

SIDE LETTER AGREEMENT

THIS SIDE LETTER AGREEMENT (this "**Agreement**") is entered into as of May 18, 2018 (the "**Effective Date**"), by and among [redacted - private identifying information], 1144578 BC Ltd., a British Columbia corporation, including any assign and/or successor in interest ("**Buyer**"), Transform Capital Corp. a British Columbia corporation, including any assign and/or successor in interest ("**Issuer**"), and together with the Buyer, the "**Buyer Parties**", Dan Anglin ("**Anglin**"), Frank Falconer ("**Falconer**", and together with Anglin, the "**Sellers**",) and Daff International, LLC, a Colorado limited liability company (the "**Company**"). [redacted - private identifying information], Buyer, Issuer, Anglin, Falconer, and the Company are sometimes referred to herein individually as a "**Party**" or collectively as the "**Parties**". Capitalized terms used but not defined in this Agreement have the meanings given to such terms in the EPA (as defined below).

RECITALS

A. Pursuant to that certain Equity Purchase Agreement dated as of the Effective Date (the "**EPA**"), among each of the Sellers, the Buyer and the Issuer, the Buyer has purchased 100% of the Units of the Company from the Sellers. As such, the Company is now wholly-owned and controlled by the Buyer Parties.

B. Pursuant the Company's Operating Agreement dates as of May 18, 2018 (the "**Company Operating Agreement**"), together with the Company's Articles of Organization, as amended (together with the Company Operating Agreement, the "**Company Governing Documents**"), the Company is a manager-managed limited liability company and its sole manager is the Buyer.

C. [redacted - private identifying information] issued an Amended & Restated Senior Secured Promissory Note in favor of [redacted - private identifying information] in the principal amount of \$3,650,000 and dated December 15, 2017 (the "**Note**"). The Note is guaranteed by each the Sellers. Pursuant to that certain Assignment and Assumption Agreement, the Note was assigned by [redacted - private identifying information], and assumed by the Company, effective December 15, 2017. To the extent that the provisions of the Note conflict with any provision contained in the Agreement, the provisions of this Agreement shall govern.

D. Pursuant to the terms of the EPA, one or both of the Buyer Parties are obligated to make the Remaining Cash Payment pursuant to and consistent with Sections 2.02 and 2.03 of the EPA.

AGREEMENTS

NOW, THEREFORE, in consideration of the recitals and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. If (A) the Issuer has not become a reporting public company under applicable Canadian law by the 150th day after the Closing Date and (B) Buyer does not make the full Remaining Cash Payment amount by the 150th day after the Closing Date, then:
 - a. [redacted - private identifying information], as the Company's senior secured lender, shall have the right (but not the obligation) ("**Buyout Option**") to deliver a written notice of exercise to the Buyer

Parties indicating that [redacted - private identifying information] is exercising the Buyout Option (an “*Exercise Notice*”) and, within two Business Days of delivery of the Exercise Notice, pay (or cause the Company to raise the funds to pay) in cash to the Buyer Parties an amount equal to the Initial Cash Payment, plus the Working Capital Payment plus any partial payments made on the Remaining Cash Payment (such sum, the “*Buyout Amount*”); provided, that if [redacted - private identifying information] causes the Company to raise the funds to pay the Buyout Amount in accordance with this paragraph, such fundraising transaction shall not bind Buyer, Issuer or any of their affiliates or representatives (other than the Company). If the Issuer has become a reporting public company under applicable Canadian law by the 150th day after the Closing Date, the Buyout Option automatically will be terminated and canceled.

- b. Upon the Buyer Parties’ receipt of the Buyout Amount;
 - i. With respect to any third party claims for which any party to the EPA has indemnification obligations in accordance with the EPA, such indemnification obligations will survive in accordance with the EPA;
 - ii. the Buyer Parties shall transfer all of their equity interests in the Company to Sellers;
 - iii. any equity interests or rights in the Buyer or Issuer issued to any of the Sellers and/or [redacted - private identifying information] automatically shall be repurchased at \$0.00001 per share and any warrants shall be automatically canceled; and
 - iv. Buyer shall immediately resign as the Company’s manager.
- c. Upon the exercise of the Buyout Option and the payment of the Buyout Amount;
 - i. With respect to the Note, (A) the principal amount of the Note shall be increased by an amount equal to the Buyout Amount, (B) the Note shall be deemed to have been accruing interest at the rate of 12.5%, commencing June 1, 2018, (C) the principal and interest on the Note shall be amortized and payable in equal twelve (12) quarterly payments, beginning three (3) months after the consummation of the Buyout Option, and (D) and each of Anglin and Falconer hereby agree to pledge their equity interests in the Company as collateral for the repayment of the Note.
 - ii. With respect to the Company’s Operating Agreement (and until the Note is paid in full) the Company’s Operating Agreement shall be amended as follows (and until such formal amendment is made, DAFF shall operate as if its Company Governing Documents contained the following provisions);
 - 1. The number of managers shall be increased to four (4) and the Managers shall be Anglin, Falconer, and Drew Kornreich, with Kornreich having two (2) votes. All Board action shall require a majority to act, and

2. Without the prior written approval of **[redacted - private identifying information]**, the Company may not; (A) borrow money and issue evidences of indebtedness or guarantee obligations of any other person, or secure or encumber any obligation by a mortgage, pledge or other lien on the assets of the Company (other than ordinary course capital leases, other indebtedness less than \$50,000, individually or in the aggregate, endorsements of checks in the ordinary course or ordinary course trade payables); or lend money to any person, (B) create or issue any class of membership interest, or any security or equity right convertible into or exchangeable for, or carrying rights or options to purchase, any class of membership interest, economic interest or other equity interest, (C) Approve or authorize any amendment, modification or waiver (whether by merger, consolidation, conversion or otherwise) of the Company's Operating Agreement that adversely affects **[redacted - private identifying information]**, (D) Approve or authorize any amendment, modification or waiver (whether by merger, consolidation, conversion or otherwise) of the Company's Operating Agreement that adversely affects **[redacted - private identifying information]**, (E) increase or decrease the authorized size of the Board of Managers, including, in the case of any increase, the method of appointment of any additional Manager, (F) redeem, repurchase or acquire any membership interest of the Company or otherwise, (G) approve any transaction or series of related transactions involving a business combination of the Company, (H) transfer, sell or dispose (whether by merger, consolidation or otherwise) in one or a series of related transactions of any assets of the Company in excess of ten percent (10%) of the aggregate value of all of the Company property as of the Company's most recent balance sheet date, (I) Cause the Company to enter into or exit any major lines of business; provided, however that, this clause shall not prevent the Company from entering into a line of business related to the growth, production, packaging or distribution of cannabinoid products or services, (J) cause a liquidating event of the Company, (K) Approve, adopt, authorize, commit or agree to commit any of the foregoing actions, (L) make (or authorize the Company to make) any distributions of profits or distributions of cash or other property, or (M) Enter into any material licensing agreements.

iii. Upon the consummation of a Buyout Option by **[redacted - private identifying information]**, each Seller shall grant a pledge of their equity in the Company to **[redacted - private identifying information]**.

- d. Further, each of the Parties hereto shall, and shall cause their respective affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

2. If the Issuer has become a reporting public company under applicable Canadian law by the 150th day after the Closing Date but Buyer has not paid the full Remaining Cash Payment amount in accordance with Section 2.03(d)(ii) of the EPA then:
 - a. **[redacted - private identifying information]** shall have the rights afforded to it under the Note and the related Guaranty and Pledge Agreement; and
 - b. The Buying Parties understand and acknowledge that **[redacted - private identifying information]** has the right (but not the obligation) to pursue any rights that it has under the Guaranty and Pledge Agreement prior to foreclosing on the collateral (as defined in Paragraph 5 of the Note).
3. Acknowledgments, Representations and Warranties
 - a. **[redacted - private identifying information]** hereby (a) consents to the assignment of the Note to the Company in accordance with the Assignment and Assumption Agreement and (b) acknowledges and agrees that, despite the assignment of the Note to the Company, (i) the representations and warranties of **[redacted - private identifying information]** under the Note are effective December 15, 2017 and, accordingly, do not apply to the Company and (ii) the covenants under the Note are subject to the EPA and the other Ancillary Documents.
 - b. Each Party to this Agreement hereby represents and warrants (as to itself only) as follows:
 - i. Such Party has the full power and authority to execute, deliver, and perform this Agreement and has been duly authorized to do so;
 - ii. Such Party has not sold, assigned, or otherwise transferred any interest in the claims, demands, actions, causes of action, or rights that are the subject of this Agreement to any person or entity which is not a Party to this Agreement;
 - iii. Such Party has read this Agreement and fully understands its contents;
 - iv. Such Party is executing this Agreement and any other documents contemplated herein wholly upon its own volition, individual judgment, belief, and knowledge, upon the advice of counsel, and this Agreement is made without reliance upon any statement or representation of any other Party, except those representations and warranties expressed in this Agreement or in separate written documents executed by and between the Parties with or after the execution of this Agreement;
 - v. Such Party to this Agreement is validly organized and existing under the laws of the place of its incorporation or organization and is duly authorized to enter into the legal commitments contained in this Agreement; and
 - vi. The signature and execution of this Agreement is made and undertaken by an individual who is authorized to execute this Agreement and the separate

written documents executed by and between the Parties with or after the execution of this Agreement and to consummate the transactions contemplated hereby.

- c. **[redacted - private identifying information]** acknowledges and agrees that, in accordance with the terms and conditions provided in Exhibit 2.03(a) of the EPA, on the Closing Date, **[redacted - private identifying information]** is receiving Buyer Closing Shares and Warrants (as such terms are defined in the EPA).
- i. Purchase for Own Account. **[redacted - private identifying information]** represents that it: (i) is acquiring the Transaction Shares and Warrants solely for its own account and beneficial interest for investment and not for sale or with a view to distribution of the Transaction Shares or Warrants or any part thereof; (ii) has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same; and (iii) does not presently have reason to anticipate a change in such intention.
 - ii. Information and Sophistication. Without lessening or obviating the representations and warranties of Buyer in this Agreement, **[redacted - private identifying information]** hereby: (i) acknowledges that it has received all the information that it has requested from Buyer and Issuer and that **[redacted - private identifying information]** considers necessary or appropriate for deciding whether to acquire the Transaction Shares and Warrants; and (ii) represents that it has had an opportunity to ask questions and receive answers from Buyer and Issuer regarding the terms and conditions of the offering of the Transaction Shares and Warrants and to obtain any additional information necessary to verify the accuracy of the information given to **[redacted - private identifying information]**.
 - iii. **[redacted - private identifying information]** acknowledges that the Transaction Shares and Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or applicable state securities laws, and the Transaction Shares and Warrants are being offered and sold to **[redacted - private identifying information]** in reliance upon Rule 506(b) of Regulation D and/or Section 4(a)(2) under the U.S. Securities Act.
 - iv. **[redacted - private identifying information]** acknowledges that the Transaction Shares and Warrants are “restricted securities”, as such term is defined under Rule 144 of the U.S. Securities Act, and may not be offered, sold, pledged, or otherwise transferred, directly or indirectly, without prior registration under the U.S. Securities Act and applicable state securities laws, or pursuant to an exemption from the registration requirements of the U.S. Securities Act.
 - v. **[redacted - private identifying information]** understands that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable U.S. state laws and regulations, the certificates representing the Transaction Shares and Warrants will, in addition to the standard four-month restrictive legend required by Canadian securities legislation, bear a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE CORPORATION AN OPINION OF COUNSEL OR OTHER EVIDENCE OF EXEMPTION, IN EITHER CASE REASONABLY SATISFACTORY TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

provided, that if the Transaction Shares and Warrants are being sold under clause (B) above, the legend set forth above may be removed by providing a declaration to the Issuer's registrar and transfer agent in such form as the Issuer or its registrar and transfer agent may prescribe from time to time, to the effect that the sale of the securities is being made in compliance with Rule 904 of Regulation S under the U.S. Securities Act.

- vi. **[redacted - private identifying information]** understands that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the U.S. Securities Act or applicable U.S. state laws and regulations, the certificates representing the Warrants will, in addition to the above legend, bear a legend in substantially the following form:

THESE SECURITIES MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON OR A PERSON IN THE UNITED STATES UNLESS THESE SECURITIES AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED BY REGULATION S UNDER THE U.S. SECURITIES ACT.

- vii. Accredited Investor Status. **[redacted - private identifying information]** is an "accredited investor" as such term is defined in Rule 501 under the U.S. Securities Act. **[redacted - private identifying information]** is an "accredited investor" in accordance with applicable Canadian securities laws.
- viii. No General Solicitation or General Advertising. **[redacted - private identifying information]** acknowledges that the Transaction Shares and Warrants were not offered to **[redacted - private identifying information]**

by means of any form of “general solicitation” or “general advertising” (as such terms are used in Regulation D under the U.S. Securities Act), or publicly disseminated advertisements or sales literature, including, but not limited to: (a) any advertisement, article, notice or other communication published in any newspaper, magazine, or similar media, or broadcast over television or radio or the internet; or (b) any seminar or meeting to which **[redacted - private identifying information]** was invited by any of the foregoing means of communications. **[redacted - private identifying information]**, in making the decision to accept the Transaction Shares and Warrants, has relied upon independent investigation made by it and has not relied on any information or representations made by third parties.

- ix. Investment Experience. **[redacted - private identifying information]** has substantial experience in evaluating and investing in companies similar to Issuer and acknowledges that: (i) it can protect its own interests; and (ii) it has such knowledge and experience in financial and business matters such that it is capable of evaluating the merits and risks of its investment in Issuer, whether by reason of its own business and financial expertise, the business and financial expertise of certain professional advisors unaffiliated with Buyer or Issuer with whom **[redacted -private identifying information]** may have consulted, or **[redacted -private identifying information]** preexisting business or personal relationship with Buyer or Issuer or any of its officers, managers or controlling persons.
- x. No Public Market. **[redacted - private identifying information]** understands and acknowledges that no public market now exists for any of the securities issued by Issuer and that neither Buyer nor Issuer has made any assurances that a public market will ever exist for Issuer’s securities.
- xi. No Offering Memorandum. **[redacted - private identifying information]** has not received and has not been provided with documents that may be construed as an “offering memorandum” under applicable securities legislation, and that the decision to enter into this Agreement and accept the the Transaction Shares and Warrants has not been based upon any oral or written representation as to fact or otherwise made by or on behalf of Buyer or Issuer except as set forth in this Agreement.
- xii. Tax Advisors; Tax Elections. **[redacted - private identifying information]** has reviewed with **[redacted - private identifying information]** own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. **[redacted - private identifying information]** is relying solely on such advisors and not on any statements or representations of Buyer or Issuer or any of its agents.
- xiii. Review and Counsel. **[redacted - private identifying information]** has reviewed this Agreement in its entirety, and has had the opportunity to obtain the advice of legal counsel prior to executing this Agreement and either has obtained such advice or has freely chosen to not obtain such advice and fully understands all provisions of this Agreement.

- xiv. Ability to Bear Economic Risk. **[redacted - private identifying information]** acknowledges that ownership of the Transaction Shares and Warrants involves a high degree of risk, and represents that **[redacted - private identifying information]** is able, without materially impairing its financial condition, to hold the Transaction Shares and Warrants for an indefinite period of time and to suffer a complete loss of its investment in Issuer. **[redacted - private identifying information]** acknowledges that, after consummation of the Business Combination as provided in Section 5.07 of the EPA, (i) Issuer may issue additional securities in the future that could result in the pro-rata dilution of **[redacted -private identifying information]** ownership interest in Issuer, and (ii) **[redacted - private identifying information]** may suffer a complete loss of the value of its Transaction Shares and Warrants (or any replacement securities issued in connection with the Business Combination as provided in Section 5.07 of the EPA).
- xv. **Securities Law Acknowledgment.** **[redacted - private identifying information]** understands and acknowledges that the Transaction Shares and Warrants will be subject to certain resale and transfer restrictions under applicable securities laws and stock exchange policies. **[redacted - private identifying information]** acknowledges and agrees that the Issuer shall make a notation on its records or give instructions to the transfer agent of the Transaction Shares and Warrants in order to implement the restrictions on transfer set out in applicable legislation and stock exchange policies.

4. Miscellaneous

- a. Confidentiality. Except as required by applicable Canadian securities laws, each Party (and such Party's respective officers, directors, managers, members, shareholders, advisors or employees) shall hold in confidence the terms and conditions of this Agreement.
- b. Binding Effect. The provisions of this document are binding upon and will inure to the benefit of the heirs, personal representatives, successors, and assigns of the Parties.
- c. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when taken together, shall constitute one Agreement. Signatures sent by fax or PDF shall constitute originals.
- d. Authority. Each signatory executing this document warrants that such signatory is authorized to do so and that this document constitutes the legally binding obligation of that signatory or the entity that such signatory represents.
- e. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.
- f. Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such

determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

- g. Entire Agreement. This Agreement and the Ancillary Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter.
- h. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.
- i. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.
- j. Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.
- k. Governing Law; Disputes.
 - i. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado without giving effect to any choice or conflict of law provision or rule (whether of the State of Colorado or any other jurisdiction).

- ii. The parties first shall attempt in good faith to resolve any controversy or claim arising out of or relating to any dispute arising under this Agreement by negotiation and mediation.
 - iii. In the event such negotiation or mediation is unsuccessful after a period of 30 days, the parties agree that in order to promote to the fullest extent reasonably possible a mutually amicable resolution of the dispute in a timely, efficient and cost-effective manner, they will waive their respective rights to a trial by jury and settle their dispute by submitting the controversy to arbitration before a single (1) arbiter from the Judicial Arbiter Group in the city in which the party who is the first alleged breaching party is located. Any party to a dispute under this Agreement may serve a written notice of arbitration on any other party, which shall be deemed effective upon receipt thereof by the party to whom it is addressed. Any arbitration proceeding shall take place in the city in which the party who is the first alleged breaching party is located. The award of the arbiter shall be final, binding and enforceable in any court of competent jurisdiction.
 - iv. EACH PARTY UNDERSTANDS THAT THIS AGREEMENT TO MEDIATE AND ARBITRATE ALL DISPUTES CONSTITUTES A WAIVER, TO THE MAXIMUM EXTENT PERMITTED BY LAW, OF ANY RIGHT SUCH PARTY MAY HAVE TO ASK FOR PUNITIVE DAMAGES OR A JURY OR COURT TRIAL IN ANY DISPUTE UNDER THIS AGREEMENT.
- I. Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

* * * * *

**[redacted - private identifying
information]**

By: "signed" _____

Printed Name: [redacted - private
identifying information]
Its: Manager

1144578 BC Ltd.

By: "signed" _____
Printed Name: _____

Its: Director _____

Transform Capital Corp.

By: "signed" _____
Printed Name: _____

Its: Director _____

"signed" _____
Dan Anglin, Individually

"signed" _____
Frank Falconer, Individually

DAFF International, LLC, by 1144578 BC Ltd.,
DAFF's sole Member and Manager

By: "signed" _____
Printed Name: _____
Its: Sole Member/Manager