaries holds an interest, whether freehold, leasehold or otherwise (collectively, the “**Real Property**”) free and clear of Encumbrances, other than Permitted Encumbrances.
  - (ii) Neither Terrace nor its subsidiaries hold legal or beneficial title to the Real Property.
  - (iii) The use of the Real Property by Terrace or any of its subsidiaries does not violate any zoning or other bylaw, Law, ordinance, or regulation applicable to it and neither Terrace



nor any of its subsidiaries have received any notice of any impending or intended rezoning of the Real Property.

- (iv) To the best of Terrace's knowledge, there is no intention of any statutory or Governmental Entity to expropriate all or any part of the Real Property.
- (v) Neither Terrace nor any of its subsidiaries is a party to or bound by any leases other than those listed in Schedule C((r)(v)) of the Terrace Disclosure Letter and:
  - (A) such leases are good, valid, subsisting, and enforceable against all parties to them, are in good standing, and have not been modified, extended, renewed or assigned;
  - (B) all parties to such leases have observed and performed all of their respective covenants set out in the leases, including, without limitation, payment of rent by Terrace or its subsidiaries, and there is no default under any term, condition or covenant required to be performed by any party to such leases or set-offs, defences or counterclaims against the enforcement of the obligations to be performed by the parties under the leases; and
  - (C) Terrace or its subsidiaries have taken possession of the premises demised by the leases and is paying regular instalments of monthly rent in accordance with the terms of the leases.
- (s) Personal Property. Schedule C(s) of the Terrace Disclosure Letter lists each item of personal property owned by Terrace and each of its subsidiaries which had a net book value in Terrace's or its subsidiaries' financial records, at the date of the Terrace Financial Statements, of more than \$2,500 or is otherwise material to the Business and identifies all leases of personal property which cannot be terminated by Terrace or its subsidiaries without liability at any time upon less than six months' notice or which involve payment by Terrace or its subsidiaries in the future of more than \$2,500. No personal property owned by Terrace or its subsidiaries is in the possession of a third party and Terrace and its subsidiaries have no assets on consignment. Each item of personal property is in good operating condition and repair, ordinary wear and tear excepted, and is suitable and adequate for the purpose for which it is being used. All of Terrace's and its subsidiaries' personal property, including their computer systems and related software and other assets, is used, operated, maintained and functions in accordance with all applicable Law and their functional specifications. Terrace and its subsidiaries have appropriate information security measures in place, consistent with current industry standards and practices, to protect the confidentiality, integrity and availability of Terrace's and its subsidiaries' information and data, back-up systems and disaster recovery and business continuity plans in place, consistent with current industry standards and practices. Terrace's and its subsidiaries' computer systems and related software adequately meet the data processing and other computing needs of the Business as presently conducted and have not materially malfunctioned within the past three years. To the best knowledge of Terrace, having made due and proper inquiry of its IT personnel and, where appropriate, its IT service providers, no Person has gained unauthorized access to the computer systems and related software owned, used or held for use by any member of the Terrace Group, or any of the data, whether Personal Information or otherwise, that is stored on such computer systems and software. For clarity, references to computer systems and software as contained in this Agreement, include cloud based and outsourced information technology solutions used by any member for the Terrace Group.
- (t) Terrace Material Contracts. Schedule C(t) of the Terrace Disclosure Letter lists each of the following Contracts of Terrace or any subsidiary of Terrace (including Contracts by which Terrace or any of its subsidiaries is bound but excluding any Employee Plans) (together with all leases listed in Schedule C((r)(v)) of the Terrace Disclosure Letter, the "**Terrace Material Contracts**"):

- (i) each of the Contracts of Terrace or any subsidiary involving aggregate consideration to a counterparty in excess of \$50,000 or requiring performance by any Terrace more than one year from the date hereof, which, in each case, cannot be cancelled by Terrace or its subsidiaries without penalty or without more than six months' notice;
- (ii) each of the Contracts of Terrace or any subsidiary involving aggregate consideration to Terrace or any subsidiary in excess of \$50,000 or requiring performance by any the counterparty thereto more than one year from the date hereof, which in each case, cannot be cancelled by Terrace or its subsidiaries without penalty or without more than six months' notice;
- (iii) all Contracts that relate to the sale or issuance (as applicable) of any of the assets, equity interests or voting interests of Terrace or its subsidiaries, other than in the ordinary course of the Business, for consideration in excess of \$50,000 with respect to the sale of assets;
- (iv) all Contracts that relate to the acquisition of any business, a material amount of shares or assets of any other Person or any real property (whether by amalgamation, sale or issue of shares, sale of assets or otherwise), in each case involving amounts in excess of \$50,000;
- (v) all Contracts relating to indebtedness (including guarantees) of Terrace or its subsidiaries or to mortgaging, pledging or otherwise placing any Encumbrance (other than a Permitted Encumbrance) on the properties and assets of Terrace or its subsidiaries, in each case having an outstanding principal amount in excess of \$50,000;
- (vi) other than routine confidentiality agreements entered into by Terrace in connection with exploring potential merger or acquisition transactions, all Contracts that relate to non-competition, non-solicitation, exclusivity in any business line, geographic area or otherwise, or otherwise limiting the freedom of any Person (including Terrace or its subsidiaries) to engage in any line of business, compete with any other Person, solicit any Persons for any purpose, operate its assets at maximum production capacity or otherwise conduct its business or that contains a most favoured nations or similar clause in favour of the counterparty thereto;
- (vii) all Contracts evidencing any Indebtedness of Terrace or any of its subsidiaries or pursuant to which Terrace has guaranteed (directly or indirectly, contingent or otherwise) the Indebtedness or payment or performance of obligations of any Person.
- (viii) all Contracts that are or would be filed as a "material contract" with the Securities Authorities pursuant to Securities Law;
- (ix) all Contracts that require notice to, or consent of, a counterparty thereto in connection with the execution, delivery and performance of this Agreement, the performance by Terrace of its obligations hereunder or the consummation of the Arrangement or the other transactions provided for in this Agreement or the Plan of Arrangement or that other require Terrace to take any action in connection therewith;
- (x) all Contracts, other than employment agreements, in connection with the execution, delivery and performance of this Agreement, the performance by Terrace of its obligations hereunder or the consummation of the Arrangement or the other transactions provided for in this Agreement or the Plan of Arrangement, pursuant to which a counterparty would or could have rights of, or that contain provisions triggering, termination, non-renewal, amendment, modification, award, payment or damages, directly or indirectly, whether or not with notice or lapse of time or both; and



- (xi) all Outbound Licenses and Inbound Licenses giving material rights to Business IP; and
- (xii) all agreements in writing to enter into any of the foregoing.

All of the Terrace Material Contracts are in written form and in full force and effect, unamended and Terrace or its subsidiaries, as applicable, is entitled to the full benefit and advantage of each such Terrace Material Contract in accordance with its terms. Each Terrace Material Contract is valid and binding on Terrace or a subsidiary to the extent such person is a party thereto, as applicable, and to the knowledge of Terrace, the other party thereto. Terrace or its subsidiaries, as applicable, and to the knowledge of Terrace, each other party thereto, is (with or without notice, lapse of time, or both) not in, or has not received notice of, breach of or default under, any Terrace Material Contract. Without limiting the foregoing, no conflicting territorial rights have been granted in any agreement to which Terrace or its subsidiaries is a party that grants exclusive rights to any third party. No counterparty to a Terrace Material Contract has provided notice to Terrace or a subsidiary that it intends to change its relationship in a manner that is materially adverse to the applicable member of the Terrace Group, whether by amending, terminating, not renewing the applicable Terrace Material Contract. To the knowledge of Terrace, and except with respect to the transactions contemplated by this Agreement, no event has occurred which, with notice or lapse of time or both, would cause a default under any Terrace Material Contract or provide a right of termination, non-renewal, amendment, payment or indemnity under such Material Contract. Other than as set out at Schedule C(cc), no consent or authorization of, or notice to, a counterparty to a Terrace Material Contract is required to permit the entering into of this Agreement, the Arrangement or the other transactions contemplated herein.

- (u) Employees. Schedule C(u) of the Terrace Disclosure Letter contains a complete and accurate list of the names of all: (i) individuals who are full-time, part-time or casual employees of Terrace or any of its subsidiaries (in this subsection (u) of this Schedule C, “employees”); and (ii) other Persons who are receiving remuneration for ordinary course work or services provided to Terrace or any of its subsidiaries (in this subsection (u) of this Schedule “C”, “consultants”), specifying the length of service, title, location of employment, compensation and benefits for each such employee or consultant, as applicable, and the terms upon which each consultant is engaged. Except as set forth on Schedule C(u) of the Terrace Disclosure Letter, neither Terrace nor any of its subsidiaries is a party to any contract, agreement or other commitment, whether oral or written, with any employee or consultant. Except as set out in Schedule C(u) of the Terrace Disclosure Letter, neither Terrace nor any of its subsidiaries have an obligation to provide notice of termination or to make any severance or termination payment to any employee in excess of any amount payable under applicable Law. Neither Terrace nor any of its subsidiaries have paid or will be required to pay any bonus, fee, distribution, remuneration or other compensation to any Person as a result of the transactions contemplated by this Agreement and the Plan of Arrangement or otherwise. The Terrace Group is in compliance with all applicable Law respecting employment and labour, including without limitation those relating to employment practices and standards, terms and conditions of employment, wages and hours, occupational health and safety, accessibility, human rights, labour relations, employee privacy and workers’ compensation. Neither Terrace nor its subsidiaries have engaged in any unfair labour practice nor are they aware of any pending or threatened complaint regarding any alleged unfair labour practice. The Terrace Group has not experienced any strike, labour dispute, material grievance, work slow-down or stoppage pending or threatened nor has there been any strike, labour dispute, work slow-down, material grievance or stoppage with respect to the Terrace Group in the last three (3) years from the date hereof. All overtime payments owed to any employee of any of Terrace or a subsidiary have been accounted for, and are reflected in, the Terrace Financial Statements.
- (v) Employee Plans.
  - (i) Schedule C(v) of the Terrace Disclosure Letter identifies each material Employee Plan. A true, up-to-date and complete copy of each material Employee Plan (including, where

oral, written summaries of the terms thereof, and any trust agreement, statement of investment policies and procedures, insurance contract, employee brochure or the like and all amendments thereto, prepared in connection with such Employee Plan) has been provided or made available to Purchaser, together with all related documentation including annuity contracts, trust or other funding agreements, participation agreements, insurance policies and contracts, actuarial reports, annual information returns, investment management agreements, copies of all material correspondence with Governmental Entities and plan summaries, employee booklets, brochures and personnel manuals. Each Employee Plan has been registered, administered and maintained in compliance with its terms and in compliance with applicable Law. All obligations regarding the Employee Plans have been satisfied and there are no outstanding defaults or violations by any party thereto and no Taxes, penalties or fees are owing or eligible under any of the Employee Plans.

- (ii) There are no pending, or to the knowledge of Terrace, threatened claims (other than routine claims for benefits) by, on behalf of or against any Employee Plan or any trust related thereto which could reasonably be expected to result in any material liability to the Terrace Group, taken as a whole, and no audit or other proceeding by a Governmental Entity, which could reasonably be expected to result in any material liability to the Terrace Group, taken as a whole, is pending, or to the knowledge of Terrace, threatened with respect to any Employee Plan.
- (iii) Except as required by applicable Law, no Employee Plan provides retiree or post-employment medical, disability, life insurance or other welfare benefits to any Person, and none of the Terrace Group has any obligation to provide such benefits.
- (iv) Except as set forth on Schedule C(u) and Schedule C((v)(iv)) of the Terrace Disclosure Letter, neither the execution and delivery of this Agreement, shareholder or other approval of this Agreement nor the consummation of the transactions contemplated by this Agreement could, either alone or in combination with another event, (i) entitle any employee, director, officer or independent contractor of the Terrace Group to severance pay or any material increase in severance pay, (ii) accelerate the time of payment or vesting, or materially increase the amount of compensation due to any such employee, director, officer or independent contractor, (iii) directly or indirectly cause the Terrace Group to transfer or set aside any assets to fund any material benefits under any Employee Plan, (iv) otherwise give rise to any material liability under any Employee Plan, (v) limit or restrict the right to merge, materially amend, terminate or transfer the assets of any Employee Plan on or following the consummation of the transactions contemplated by this Agreement.
- (w) Employment Matters. Except as set forth on Schedule C(u) of the Terrace Disclosure Letter, this Agreement, the Arrangement and the transactions contemplated herein (including the entering into by Terrace of the Nomination Agreement) do not trigger any change of control or severance payments under any agreement or arrangement of Terrace or any of its subsidiaries, including any employment agreement, independent contractor agreement, incentive or awards plan, Permit, license, lease, credit agreement, indenture or similar agreement or arrangement.
- (x) Absence of Collective Agreements. Neither Terrace nor any of its subsidiaries have entered into or are bound by, or are required to negotiate, either directly or by operation of applicable Law, any collective agreement, labour contract, letter of understanding, letter of intent, voluntary recognition agreement or legally binding commitment or written communication with any labour union, trade union, works council, or employee association or other employee group. Neither Terrace nor any of its subsidiaries has made any commitments to or conducted or engaged in, any negotiations with any labour union or employee association with respect to any future collective agreements. There are no activities or proceedings of any labour union or other labour organization to organize any employees of the Terrace Group and no demand for recognition or

certification as the exclusive bargaining representative of any employees has been made by or on behalf of any labour union or other labour organization. No employees of the Terrace Group are represented by any labour union or other labour organization other than as set out in Schedule C(w) of the Terrace Disclosure Letter.

- (y) Absence of Guarantees. Neither Terrace nor its subsidiaries are a party to or bound by any Material Contract providing for guarantees, indemnities, assumptions, endorsements or contingent or indirect obligations with respect to the liabilities or obligations of any other Person (including any obligation to service the debt of or otherwise acquire an obligation of another Person or to supply funds to, or otherwise maintain any working capital or other balance sheet condition of any other Person).
- (z) Litigation.
  - (i) Except as set forth on Schedule C((z)(i)) of the Terrace Disclosure Letter, there is no Proceeding, including appeals and applications for review, in progress or pending, or, to the best of the Terrace's knowledge, threatened, against or relating to Terrace or any of its subsidiaries, or any of their respective officers, directors, managers or employees in their capacity as such, or any of their respective assets or title thereto or the Business, nor is there any factual or legal basis on which any such Proceeding might be commenced with any reasonable likelihood of success, and there is no judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator outstanding against Terrace or any of its subsidiaries or affecting the Business or any of their respective property or assets.
  - (ii) There are no, and there have not been during the last five (5) calendar years or the period from January 1, 2020 to the date of this Agreement, material internal investigations or inquiries being conducted by Terrace, any of its subsidiaries or any third party at the request of Terrace or any of its subsidiaries or any of their respective officers, directors, managers or employees concerning, and Terrace has not been informed by any Person of facts, inquiries or allegations concerning (whether under a whistleblower policy or otherwise), any conflict of interest, illegal activity, fraudulent or deceptive conduct or failure to comply with applicable Law that have not been concluded.
- (aa) Insurance. Schedule C(aa) of the Terrace Disclosure Letter sets forth a list, as of the date hereof, of all insurance policies maintained by Terrace and its subsidiaries, protecting the assets of Terrace, its subsidiaries or the Business, or with respect to which Terrace or any of its subsidiaries is a named insured or otherwise the beneficiary of coverage, and the coverage amounts under such insurance policies. Such insurance policies are valid and in full force and effect on the date of this Agreement and all premiums due on such insurance policies have been paid and there are no Claims pending under such policies. Other than in connection with ordinary course renewals, to the knowledge of Terrace, neither Terrace nor any of its subsidiaries has received any written notice of termination, cancellation, non-renewal or material premium increase with respect to any such policy, refusal of insurance coverage or notice that a defense will be afforded with reservation of rights under such policy, nor, to the knowledge of Terrace, are any of the foregoing threatened. Neither Terrace nor any of its subsidiaries is in breach or default, and neither Terrace nor any of its subsidiaries has taken any action or failed to take any action which, with or without notice or the lapse of time, or both, would constitute such a breach or default under, or permit termination or modification of, any of such policies. Terrace Group has no reason to believe that it shall not be able to renew the existing insurance coverage of Terrace and its subsidiaries as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost to that of their existing coverage.
- (bb) Regulatory Approvals. Other than the Interim Order and any approvals required by the Interim Order, the Final Order, filings with the Director under the OBCA and such filings and other actions required under applicable Securities Laws and the Key Regulatory Approvals set out in Schedule

C(bb) of the Terrace Disclosure Letter, no authorization, approval, order, license, permit or consent of any Governmental Entity, and no notice, registration, declaration or filing by Terrace or any of its subsidiaries with any such Governmental Entity is required in connection with the execution and delivery or, and performance by Terrace or its subsidiaries of their obligations under, this Agreement or the consummation of the transactions contemplated in this Agreement and the Plan of Arrangement.

- (cc) Third Party Consents; Government Approvals. Except as disclosed in Schedule C(cc) of the Terrace Disclosure Letter or contemplated in this Agreement, no consent, waiver or approval from other parties to the Terrace Material Contracts is required to be obtained by Terrace in connection with the execution, delivery and performance by Terrace of this Agreement or the consummation of the Arrangement.
- (dd) Permits and Licences. Terrace and its subsidiaries hold all authorizations, approvals, orders, licenses, permits or consents issued by any Governmental Entity and each has made all filings with, and given all notices to, Governmental Entities, which are necessary or desirable in connection with the lawful conduct and operation of the Business and the ownership, leasing or use of the properties and assets as the same are now owned, leased, used conducted or operated, all of which are in full force and effect, and neither Terrace nor its subsidiaries are in breach of or in default under any of the terms or conditions thereof. No consent, licence, order, authorization, approval, permit, registration or declaration of, or filing with, any Governmental Entity or other Person (including without limitation any consent, approval, order or filing pursuant to any applicable bulk sales Laws) is required in connection with:
- (i) the closing of the Arrangement;
  - (ii) the execution and delivery by Terrace of this Agreement or any document delivered by Terrace at the closing of the Arrangement to which it is a party; or
  - (iii) the observance and performance by Terrace of its obligations under this Agreement or any document delivered by Terrace at the closing of the Arrangement to which it is a party;

or to avoid the loss of any authorizations, approvals, orders, licenses, permits, consents, declarations, registrations or filings relating to Terrace or its subsidiaries, any of their properties and assets, or the Business.

- (ee) Compliance with Laws Generally; Compliance with Anti-Corruption Laws.
- (i) Terrace and each of its subsidiaries are, and have been since January 1, 2017, in compliance with all Laws and judgments, decrees, injunctions, rules or orders of any court, governmental department, commission, agency, instrumentality or arbitrator, in each case applicable to Terrace or any of its subsidiaries, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Terrace. Neither Terrace nor any of its subsidiaries has, since January 1, 2017, received any written notice from any Governmental Entity alleging any violation, received any allegations whether internally or externally, conducted any internal investigation with respect to, or made any voluntary or involuntary disclosure to a Governmental Entity concerning, any actual or alleged violation of any applicable Law related to Terrace or any of its subsidiaries, nor, to the knowledge of Terrace, do they have any reasonable basis to believe such a violation may have occurred.
  - (ii) Neither Terrace nor any of its subsidiaries nor any director, officer, agent, employee, affiliate or other Person acting on behalf of Terrace or any of its subsidiaries (i) is aware of or has taken any action, directly or indirectly, that has resulted or would result in a

violation by any such Person of the *Corruption of Foreign Public Officials Act (Canada)* (the “**CFPOA**”), the *Criminal Code (Canada)*, the U.S. *Foreign Corrupt Practices Act* (the “**FCPA**”) or the anti-corruption, anti-bribery or anti-kickback Laws of any jurisdiction which are binding on Terrace or its subsidiaries or where the Business is carried on including any offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any “foreign official” or “foreign public official” (as such terms are defined in the FCPA and the CFPOA, respectively) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the CFPOA, (ii) has made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment, and (iii) has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity. Terrace and its subsidiaries have conducted their businesses in compliance with the CFPOA and the FCPA and have instituted and maintain and shall continue to maintain policies and procedures designed to ensure, and which are reasonably expected to ensure, continued compliance with the CFPOA, the FCPA and with the representations and warranties contained herein.

(ff) Taxes.

- (i) Each of Terrace and each of its subsidiaries have prepared and filed when due with each relevant Governmental Entity all Tax Returns required to be filed by, on behalf of or with respect to it, and its income, assets and operations, in respect of any Taxes. All such Tax Returns are correct and complete in all material respects, and no material fact has been omitted therefrom. No extension of time in which to file any such Tax Returns is in effect. To the knowledge of Terrace, no Governmental Entity has asserted in writing that Terrace or any of its subsidiaries is required to file Tax Returns or pay any Taxes in any jurisdiction where it does not do so.
- (ii) Each of Terrace and each of its subsidiaries have paid in full and when due all Taxes required to be paid by it, or with respect to its income, assets and operations, whether or not such Taxes are shown on a Tax Return or on any assessments or reassessments. All material Taxes incurred but not yet due and payable have been accrued on the books and records of Terrace and its subsidiaries, as applicable, in accordance with IFRS.
- (iii) No assessments or reassessments of the Taxes of Terrace or any of its subsidiaries, or their income, assets or operations, are currently the subject of an objection or appeal, or audit by any Governmental Entity of any nation, state, province, municipality or locality. Neither Terrace nor any of its subsidiaries is currently or has been within the past three years the subject of an audit or other examination by any Governmental Entity of any nation, state, province, municipality or locality, and there are no outstanding issues relating to Taxes of Terrace or any of its subsidiaries, or any of their income, assets or operations, which have been raised and communicated in writing to Terrace or any of its subsidiaries by any Governmental Entity. None of Terrace nor any of its subsidiaries have received any indication in writing from any Governmental Entity that an audit, assessment or reassessment of Terrace or any of its subsidiaries, or any of their income, assets or operations, is proposed in respect of any Taxes, regardless of its merits. Neither Terrace nor any of its subsidiaries have executed or filed with any Governmental Entity any agreement or waiver extending the period for assessment, reassessment or collection of any Taxes.
- (iv) Each of Terrace and each of its subsidiaries have withheld from each payment made to any Person, including any present or former employees, independent contractors, officers, directors, creditors, stockholders, members or other third party of Terrace or such subsidiary, as applicable, all amounts required by applicable Law to be withheld, and has remitted such withheld amounts within the prescribed periods to the appropriate

Governmental Entity. Each of Terrace and each of its subsidiaries have remitted all Taxes payable or required to be withheld and remitted by it in respect of its employees to the appropriate Governmental Entity within the time required under applicable Law.

- (v) Each of Terrace and each of its subsidiaries have charged, collected and remitted on a timely basis all Taxes as required under any applicable Law on any sale, supply or delivery whatsoever, made by it, and each of Terrace and each of its subsidiaries, as applicable, is validly registered as a vendor with the relevant Governmental Entities for the collection of such Taxes. Each of Terrace and each of its subsidiaries have maintained and continue to maintain at its place of business all records and books of account required to be maintained under any applicable Law, including Laws relating to sales and use Taxes.
- (vi) The terms and conditions made or imposed in respect of every transaction (or series of transactions) between Terrace or any of its subsidiaries and any Person that is not dealing at arm's length with Terrace or such subsidiaries, as the case may be, for income tax purposes, do not differ from those that would have been made between persons dealing at arm's length for income tax purposes under applicable Law.
- (vii) Each of Terrace and each of its subsidiaries have made or obtained records or documents, as required under applicable Law, with respect to all material transactions between it and any Person with whom it was not dealing at arm's length for income tax purposes.
- (viii) Neither Terrace nor any of its subsidiaries is party to or bound by any tax sharing agreement, Tax indemnity obligation in favour of any Person or similar agreement in favour of any Person with respect to Taxes (including any advance pricing agreement or other similar agreement relating to Taxes with any Governmental Entity), or any other agreement between Terrace, any of its subsidiaries or any predecessor or affiliate thereof and any other party under which Purchaser or Terrace or any of its subsidiaries or any predecessor or affiliate thereof could be liable for any material Taxes or other claims of any party, other than standard indemnity provisions contained in commercial contracts entered into the ordinary course of business that do not relate principally to Taxes.
- (ix) Neither Terrace nor any of its subsidiaries will be required to include in a taxable period (or portion thereof) ending after the Effective Time any amount of taxable income attributable to income that accrued, or that was required to be reported for financial accounting purposes, in a prior taxable period but that was not included in taxable income for that or another prior taxable period.
- (x) Neither Terrace nor any of its subsidiaries have incurred any deductible outlay or expense owing to a Person not dealing at arm's length (for income tax purposes) with it, the amount of which would, in the absence of any agreement in respect of unpaid amounts under applicable Law, be included in Terrace's or such subsidiaries' income for income tax purposes for any taxation year or fiscal period beginning after the Effective Date under applicable Law.
- (xi) Neither Terrace nor any of its subsidiaries have acquired property from a Person not dealing at arm's length (for income tax purposes) with it in circumstances that would result in Terrace or such subsidiaries becoming liable to pay Taxes of such Person under a derivative assessment (or similar) issued under applicable Law.
- (xii) Neither Terrace nor any of its subsidiaries (i) has been included in any "consolidated," "unitary" or "combined" Tax Return provided for under the Laws of the United States, any non-U.S. jurisdiction or any state, province, municipality or locality with respect to Taxes for any taxable period for which the statute of limitations has not expired, other than a



group of which Terrace and its subsidiaries, or some subset thereof, are the only members.

- (gg) No Intellectual Property. Terrace does not own any Intellectual Property that is material to the conduct or the operation of its business or the business of its subsidiaries. The conduct or operation of the business (including any of the products produced by the business) does not infringe upon, misappropriate, or otherwise violate the Intellectual Property rights of any Person.
- (hh) Privacy Law; Anti-Spam Law.
- (i) Terrace and its subsidiaries have complied at all times with: (A) all applicable data protection or privacy Law in connection with the collection, use and disclosure of Personal Information by Terrace and its subsidiaries; (B) Anti-Spam Laws; and, (iii) all notices and consents and other obligations and commitments applicable to the collection, use and disclosure of Personal Information or to compliance with Anti-Spam Laws. Terrace and each of its subsidiaries have implemented a commercially reasonable privacy policy governing the collection, use and disclosure of Personal Information by Terrace and each of its subsidiaries (the “**Terrace Privacy Policy**”) and have at all times collected, used and disclosed Personal Information in accordance with and have otherwise complied with the Terrace Privacy Policy. Terrace has posted the Terrace Privacy Policy on its websites or otherwise made it available in a manner readily available to visitors, current and potential customers, and to any individual whose Personal Information Terrace collects, uses, or discloses. Terrace and its subsidiaries have complied at all times and in all material respects with any privacy policies and privacy obligations of or to any third party under the terms of any Contracts or understandings to which Terrace or any of its subsidiaries is a party or which otherwise bind Terrace or its subsidiaries.
- (ii) There have not been any incidents of, or third party claims alleging, any: (i) Data Breaches; (ii) unauthorized access or unauthorized use of any of Terrace’s or its subsidiaries’ information technology systems; or (iii) loss, theft, unauthorized access or acquisition, modification, disclosure, corruption, or other misuse of confidential information of Terrace or its subsidiaries (or provided to Terrace or its subsidiaries by third parties) in Terrace’s or its subsidiaries’ possession (collectively, “**Cyber Security Incidents**”). Terrace has not been required by applicable Law or a Governmental Entity to notify in writing, any Person of any Cyber Security Incidents. Terrace maintains a complete register of all Data Breaches in accordance with applicable Law, regardless of whether such breaches were reported under applicable breach notification requirements in any applicable Law.
- (iii) Neither Terrace nor any of its subsidiaries has: (A) entered into any undertaking pursuant to any Anti-Spam Laws; or (B) received any correspondence, or notice of proceeding, in each case relating to an alleged contravention of Anti-Spam Laws.
- (ii) Environmental Matters.
- (i) The conduct of Terrace and its subsidiaries in carrying on the Business and the operation of the Business by Terrace and its subsidiaries have been and is in compliance with all Environmental Laws, in all material respects, and there are no existing events, conditions, or circumstances that would reasonably be expected to materially and adversely affect the ability of Terrace or its subsidiaries to comply with Environmental Laws;
- (ii) Terrace and its subsidiaries have obtained and are in compliance in all material respects with all permits required by applicable Environmental Laws, and all written notices or demand letters issued, entered, promulgated or approved thereunder. which are

necessary in connection with the conduct and operation of the Business and the ownership, leasing or use of the assets as the same are now owned, leased, used conducted or operated;

- (iii) There are no Claims, prosecutions, charges, hearings or other proceedings of any kind (“**Proceeding**”) or, to the best of the Terrace’s knowledge, contemplated Proceedings, in any court or tribunal or before any Governmental Entities, and no notice has been received by Terrace or any of its subsidiaries of any such Proceeding or contemplated Proceeding, which alleges the violation of, or non-compliance with, any Environmental Law or relates to the presence of, or release of, any Hazardous Substances in connection with the Business;
  - (iv) To the best of the Terrace’s knowledge, there has been no release of any Hazardous Substances at, on, or under any Real Property or any other real property previously owned, leased, operated or controlled by Terrace or any of its subsidiaries, other than in compliance with Environmental Laws. Neither Terrace nor its subsidiaries has manufactured, distributed, treated, stored, disposed of, handled, released, transported or arranged for the transport of Hazardous Substances, including to any off-site location, or exposed any Person to Hazardous Substances, in each case so as to give rise to any current or future liabilities of Terrace or its subsidiaries under Environmental Laws or permits required by applicable Environmental Laws. Neither Terrace nor any of its subsidiaries is conducting, or has undertaken or completed, any investigatory, remedial or corrective obligation relating to any release of any Hazardous Substances at, on, or under any Real Property or any other real property previously owned, leased, operated or controlled by Terrace or any of its subsidiaries, either voluntarily or pursuant to the order of any Governmental Entity or the requirements of any Environmental Laws;
  - (v) There are no orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Business; and
  - (vi) None of Terrace or its subsidiaries have agreed by contract or other agreement to indemnify or be responsible for any liabilities or obligations under Environmental Laws.
- (jj) Inventories. All items included in the Inventories consist of a quality and quantity usable and, with respect to finished goods, saleable, in the ordinary course of business of Terrace and its subsidiaries at normal prices except for obsolete items and items of below-standard quality, all of which have been written off or written down to net realizable value in the Terrace Financial Statements or in the books and records, as the case may be. The portion of the Inventories consisting of raw materials and work-in-progress is of a quality useable in the production of finished products. None of the Inventories in Terrace’s possession has been sold or is on consignment or is subject to any Encumbrance (other than Permitted Encumbrances). All of the Inventories have been valued at the lower of cost or net realizable value using the weighted average method. All of the Inventories were purchased in the ordinary course of business of Terrace and its subsidiaries at a cost not exceeding market prices prevailing at the time of purchase. The quantities of each item of Inventories (whether raw materials, work-in-process or finished goods) are consistent with the levels of Inventories maintained by Terrace and its subsidiaries in the operation of the Business in the ordinary course and are not excessive given the present circumstances of the Business.
- (kk) Transactions with Affiliates et al.
- (i) neither Terrace nor its subsidiaries (a) are liable in respect of advances, loans, guarantees, liabilities or other obligations to or on behalf of, or (b) party to any Contract or other transaction with, in each case, any equityholder, shareholder, officer, director, manager, employee or affiliate of Terrace, any subsidiaries or any associates or relatives



of any of the foregoing, or any other Person with whom Terrace or any of its subsidiaries does not deal at arm's length;

- (ii) there are no intercompany services provided to Terrace or any of its subsidiaries by any subsidiary of Terrace or by any affiliate of Terrace or a subsidiary of Terrace;
  - (iii) no officer, director or manager of Terrace or of its subsidiaries owns any interest in any competitor or supplier of Terrace or its subsidiaries; and
  - (iv) there are no transactions, agreements, arrangements or understandings that would be required to be disclosed pursuant to applicable Securities Laws and that have not been so disclosed in the Terrace Disclosure Documents, other than employment agreements entered in the ordinary course of business.
- (II) Services and Products. The products produced by Terrace and its subsidiaries have been manufactured and tested in accordance with, and meet all requirements of, applicable Law and meet the specifications in all contracts with customers of Terrace or any of its subsidiaries relating to the sale of such products. Terrace has not received any statements, citations or decisions or orders from any Governmental Entity stating that any service or product provided by the Business is unsafe or fails to meet any standards or applicable Law promulgated by any such Governmental Entity and, to the knowledge of Terrace, there is no valid basis for any such statements, citations or decisions or orders. There are no Claims against or involving Terrace or any of its subsidiaries pursuant to any product warranty or with respect to any implied representation or warranty, or the production, distribution or sale of defective or inferior products or with respect to any warnings (or failure to warn) or instructions concerning such products, and, to the knowledge of Terrace, none has been threatened nor is there any valid basis for any such Claim.
- (mm) Cannabis Matters.
- (i) neither Terrace nor any of its subsidiaries nor, to the knowledge of Terrace, any director, officer, employee, or any agent or other person acting on behalf of Terrace Group, has cultivated, produced, processed, imported or distributed, or has any current intention to cultivate, produce, process, import or distribute, any cannabis or cannabinoid product or hemp (as such term is defined in section 10113 of the Agriculture Improvement Act of 2018, amending section 297A of the United States Agricultural Marketing Act of 1946), or has otherwise engaged, or has any current intention to otherwise engage, in any direct or indirect dealings or transactions (including, for the avoidance of doubt, with respect to Intellectual Property pertaining to cannabis, cannabinoid products or hemp) in or to the United States of America, its territories and possessions, any state of the United States and the District of Columbia or any other federal, provincial, state, municipal, local or foreign jurisdiction where such activity is illegal. Neither Terrace nor any of its subsidiaries has operated in or exported any cannabis, cannabinoid product or Hemp to any jurisdiction except in compliance with applicable Laws. The Terrace Group have instituted and maintained and will continue to maintain policies and procedures reasonably designed to ensure that it does not carry on any activities in, or distribute any products to, any jurisdiction where such activities or products are not fully in compliance with all applicable federal, state or provincial Laws;
  - (ii) neither Terrace nor any of its subsidiaries has engaged in, or will engage in, (i) any direct or indirect dealings or transactions in violation of U.S. federal or state Laws, including, without limitation, the *Controlled Substances Act*, the *Racketeering Influenced and Corrupt Practices Act*, the *Travel Act*, the *Bank Secrecy Act*, the Agriculture Improvement Act of 2018, or any anti-money laundering statute, or (ii) any "aiding and abetting" in any violation of U.S. federal or state Laws. No action, suit or proceeding by or before any U.S. court or governmental agency, authority or body or any arbitrator involving Terrace or

any of its subsidiaries with respect to U.S. federal or state Laws is pending or, to the knowledge of Terrace, threatened;

- (iii) each individual employed by or associated with the Terrace Group that is required to hold security clearance under the Cannabis Act and Cannabis Regulations in Canada in order to maintain the requisite Business licences holds such; and
- (iv) neither Terrace nor any of its subsidiaries has received any inspection report, notice of adverse finding, warning letter, untitled letter or other correspondence with or notice from Health Canada or any other federal, provincial, state, municipal, local or foreign governmental or regulatory authority or court or arbitrator in Canada or any other country, alleging or asserting non-compliance with any applicable Laws or regulations, including, without limitation, *the Food and Drugs Act, R.S.C. 1985, c. F-27* or *the Controlled Drugs and Substances Act, S.C. 1996, c. 19*, that has not been resolved by Terrace or such subsidiary and that otherwise could reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect with respect to Terrace. Terrace and its subsidiaries and, to the knowledge of Terrace, any person acting on behalf of Terrace or any subsidiary are and have been in material compliance with applicable health care, cannabis, privacy and personal health information Laws and the regulations promulgated pursuant to such Laws and all other federal, provincial, state, municipal, local or foreign Laws, manual provisions, policies and administrative guidance relating to the regulation of Terrace in Canada. Neither Terrace nor any of its subsidiaries, either voluntarily or involuntarily, initiated, conducted or issued or caused to be initiated, conducted or issued, any recall, market withdrawal or replacement, safety alert, post-sale warning or other notice or action relating to the alleged safety or efficacy of any product or any alleged product defect or violation and there is no basis for any such notice or action.
- (nn) Brokers. No broker, agent or other intermediary is entitled to any fee, commission or other remuneration in connection with the transactions contemplated by this Agreement and the Plan of Arrangement based upon arrangements made by or on behalf of Terrace except the Terrace Financial Advisor.
- (oo) Indebtedness. Neither Terrace nor any of its subsidiaries have any authorized or outstanding indebtedness or any liabilities or obligations of any nature (whether known or unknown, liquidated or unliquidated, due or to become due and whether accrued, absolute, contingent or otherwise), other than current liabilities.
- (pp) Securities Law Matters.
  - (i) The Terrace Shares are listed and posted for trading on the TSXV and no order, ruling or determination having the effect of ceasing or suspending trading in any securities of Terrace has been issued.
  - (ii) Terrace is a “reporting issuer” (as that term is defined under applicable Securities Laws) in British Columbia, Ontario and Alberta, not included in a list of defaulting reporting issuers (or equivalent) maintained by the applicable Securities Authorities in each such jurisdiction and Terrace is not subject to any continuous or periodic or other disclosure requirements under any securities laws or stock exchange rules in any other jurisdiction. Terrace has not taken any action to cease to be a reporting issuer in any province of Canada nor has Terrace received notification from any Securities Authority (nor, to the knowledge of Terrace, is any such notification being threatened) seeking to revoke the reporting issuer status of Terrace or delist, suspend trading of or cease trading the Terrace Shares.
  - (iii) Terrace is not in default in any material respect of any requirements of any Securities Laws. Terrace has timely furnished or filed with the Securities Authorities a true and

complete copy of all Terrace Disclosure Documents. The Terrace Disclosure Documents at the time filed or furnished or, if amended, as of the date of such amendment: (a) did not contain any misrepresentation or omission to disclose any material fact regarding Terrace or any of its subsidiaries; (b) complied in all material respects with the requirements of applicable Securities Laws in effect at the time of filing; and (c) constitute full, true and plain disclosure of all material facts regarding Terrace and its subsidiaries. Terrace has not filed any confidential material change or other report or other document with any Securities Authorities or other self-regulatory authority which at the date hereof remains confidential.

- (iv) Except as otherwise provided by Terrace in writing, to the knowledge of Terrace, no “related party” of Terrace (within the meaning of MI 61-101) will receive a “collateral benefit” (within the meaning of 61-101) as a consequence of the transactions contemplated by this Agreement.
  - (v) Terrace is not, and will not by virtue of the Arrangement, become, a company that is, or is required to be, registered as an investment company under the Investment Company Act of 1940, as amended.
  - (vi) There are no outstanding or unresolved comments in comments letters from any Securities Authority with respect to any of Terrace Disclosure Documents and neither Terrace, nor any of the Terrace Disclosure Documents is subject of an ongoing audit, review, comment or investigation by any Securities Authority, and no such audit, review, comment or investigation has been commenced or completed since January 1, 2017.
  - (vii) None of Terrace’s subsidiaries is required to file periodic reports with the Securities Authorities pursuant to Securities Laws.
- (qq) Arrangement with Securityholders. Other than the Terrace Voting Agreement, this Agreement (and the transactions contemplated herein) and the Confidentiality Agreement, Terrace does not have any agreement, arrangement or understanding (whether written or oral) with respect to Terrace or any of its securities, business or operations, with any shareholder of Terrace, any interested party of Terrace or any related party of any interested party of Terrace, or any joint actor with any such Persons (and for this purpose, the terms “interested party”, “related party” and “joint actor” shall have the meaning ascribed to such terms in MI 61-101).
- (rr) Terrace Fairness Opinion and Board Approval.
- (i) The Terrace Board has received opinions from the Terrace Financial Advisor to the effect that the consideration to be received under the Arrangement is fair from a financial point of view to the Terrace Shareholders (collectively, the “**Terrace Fairness Opinion**”). The Terrace Board (i) has unanimously determined that the Arrangement is in the best interests of Terrace; and (ii) has approved the entering into of this Agreement and the making of a recommendation that Terrace Shareholders vote in favour of the Terrace Arrangement Resolution.
  - (ii) The Terrace Financial Advisor providing the Terrace Fairness Opinion is receiving a fee with respect thereto; however, it is not contingent on the closing of the transactions contemplated herein.
- (ss) Compliance with Sanctions and Export Control Laws.
- (i) Neither Terrace nor any of its subsidiaries nor, to the knowledge of Terrace, any director, officer, agent, employee, affiliate or other Person acting on behalf of Terrace or any of its subsidiaries, is currently the subject or target of any United States sanctions administered

or enforced by the Office of Foreign Assets Control of the U.S. Treasury Department (“OFAC”) and the U.S. Department of State or by the United Nations Security Council, the European Union, any European Union member state, Her Majesty’s Treasury of the United Kingdom, or any other relevant sanctions authority and Terrace has not lent, contributed or otherwise made available, directly or indirectly, any funds to any subsidiary, joint venture partner or other Person or entity, for the purpose of financing the activities of any Person which, to the knowledge of Terrace, is currently subject to any United States sanctions administered such authorities.

- (ii) The Terrace Group or any of its directors, officers, employees, agents, or other Persons acting on behalf of the Terrace Group is not an individual or entity that is, or is owned or controlled by Persons that are: (a) located, organized, or resident in a country or territory that is, or whose government is, the target of any sanctions that apply to the Business of Terrace administered or enforced by OFAC, the U.S. Department of State, or any other relevant sanctions authority (collectively, “Sanctions”), including, currently, Crimea, Cuba, Iran, North Korea, and Syria, or (b) the target of any Sanctions.
- (iii) The Terrace Group has not engaged in any transactions or dealings, or exported or transferred any products or services to: (a) any country or territory that is the target of Sanctions, including, currently, Crimea, Cuba, Iran, North Korea, and Syria, or otherwise authorized by applicable Laws governing export controls, economic sanctions, and anti-boycott, including but not limited to, Laws described in subclause (i) of this subsection (ss) of this Schedule “C”, or (b) any person identified on a list of designated and prohibited parties maintained by the U.S. Government, including, but not limited to, the Specially Designated Nationals and Blocked Persons List, Foreign Sanctions Evaders List, and Sectoral Sanctions Identifications List administered by OFAC, any sanctions-related lists maintained by the U.S. Department of State, and the Denied Persons List, Unverified List and Entity List administered by the U.S. Department of Commerce’s Bureau of Industry and Security, or any other relevant Government Entities.
- (iv) The Terrace Group has not been investigated or prosecuted by a Governmental Entity, or submitted a disclosure (voluntary or otherwise) to a Governmental Entity, for violations of export control, sanctions, or anti-boycott Laws or regulations. As of the Effective Date, there is no material investigation, proceeding or disciplinary action (including fines) currently pending, or threatened in writing against the Terrace Group by a Governmental Entity. The Terrace Group has implemented and maintains in effect policies and procedures designed to ensure compliance by the Terrace Group, its directors, officers, employees, and Representatives with applicable Laws governing export control, economic sanctions, and anti-boycott.
- (tt) No Other Representations or Warranties. Except for the representations and warranties expressly made by Terrace in this Schedule “C” or in any certificate delivered pursuant to this Agreement, neither Terrace nor any other Person makes or has made any representation or warranty of any kind whatsoever, express or implied, at Law or in equity, with respect to Terrace or any of its subsidiaries or their respective business, operations, assets, liabilities, condition (financial or otherwise), notwithstanding the delivery or disclosure to Purchaser or any of its affiliates or Representatives of any documentation, forecasts or other information with respect to any one or more of the foregoing. Without limiting the generality of the foregoing, neither Terrace nor any other Person makes or has made any express or implied representation or warranty to Purchaser or any of its Representatives with respect to (a) any financial projection, forecast, estimate, or budget relating to Terrace, any of its subsidiaries or their respective businesses or, (b) except for the representations and warranties made by Terrace in this Schedule “C”, any oral or written information presented to Purchaser or any of its Representatives in the course of their due diligence investigation of Terrace, the negotiation of this Agreement or the course of the Arrangement.

**SCHEDULE D**  
**REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser hereby represents and warrants to Terrace as follows and Purchaser acknowledges and agrees that Terrace is relying upon such representations and warranties in connection with the entering into of this Agreement:

- (a) Organization and Corporate Capacity. Purchaser is duly amalgamated and is validly existing and in good standing under the laws of Ontario and has all requisite corporate power and capacity to carry on its business as now conducted and to own, lease and operate its properties and assets. Each of Purchaser's subsidiaries is duly formed and in good standing (or equivalent) under the Laws of its jurisdiction of formation.
- (b) Qualification to Do Business. Purchaser and each of its subsidiaries is duly qualified, licensed or registered to carry on business and is in good standing in each jurisdiction in which the character of its respective assets and properties owned, leased, licensed or otherwise held, or the nature of its business activities, make such qualification necessary.
- (c) Dissolution. No act or proceeding by or against Purchaser or any of its subsidiaries in connection with the dissolution, liquidation, winding up, bankruptcy or reorganization of Purchaser or any of its subsidiaries or for the appointment of a trustee, receiver, manager or other administrator of Purchaser or any of its subsidiaries or any of its properties or assets has been taken nor is any such act or proceeding, to the knowledge of Purchaser, been threatened. Neither Purchaser nor any of its subsidiaries has sought protection under the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada) or similar legislation in any jurisdiction.
- (d) Authority Relative to this Agreement. Purchaser has the requisite corporate power and authority to enter into, deliver and perform its obligations under this Agreement. The execution and delivery of this Agreement and performance by Purchaser of its obligations under this Agreement and consummation of the Arrangement and other transactions contemplated hereby have been duly authorized by all necessary corporate action of Purchaser and no other corporate proceedings on the part of Purchaser are necessary to authorize the execution, delivery and performance of this Agreement or the consummation of the Arrangement and the other transactions contemplated hereby.
- (e) Execution and Binding Obligation. This Agreement has been duly and validly executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject however, to limitations with respect to enforcement imposed by Law in connection with bankruptcy, insolvency, reorganization or other Laws affecting creditors' rights generally and to the extent that equitable remedies such as specific performance and injunctions are only available in the discretion of the court from which they are sought.
- (f) No Violation. The execution and delivery by Purchaser of this Agreement and the performance by it of its obligations hereunder and the completion of the Arrangement and the other transactions contemplated hereby do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) violate, conflict with or result in, directly or indirectly, a breach of, or permit the termination, cancellation, acceleration or other change of any right or obligation under:
  - (i) any provision of the articles, by-laws or comparable organizational documents of Purchaser or its subsidiaries;
  - (ii) any Contract or any Authorization to which Purchaser or any of its subsidiaries is a party or otherwise bound; or

(iii) any Law to which Purchaser or any of its subsidiaries is subject or otherwise bound;

(except, in the case of each of clauses (i) or (ii) above, those that would not reasonably be expected to, individually or in the aggregate, (x) materially impede the ability of Purchaser to consummate the Arrangement and the transactions contemplated hereby or perform its obligations hereunder, or (y) have a Material Adverse Effect with respect to Purchaser).

- (g) Capitalization. The authorized capital of the Purchaser consists of an unlimited number of Purchaser Common Shares and an unlimited number of preferred shares. As of close of business on October 16, 2020 there were 141,690,708 Purchaser Common Shares issued and outstanding and no preferred shares issued and outstanding. All outstanding Purchaser Common Shares have been duly authorized and validly issued, are fully paid and non-assessable (and no such shares have been issued in violation of any pre-emptive or similar rights). No Purchaser Common Shares have been issued in violation of any Law on the part of the Purchaser or any pre-emptive or similar rights applicable to them. Other than secured subordinated convertible debentures, options, restricted share units, warrants and class A preferred shares in the capital of The Flowr Canada Holdings ULC (which are exchangeable at no additional consideration for Purchaser Common Shares on a one for one basis at any time at the option of the holders thereof pursuant to the share exchange agreement dated August 2018 among Purchaser, The Flowr Canada Holdings ULC and certain shareholders of the Purchaser) to acquire up to an aggregate of 142,212,889 Purchaser Common Shares (which number includes the convertible debentures of the Purchaser that are outstanding as at the date hereof assuming that interest on such debentures is payable in Purchaser Common Shares at a conversion price of \$0.58 per share), there are no issued, outstanding or authorized equity-based awards, calls, conversion, pre-emptive, redemption, repurchase, stock appreciation or other rights, or any other agreements, arrangements, instruments or commitments of any kind that obligate the Purchaser or any of its subsidiaries to, directly or indirectly, issue, register for sale, repurchase or redeem any securities of the Purchaser or of any of its subsidiaries, or give any Person a right to subscribe for or acquire, any securities of the Purchaser or of any of its subsidiaries. There are no issued, outstanding or authorized notes, bonds, debentures or other evidences of indebtedness or any other agreements, arrangements, instruments or commitments of any kind that give any Person, directly or indirectly, the right to vote with holders of Purchaser Common Shares on any matter except as required by Law.
- (h) Issuance of Purchaser Common Shares under Arrangement. All Purchaser Common Shares to be issued pursuant to the Arrangement, upon issuance, shall be validly issued as fully paid and non-assessable shares in the capital of the Purchaser, shall be listed for trading on the TSXV and shall not be subject to any contractual or other restrictions on transferability.
- (i) Shareholders' and Similar Agreements. Neither the Purchaser nor any of its subsidiaries is subject to, or affected by, any unanimous shareholders agreement and is not a party to any shareholder, pooling, voting, or other similar arrangement or agreement relating to the ownership, registration, transfer or voting of any of the securities of the Purchaser or of any of its subsidiaries or pursuant to which any Person other than the Purchaser or any of its subsidiaries may have any right or claim in connection with any existing or past equity interest in the Purchaser or in any of its subsidiaries.
- (j) Regulatory Approvals and Consents. Other than the Interim Order and any approvals required by the Interim Order, the Final Order, filings with the Director under the OBCA and such filings and other actions required under applicable Securities Laws, no Authorization, consent or approval of, or filing with, or notification to, any Governmental Entity is necessary on the part of Purchaser in connection with the execution and delivery of this Agreement or the performance of its obligations under this Agreement or the completion by it of the transactions contemplated by this Agreement.
- (k) Litigation. There is no proceeding outstanding against, or to the knowledge of Purchaser, threatened against or relating to Purchaser that would reasonably be expected to (i) prevent or



materially delay the completion of the Arrangement, or (ii) have a Material Adverse Effect with respect to the Purchaser.

- (l) Securities Law Matters. The Purchaser is a “reporting issuer” or equivalent thereof and not on the list of reporting issuers in default under applicable Securities Laws in each of the provinces of Canada except Quebec, in which such concept exists and is not in default in any material respect with any applicable Securities Laws or the rules and regulations of the TSXV. No delisting, suspension of trading in or cease trading order with respect to any of its securities and, to the knowledge of the Purchaser, no inquiry or investigation of any Securities Authority, is pending, in effect or ongoing or threatened. The Purchaser Common Shares are listed on the TSXV and trading of the Purchaser Common Shares is not currently halted or suspended. The Purchaser does not have any securities listed for trading on any securities exchange other than the TSXV. None of the Purchaser’s subsidiaries is subject to any material disclosure requirements under any Securities Laws in any jurisdiction in which such Subsidiary is formed or otherwise organized or operates. The Purchaser is not subject to any cease trade or other order of the TSXV or any Securities Authority, and, to the knowledge of the Purchaser, no investigation or other proceedings involving the Purchaser that may operate to prevent or restrict trading of any securities of the Purchaser are currently in progress or pending before the TSXV or any Securities Authority.
- (m) U.S. Matters.
- (i) Purchaser is not incorporated in the United States, is not organized under the laws of the United States and does not have its principal offices within the United States;
- (ii) Purchaser is not registered or required to be registered as an “investment company” pursuant to the United States Investment Company Act of 1940, as amended; and
- (iii) no class of securities of Purchaser is registered or required to be registered under Section 12 of the U.S. Exchange Act, nor does Purchaser have a reporting obligation under Section 15(d) of the U.S. Exchange Act.
- (n) Financial Statements. The audited consolidated financial statements of the Purchaser (including any of the notes or schedules thereto, the auditors’ report thereon and related management’s discussion and analysis) for the year ended December 31, 2019 and for the respective three and six month period ended June 30, 2020 (i) were prepared in accordance with IFRS, (ii) fairly present, in all material respects, the assets, liabilities (whether accrued, absolute, contingent or otherwise), consolidated financial position, results of operations or financial performance and cash flows of the Purchaser and its respective subsidiaries as of the dates set out in such statements and the consolidated financial position, results of operations or financial performance and cash flows of the Purchaser and its respective subsidiaries as at the dates and for the respective periods covered by such financial statements (except as may be expressly indicated in the notes to such financial statements) and (iii) reflect appropriate reserves in respect of contingent liabilities, if any. The Purchaser does not intend to make any material correction or restatement of, nor, to the knowledge of the Purchaser, is there any basis for any material correction or restatement of, any aspect of any of the financial statements. Since January 1, 2019, the financial books, records and accounts of the Purchaser and each of its subsidiaries: (i) have been maintained, in all material respects, in accordance with IFRS; (ii) are stated in reasonable detail; (iii) accurately and fairly reflect all the material transactions, acquisitions and dispositions of the Purchaser and its subsidiaries; and (iv) accurately and fairly reflect the basis of the Purchaser’s financial statements for periods beginning on or after such date.
- (o) Disclosure Controls and Internal Control over Financial Reporting. The Purchaser has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by the Purchaser in its annual filings, interim filings or other reports filed or submitted by it under Securities Laws is recorded,

processed, summarized and reported within the time periods specified in Securities Laws. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Purchaser in its annual filings, interim filings or other reports filed or submitted under Securities Laws are accumulated and communicated to the Purchaser's management, as applicable, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Purchaser has established and maintains a system of internal control over financial reporting that is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. To the knowledge of the Purchaser, there is no material weakness (as such term is defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) relating to the design, implementation or maintenance of its internal control over financial reporting, or fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Purchaser. To the knowledge of the Purchaser, none of the Purchaser, any of its subsidiaries, or any of their respective directors, officers, auditors, accountants or Representatives has received or otherwise obtained knowledge of any material complaint, allegation, assertion, or claim, whether written or oral, regarding accounting, internal accounting controls or auditing matters, including any material complaint, allegation, assertion, or claim that the Purchaser or any of its subsidiaries has engaged in questionable accounting or auditing practices, or any expression of concern from its employees regarding questionable accounting or auditing matters.

- (p) Auditors. The auditors of the Purchaser are independent public accountants as required by applicable Laws and there is not now, and there has never been, any reportable event (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) with the present or any former auditors of the Purchaser.
- (q) No Undisclosed Liabilities. There are no material liabilities or obligations of the Purchaser or of any of its subsidiaries of any type whatsoever, whether accrued, contingent or absolute, other than liabilities or obligations: (a) reflected or reserved against in the audited consolidated financial statements of the Purchaser as at and for the fiscal years ended December 31, 2019 and 2018 (including any notes or schedules thereto and related management's discussions and analysis); (b) that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect in respect of the Purchaser; or (c) incurred in connection with this Agreement.
- (r) Purchaser Disclosure Documents. Purchaser is not in default in any material respect of any requirements of any Securities Laws. Purchaser has timely furnished or filed with the Securities Authorities a true and complete copy of all Purchaser Disclosure Documents. The Purchaser Disclosure Documents at the time filed or furnished or, if amended, as of the date of such amendment: (a) did not contain any misrepresentation or omission to disclose any material fact regarding Purchaser or any of its subsidiaries; (b) complied in all material respects with the requirements of applicable Securities Laws in effect at the time of filing; and (c) constitute full, true and plain disclosure of all material facts regarding Purchaser and its subsidiaries. Purchaser has not filed any confidential material change or other report or other document with any Securities Authorities or other self-regulatory authority which at the date hereof remains confidential.
- (s) Employment Matters. This Agreement, the Arrangement and the transactions contemplated herein (including the entering into by the Purchaser of the Nomination and Voting Agreement) do not trigger any change of control or severance payments under any agreement or arrangement of the Purchaser or any of its subsidiaries, including any employment agreement, independent contractor agreement, incentive or awards plan, Permit, license, lease, credit agreement, indenture or similar agreement or arrangement.
- (t) Material Contracts. The material Contracts of Purchaser are set out in Schedule "H". All material Contracts of Purchaser are in full force and effect, unamended and Purchaser or its subsidiaries,



as applicable, is entitled to the full benefit and advantage of each such material Contract in accordance with its terms. Each material Contract of Purchaser is valid and binding on Purchaser or a subsidiary to the extent such person is a party thereto, as applicable, and to the knowledge of Purchaser, the other party thereto. Purchaser or its subsidiaries, as applicable, and to the knowledge of Purchaser, each other party thereto, is (with or without notice, lapse of time, or both) not in, or has not received notice of, breach of or default under, any material Contract of Purchaser. Without limiting the foregoing, no conflicting territorial rights have been granted in any agreement to which Purchaser or its subsidiaries is a party that grants exclusive rights to any third party. No counterparty to a material contract of Purchaser has provided notice to Purchaser or a subsidiary that it intends to change its relationship in a manner that is materially adverse to the applicable member of the Purchaser and its subsidiaries, whether by amending, terminating, not renewing the applicable material Contract of Purchaser. To the knowledge of Purchaser, and except with respect to the transactions contemplated by this Agreement, no event has occurred which, with notice or lapse of time or both, would cause a default under any material Contract of Purchaser or provide a right of termination, non-renewal, amendment, payment or indemnity under such material Contract. No consent or authorization of, or notice to, a counterparty to a material Contract of Purchaser is required to permit the entering into of this Agreement, the Arrangement or the other transactions contemplated herein, except pursuant to the ATB Credit Agreement.

- (u) Compliance with Law. Purchaser has complied with all applicable Law other than any non-compliance which would, individually or in the aggregate, not have a Material Adverse Effect in respect of Purchaser.
- (v) Security Ownership. Other than as has been previously disclosed to Terrace in writing, none of Purchaser, any of its affiliates, or any other Person acting jointly or in concert with any of them, beneficially owns or controls (directly or indirectly, economically, or through derivatives or otherwise) any securities of Terrace or any of its affiliates.
- (w) No Other Representations or Warranties. Except for the representations and warranties expressly made by Purchaser in this Schedule “D” or in any certificate delivered pursuant to this Agreement, neither Purchaser nor any other Person makes or has made any representation or warranty of any kind whatsoever, express or implied, at Law or in equity, with respect to Purchaser or any of its subsidiaries or their respective business, operations, assets, liabilities, condition (financial or otherwise), notwithstanding the delivery or disclosure to Terrace or any of its affiliates or Representatives of any documentation, forecasts or other information with respect to any one or more of the foregoing. Without limiting the generality of the foregoing, neither Purchaser nor any other Person makes or has made any express or implied representation or warranty to Terrace or any of its Representatives with respect to (a) any financial projection, forecast, estimate, or budget relating to Purchaser, any of its subsidiaries or their respective businesses or, (b) except for the representations and warranties made by Purchaser in this Schedule “D”, any oral or written information presented to Purchaser or any of its Representatives in the course of the negotiation of this Agreement or the course of the Arrangement.

**SCHEDULE E**

**TERRACE SUPPORTING SHAREHOLDERS**

*[REDACTED – commercially-sensitive information.]*

**SCHEDULE F**  
**FORM OF NOMINATION AND VOTING AGREEMENT**

**FORM OF NOMINATION AND VOTING AGREEMENT**

**THIS NOMINATION AND VOTING AGREEMENT** is made as of the \_\_\_\_ day of \_\_\_\_\_, 2021.

**BETWEEN:**

**THE PERSONS LISTED ON SCHEDULE “A” HERETO** (collectively, the “**Former Terrace Securityholders**” and each individually a “**Former Terrace Securityholder**”)

- and -

**THE PERSONS LISTED ON SCHEDULE “B” HERETO** (collectively, the “**Flwr Securityholders**” and together with the Former Terrace Securityholders, the “**Securityholders**”)

- and -

**THE FLOWR CORPORATION**, a corporation governed by the laws of the Province of Ontario (the “**Corporation**”)

**RECITALS:**

- (a) On [●, 202●], the Corporation acquired all of the issued and outstanding voting and equity securities of Terrace Global Inc. (“**Terrace**”) upon giving effect to an arrangement under section 182 of the *Business Corporations Act* (Ontario) (the “**Arrangement**”).
- (b) The Corporation has entered into this Agreement to grant certain rights to the Securityholders with respect to the nomination of persons for election to the board of directors of the Corporation (the “**Board**”).
- (c) Each of the Securityholders believes it will derive benefit from the nomination rights contemplated by this Agreement and wishes to confirm its support therefor.
- (d) As of the date hereof: (i) the Former Terrace Securityholders are the beneficial owners of the Common Shares (as defined herein) as set forth in Schedule “A” hereto; and (ii) the Flwr Securityholders are the beneficial owners of the Common Shares as set forth in Schedule “B” hereto.

**NOW THEREFORE**, in consideration of the mutual covenants in this Agreement and for other consideration (the receipt and sufficiency of which are acknowledged), the Parties agree as follows:

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Agreement:

“**Affiliate**” of any Person means another Person that would be considered to be affiliate of such first mentioned Person for the purposes of National Instrument 45-106 – *Prospectus and Registration Exemptions*; provided that the term “Affiliate” shall include entities that are advised and/or managed by a common entity or by entities that are Affiliates of each other;

**“Agreement”**, **“this Agreement”**, **“the Agreement”**, **“hereof”**, **“herein”**, **“hereto”**, **“hereby”**, **“hereunder”** and similar expressions mean this Agreement, including all of its schedules and all instruments supplementing, amending or confirming this Agreement. All references to **“Articles”** or **“Sections”** refer to the specified Article or Section of this Agreement;

**“Arrangement”** has the meaning in the recitals hereto;

**“Board”** has the meaning in the recitals hereto;

**“Business Day”** means a day other than a Saturday, a Sunday or any other day on which commercial banking institutions in Toronto, Ontario are authorized or required by applicable Law to be closed;

**“Change of Control”** has the meaning ascribed thereto in Section 4.1(c);

**“Common Shares”** means the common shares in the capital of the Corporation;

**“Conditions”** has the meaning ascribed thereto in Section 2.6(a);

**“Corporation”** has the meaning in the preamble hereto;

**“Directors Election Meeting”** means any meeting of shareholders of the Corporation at which directors of the Corporation are to be elected;

**“Flowr Observer”** has the meaning ascribed thereto in Section 2.4;

**“Flowr Securityholders”** has the meaning in the preamble hereto;

**“Former Terrace Securityholders”** has the meaning in the preamble hereto;

**“Former Terrace Securityholders’ Nomination Letter”** has the meaning ascribed thereto in Section 2.5(c);

**“Former Terrace Securityholders’ Nominee”** means: (i) as of the date hereof until the next Directors Election Meeting and subject to Section 2.3(b), Michael Galego, Jörg Cieslok and Joanne Lee; and (ii) with respect to any Directors Election Meeting subsequent to the date hereof, three (3) individuals designated by the Former Terrace Securityholders in a Former Terrace Securityholders’ Nomination Letter and who meets the Conditions;

**“Independent Director”** means a director of the Corporation, “independent” within the meaning of National Instrument 52-110 – Audit Committees and meeting the Conditions;

**“OBCA”** means the *Business Corporations Act* (Ontario);

**“Parties”** means the parties to this Agreement, and **“Party”** means any of them;

**“Person”** means an individual, body corporate with or without share capital, partnership, joint venture, entity, unincorporated association, syndicate, firm, sole proprietorship, trust, pension fund, union, board, tribunal, governmental or quasi- governmental authority and the heirs, beneficiaries, executors, legal representatives or administrators of an individual;

**“PIF”** means a Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information in the form of Appendix A to National Instrument 41-101 – *General Prospectus Requirements*, and any similar form prescribed under applicable

securities laws or stock exchange requirements to which the Corporation is subject;

“**Securityholders**” has the meaning in the preamble hereto;

“**Terrace**” has the meaning in the recitals hereto;

“**Terrace Observer**” has the meaning ascribed thereto in Section 2.3(c); and

“**Voting Interest**” means, in respect of a shareholder of the Corporation at a particular time, the quotient that is obtained by dividing (i) the number of Common Shares held or controlled, directly or indirectly, by such shareholder at the relevant time on a non-diluted basis, by (ii) the aggregate number of Common Shares held by all shareholders of the Corporation, including such shareholder, at the relevant time, on a non-diluted basis and, if no updated number is provided by the Corporation, referenced in the most recently filed financial statements of the Corporation.

## **1.2 Time of the Essence**

Time shall be of the essence of each provision of this Agreement. Any extension, waiver or variation of any provision of this Agreement shall not be deemed to affect this provision and there shall be no implied waiver of this provision.

## **1.3 Calculation of Time**

Unless otherwise specified, time periods within or following which any act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends.

## **1.4 Business Days**

Whenever any action to be taken pursuant to this Agreement would otherwise be required to be taken or made on a day that is not a Business Day, such action shall be taken on the first Business Day following such day.

## **1.5 Headings**

The descriptive headings preceding Articles and Sections of this Agreement are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections. The division of this Agreement into Articles and Sections shall not affect the interpretation of this Agreement.

## **1.6 Plurals and Gender**

Words in the singular include the plural and vice versa and words in one gender include all genders.

## **1.7 Statutory References**

Any reference to a statute or regulation shall mean the statute or regulation in force as at the date of this Agreement (together with all regulations promulgated under such statute) as the same may be amended, re-enacted, consolidated or replaced from time to time, and any successor statute or regulation thereto, unless otherwise stated.

## **1.8 Other References**

“Include”, “includes” and “including” shall be deemed to be followed by “without limitation” whether or not they are in fact followed by such words or words of like import.

## **ARTICLE 2 NOMINATION RIGHTS**

### **2.1 Size of Board**

Pursuant to a special resolution passed by the shareholders of the Corporation on December 18, 2018, the Board is empowered to determine from time to time the number of directors of the Corporation in accordance with the OBCA and the Corporation’s articles and bylaws, which number as of the date hereof is set at nine (9).

### **2.2 Current Composition of the Board**

As of the date hereof, the composition of the Board shall be determined pursuant to Section 2.10(a) of the arrangement agreement between the Corporation and Terrace dated October 19, 2020.

### **2.3 Former Terrace Securityholders Director Nominees**

- (a) The Parties agree that:
- (i) so long as the aggregate Voting Interest beneficially owned or controlled by the Former Terrace Securityholders and their Affiliates, collectively, is greater than or equal to fifteen percent (15%), the Corporation will, subject to the provisions of this Agreement, include three (3) Former Terrace Securityholders’ Nominees among the nominees for election to the Board at each Directors Election Meeting;
  - (ii) so long as the aggregate Voting Interest beneficially owned or controlled by Former Terrace Securityholders and their Affiliates, collectively, is less than fifteen percent (15%), but greater than or equal to ten percent (10%), the Corporation will, subject to the provisions of this Agreement, include two (2) Former Terrace Securityholders’ Nominees among the nominees for election to the Board at each Directors Election Meeting; and
  - (iii) so long as the aggregate Voting Interest beneficially owned or controlled by Former Terrace Securityholders and their Affiliates, collectively, is less than ten percent (10%), but greater than or equal to five percent (5%), the Corporation will, subject to the provisions of this Agreement, include one (1) Former Terrace Securityholders’ Nominees among the nominees for election to the Board at each Directors Election Meeting.
- (b) Subject to applicable law and the rules of any stock exchange on which the Common Shares are then listed, if at any time a vacancy on the Board is created as a result of the death, resignation, disqualification or removal of a Former Terrace Securityholders’ Nominee, then Former Terrace Securityholders and the Corporation (acting through the Board) shall work together in good faith to fill such vacancy or replace such nominee with an individual selected by Former Terrace Securityholders in its sole discretion who meets the Conditions, and thereafter such individual shall serve and/or be nominated and designated as a “Former Terrace Securityholders’ Nominee” under this Agreement.

- (c) The Corporation agrees that, so long as the aggregate Voting Interest beneficially owned or controlled by the Former Terrace Securityholders and their Affiliates, collectively, is greater than or equal to seven and a half percent (7.5%), up to three (3) persons designated in writing by the Former Terrace Securityholders and delivered to the Corporation (each a “**Terrace Observer**”) shall be entitled to act as observers to the Board and to receive notice of and attend meetings of the Board, subject to execution and delivery of customary confidentiality agreements and the right of the directors of the Corporation to exercise their fiduciary duties and to exclude any Terrace Observer where the subject matter of such meeting of the Board, as determined by the Board acting reasonably, is a matter in which a Terrace Observer has a material interest in conflict with the Corporation or which is subject to solicitor-client privilege. Each Terrace Observer shall be entitled to receive copies of all materials or other information provided to members of the Board, in their capacity as such, other than materials or other information which relates to a matter, as determined above, in which such Terrace Observer has a material interest in conflict with the Terrace Observer or which are subject to solicitor-client privilege. All costs and expenses incurred by each Terrace Observer in connection with attending meetings of the Board shall be at the sole cost and expense of the Terrace Observer.

#### **2.4 Flowr Securityholders Observers**

The Corporation agrees that, so long as the aggregate Voting Interest beneficially owned or controlled by the Flowr Securityholders and their Affiliates, collectively, is greater than or equal to seven and a half percent (7.5%), up to three (3) persons designated in writing by the Flowr Securityholders and delivered to the Corporation (each a “**Flowr Observer**”) shall be entitled to act as observers to the Board and to receive notice of and attend meetings of the Board, subject to execution and delivery of customary confidentiality agreements and the right of the directors of the Corporation to exercise their fiduciary duties and to exclude any Flowr Observer where the subject matter of such meeting of the Board, as determined by the Board, acting reasonably, is a matter in which a Flowr Observer has a material interest in conflict with the Corporation or which is subject to solicitor-client privilege. Each Flowr Observer shall be entitled to receive copies of all materials or other information provided to members of the Board, in their capacity as such, other than materials or other information which relates to a matter, as determined above, in which such Flowr Observer has a material interest in conflict with the Flowr Observer or which are subject to solicitor-client privilege. All costs and expenses incurred by each Flowr Observer in connection with attending meetings of the Board shall be at the sole cost and expense of the Flowr Observer.

#### **2.5 Nominating Procedure**

- (a) The Corporation shall use commercially reasonable efforts to hold the first Directors Election Meeting following the day of the completion of the Arrangement on or before August 1, 2021.
- (b) The Corporation shall give Securityholders at least fifty (50) calendar days advance notice in writing of the date of any Directors Election Meeting.
- (c) At least forty five (45) calendar days before each Directors Election Meeting, Former Terrace Securityholders will deliver to the Corporation, in writing, the names of Former Terrace Securityholders’ Nominees (the number of such Former Terrace Securityholders’ Nominees to be determined in accordance with Section 2.3(a) based on the aggregate Voting Interest of Former Terrace Securityholders and their Affiliates at such time) together with the information regarding such Former Terrace Securityholders’ Nominees (including the number of Common Shares owned or controlled by each such Former Terrace Securityholders’ Nominee and any Person that is an affiliate or associate of each such Former Terrace Securityholders’ Nominee within the meaning of applicable Canadian securities laws) that the Corporation is



required to include in an information circular of the Corporation to be sent to shareholders of the Corporation in respect of such Directors Election Meeting and, if any such Former Terrace Securityholders' Nominee has not previously served as a director of the Corporation, a duly completed PIF (the "**Former Terrace Securityholders' Nomination Letter**"), together with reasonable details of the number of Common Shares held or controlled, directly or indirectly, by the Former Terrace Securityholders and their Affiliates in order to demonstrate their Voting Interest.

- (d) If Former Terrace Securityholders fail to deliver the Former Terrace Securityholders' Nomination Letter to the Corporation at least forty five (45) calendar days before the Directors Election Meeting in accordance with Section 2.5(c), in which case, Former Terrace Securityholders shall be deemed to have nominated the same Former Terrace Securityholders' Nominees that serve as directors of the Corporation at such time.
- (e) Former Terrace Securityholders shall provide or cause to be provided to the Corporation, upon request and on a timely basis, all such information concerning the Former Terrace Securityholders' Nominees as is reasonably required by the Corporation to meet its obligations under applicable corporate and securities laws and the requirements of any stock exchange on which the Common Shares are then listed with respect to directors and the election or continued service thereof.

## **2.6 Conditions**

- (a) Notwithstanding anything to the contrary in this Agreement, each Former Terrace Securityholders' Nominee shall, at all times while serving on the Board, satisfy the following conditions (such conditions referred to as the "**Conditions**"):
  - (i) meet the qualification requirements to serve as a director under the OBCA, applicable Canadian securities laws and the rules of any stock exchange on which the Common Shares are then listed;
  - (ii) acknowledge and agree to be bound by this Agreement with respect to the obligations of Former Terrace Securityholders' Nominee and consent in writing to act as a director of the Corporation; and
  - (iii) shall satisfy all requirements under applicable Cannabis laws and regulations that are applicable to the Corporation.

No Former Terrace Securityholders' Nominee may be a person who is not acceptable to any stock exchange on which the Common Shares are then listed, a securities regulatory authority having jurisdiction over the Corporation or any applicable cannabis regulatory authority.

- (b) Notwithstanding anything to the contrary in this Agreement, if at any time any Former Terrace Securityholders' Nominee ceases to satisfy any of the Conditions, the Former Terrace Securityholders shall promptly use reasonable commercial efforts to cause such Former Terrace Securityholders' Nominee to tender his or her resignation from the Board, which the Board may accept or reject.

## **2.7 Status of Nominees and Committee Participation**

While serving on the Board and any committee thereof, each Former Terrace Securityholders' Nominee shall be entitled to:

- (a) all the rights and privileges of the other members of the Board and committee members, including, without limitation, access to all notices, consents, minutes, documents, and other information and access to the Corporation's outside advisors; provided, however, that any Former Terrace Securityholders' Nominees shall not be entitled to participate in or observe, and shall upon the good faith request of the Board or any such committee recuse himself or herself from, any meeting or portion thereof at which the Board or any such committee is evaluating and/or taking action with respect to the exercise of any of the Corporation's rights or enforcement of any of the obligations of Securityholders, under this Agreement;
- (b) be indemnified by the Corporation at least on the same terms as other members of the Board, and shall agree to abide by the written policies of the Board and committees thereof and the written policies of the Corporation applicable to members of the Board;
- (c) enter into customary director indemnification agreements with the Corporation that will provide for the indemnification of each Former Terrace Securityholders' Nominee to the fullest extent permitted by applicable law; and
- (d) directors' and officers' insurance policy coverage as maintained in force by the Corporation from time to time.

## **2.8 Covenants of Securityholders**

- (a) Each Securityholder shall provide to the Corporation as and when requested by the Corporation from time to time, a certificate of one of its officers setting out the aggregate number of Common Shares beneficially owned or controlled by such Securityholders and its Affiliates.
- (b) Each of Securityholders severally, and not jointly or jointly and severally, irrevocably covenants and agrees in favour of the Corporation that, during the term of this Agreement, it shall:
  - (i) not vote, and cause not to be voted, against or withheld, as the case may be, any and all Common Shares beneficially owned or controlled by it or its Affiliates in favour of the slate of directors proposed by the Corporation in accordance with the terms of this Agreement at each and every Directors Election Meeting, and vote against any slate of directors proposed by any Person other than the Corporation; and
  - (ii) not grant or agree to grant any proxy or other right to vote the Common Shares beneficially owned or controlled by it or its Affiliates that is inconsistent with Section 2.8(b)(i), or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders of the Corporation or give consents or approvals of any kind as to the Common Shares that in any case is inconsistent with Section 2.8(b)(i).
- (c) Nothing contained in Sections 2.8(b)(i) and 2.8(b)(ii) shall prohibit or prevent any Securityholder or its Affiliates from transferring, selling, pledging, or otherwise dealing with the Common Shares in accordance with applicable laws. For greater certainty, any additional securities of the Corporation acquired by any Securityholder or its Affiliates from and after the date of this Agreement will be subject to the obligations of such Securityholder in Section 2.8(b).

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

### **3.1 Representations and Warranties of Securityholders**

Each Securityholder hereby severally, and not jointly or jointly and severally, represents and warrants to the Corporation that:

- (a) as of the date hereof, Securityholder is registered and beneficial owner of the of the securities of the Corporation listed in Schedule "A" hereof;
- (b) Securityholder, if not a natural person, is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite power and authority to execute and deliver this Agreement;
- (c) this Agreement has been duly executed and delivered by Securityholder; and
- (d) this Agreement constitutes the valid and binding agreement of Securityholder, enforceable against Securityholder in accordance with its terms, except as may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law), in each case now or hereafter in effect.

### **3.2 Representations and Warranties of the Corporation**

The Corporation represents and warrants to each Securityholder that:

- (a) the Corporation is duly incorporated, validly existing and in good standing under the laws of Ontario and has all requisite corporate power and authority to execute and deliver this Agreement;
- (b) this Agreement has been duly executed and delivered by the Corporation;
- (c) this Agreement constitutes the valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms, except as may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, and similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law), in each case now or hereafter in effect; and
- (d) the performance by the Corporation of its obligations under this Agreement has been duly and validly authorized by all necessary corporate action of the Corporation.

## **ARTICLE 4 TERMINATION AND ABANDONMENT**

### **4.1 Termination**

This Agreement shall terminate:

- (a) upon the agreement in writing of the Parties;
- (b) in respect of each Securityholder, automatically after the first continuous six (6) month period during which such Securityholder no longer has any beneficial ownership in any Common Shares; or
- (c) upon the occurrence of: (i) any merger, business combination, consolidation, amalgamation, arrangement or similar transaction in which voting securities of the Corporation possessing

more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding voting securities are transferred to a person or group of persons acting jointly or in concert different from the persons holding those securities immediately prior to such transaction; (ii) any acquisition, directly or indirectly, by a person or group of persons acting jointly or in concert of beneficial ownership of voting securities of the Corporation possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities; (iii) any sale, transfer or other disposition of all or substantially all of the assets of the Corporation in one or a series of related transactions; and (iv) a liquidation, dissolution or winding-up of the Corporation (each of the foregoing being a "**Change of Control**"); provided however, that a Change of Control shall not be deemed to have occurred if such Change of Control results solely from the issuance, in connection with a bona fide financing or series of financings by the Corporation, of voting securities of the Corporation or any rights or entitlements to acquire voting securities of the Corporation which are convertible into or exchangeable for voting securities.

#### **4.2 Effect of Termination**

In the event of the termination of this Agreement as provided in Section 4.1, this Agreement shall be of no further force or effect with respect to the Party or Parties with respect to which such termination applies and all rights and obligations of such Party or the Parties hereto shall be at an end; provided that the provisions of Article 4 shall survive the termination of this Agreement.

### **ARTICLE 5 GENERAL**

#### **5.1 Application of this Agreement**

The terms of this Agreement shall apply *mutatis mutandis* to any shares or other securities:

- (a) resulting from the conversion, reclassification, redesignation, subdivision, consolidation or other change to any securities of the Corporation held by Securityholders and their Affiliates; and
- (b) of the Corporation or any successor body corporate that may be received by Securityholders and their Affiliates on a merger, amalgamation, arrangement or other reorganization of or including the Corporation, in each case other than a Change of Control;

and prior to any action referred to in (a) or (b) above being taken by the Corporation, the Parties shall give due consideration to any changes that may be required to this Agreement in order to give effect to the intent of this Section 5.1.

#### **5.2 Public Filing**

The Parties hereby consent to the public filing of this Agreement if any Party is required to do so by law or by applicable regulations or policies of any regulatory agency of competent jurisdiction or any stock exchange.

#### **5.3 Expenses**

Each Party to this Agreement shall pay its respective legal, accounting and other professional advisory fees, costs and expenses incurred in connection with the negotiation, preparation or execution of this Agreement and all documents and instruments executed or delivered pursuant to this Agreement.

#### **5.4 Further Assurances**

Each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

#### **5.5 Assignment and Enurement**

Neither this Agreement nor any benefits or duties accruing under this Agreement shall be assignable by any Party, other than by any Securityholder to an Affiliate of such Securityholder, as applicable, to whom Common Shares are transferred. Subject to the foregoing, this Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

#### **5.6 Entire Agreement**

This Agreement and, to the extent party thereto, any agreement or document delivered in connection with this Agreement, constitutes the entire agreement between the Parties with respect to the matters herein and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter hereof. There are no other covenants, agreements, representations, warranties, conditions, whether direct or collateral, express or implied, that form part of or affect this Agreement except as otherwise provided for in this Agreement. This Agreement shall not be amended, added to or qualified except by written agreement signed by the Parties.

#### **5.7 Waiver**

Except as otherwise expressly set out herein, no waiver of any provision of this Agreement shall be binding unless it is in writing. No indulgence or forbearance by a Party shall constitute a waiver of such Party's right to insist on performance in full and in a timely manner of all covenants in this Agreement. Waiver of any provision shall not be deemed to waive the same provision thereafter, or any other provision of this Agreement, at any other time.

#### **5.8 Notices**

All notices, requests, demands or other communications required or permitted to be given by one Party to another under this Agreement shall be given in writing and delivered by personal delivery or delivery by recognized commercial courier, sent by facsimile or delivered by registered mail or postage prepaid, addressed as follows:

- (a) To the Former Terrace Securityholders at the addresses set out in Schedule "A" hereto.
- (b) To the Flowr Securityholders at the addresses set out in Schedule "B" hereto.
- (c) to the Corporation:

The Flowr Corporation  
60 Adelaide Street East, Toronto, Ontario, M5C 3E4

Attention: Andrew Teehan  
Email: [REDACTED – personal contact information.]

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

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400

Toronto, Ontario M5H 2T6

Attention: John Sabetti  
Email: [REDACTED – *personal contact information.*]

or at such other address or fax number of which the addressee may from time to time notify the addressor. Any notice delivered by personal delivery or by courier to the Party to whom it is addressed as provided above shall be deemed to have been given and received on the day it is so delivered at such address. If such day is not a Business Day, or if the notice is received after 4:00 p.m. (addressee's local time), then the notice shall be deemed to have been given and received on the next Business Day. Any notice transmitted by facsimile shall be deemed to have been given and received on the day in which transmission is confirmed. If such day is not a Business Day or if the transmission of the facsimile is received after 4:00 p.m. (addressee's local time), then the notice shall be deemed to have been given and received on the first Business Day after its transmission.

### **5.9 Severability**

If, in any jurisdiction, any provision of this Agreement or portion thereof or the application thereof to any Person or circumstance shall to any extent be restricted, invalid or unenforceable the Parties will negotiate in good faith to amend this Agreement to implement the intentions set forth herein. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

### **5.10 Counterparts; Facsimile and Electronic Signatures**

This Agreement may be signed in one or more counterparts, each of which once signed shall be deemed to be an original. All such counterparts together shall constitute one and the same instrument. Notwithstanding the date of execution of any counterpart, each counterpart shall be deemed to bear the effective date first written above. This Agreement, any and all agreements and instruments executed and delivered in accordance herewith, along with any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine, scanned email or internet transmission copy or other means of electronic transmission, shall be treated in all manner and respects and for all purposes as an original signature, agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

### **5.11 Governing Law and Jurisdiction for Disputes**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated, in all respects, as an Ontario contract. The Parties irrevocably submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

### **5.12 Third Party Beneficiaries**

The terms and provisions of this Agreement are intended solely for the benefit of the Parties and their respective successors and permitted assigns, and it is not the intention of the Parties to confer any third party beneficiary rights and this Agreement does not confer any such rights, upon any Person.

### **5.13 Remedies**

Each Party agrees that an award of monetary damages would not be an adequate remedy for any loss incurred by reason of any breach of this Agreement and that, in the event of any breach or threatened breach of this Agreement by a Party, the other Parties will be entitled to equitable relief, including injunctive relief and specific performance. Such remedies will not be the exclusive remedies

for any breach or threatened breach of this Agreement but will be in addition to all other remedies available at law or in equity.

**5.14 Independent Legal Advice**

Each of the Parties hereby acknowledges that it has been afforded the opportunity to obtain independent legal advice and confirms by the execution and delivery of this Agreement that they have either done so or waived their right to do so in connection with the entering into of this Agreement.

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

**IN WITNESS WHEREOF**, the Parties have hereunto duly executed this Agreement on the \_\_\_\_ day of \_\_\_\_\_, 2020.

**FRANCISCO ORTIZ VON BISMARCK**

\_\_\_\_\_

**MICHAEL GALEGO**

\_\_\_\_\_

**APOLO CAPITAL ADVISORY CORP.**

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

**STEPHEN ARBIB**

\_\_\_\_\_

**JONATHAN GOLDMAN**

\_\_\_\_\_

**GOLDMAN VENTURES INC.**

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



**2646015 ONTARIO INC.**

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

**AJA HOLDINGS 2013 INC.**

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

**CORE FLOW HOLDINGS CANADA INC.**

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

**STEVEN KLEIN**

\_\_\_\_\_

**VINAY TOLIA**

\_\_\_\_\_

**THE FLOWR CORPORATION**

\_\_\_\_\_

**SCHEDULE "A"**

**FORMER TERRACE SECURITYHOLDERS**

[REDACTED – commercially-sensitive information.]

**SCHEDULE "B"**

**FLOWR SECURITYHOLDERS**

[REDACTED – commercially-sensitive information.]

**SCHEDULE G  
PURCHASER EMPLOYMENT MATTERS**

*[REDACTED – commercially-sensitive information.]*

**SCHEDULE H  
PURCHASER MATERIAL CONTRACTS**

*[REDACTED – commercially-sensitive information.]*