Terms and Conditions of Purchase - Cannabis

AGREEMENT TO PURCHASE – A supplier of product (the "**Supplier**") will be deemed to enter into an agreement for the purchase of products (the "**Agreement**") with the Newfoundland Labrador Liquor Corporation (the "**NLC**") upon either: (a) giving NLC written notice of acceptance of the purchase order between NLC and Supplier for the purchase and sale of products (the "**Purchase Order**") or (b) supplying the products (the "**Products**") ordered herein. This Agreement is subject to all the terms and conditions contained in this document, which will supersede and take precedence over any conflicting provisions of any document submitted by the Supplier.

CODE OF CONDUCT - Suppliers and agents will at all times comply with the *NLC's Supplier Code of Conduct for Responsible Procurement* which can be found on the Suppliers/Trade section of NLC's website.

PRICE/QUANTITY-The price payable by NLC shall be the landed cost as defined in the NLC Cannabis Pricing Policy at the time the product is shipped to the end consumer or a Licensed Cannabis Retailer.

CHANGES TO PURCHASE ORDERS - The Supplier shall not change the specific quantity or size ordered nor make any substitutions without the written prior consent of NLC. Requests to change quantities or sizes or to make substitutions must be communicated, before shipping the products ordered, to the attention of the appropriate NLC buyer. NLC will be deemed to have accepted the changes or substitutions proposed by the Supplier only upon NLC issuing a revised Purchase Order corresponding to the changes or substitutions proposed by the Supplier.

CONSIGNMENT INVENTORY – All product purchased by the NLC will be on a consignment basis. Payment will not be made against Purchase Orders. Purchase Orders will be used strictly for the control and receiving of inventory into NLC's distribution center. NLC will only issue payment after the product has been shipped either directly to the end consumer or a Licensed Cannabis Retailer.

COST-OF-SERVICE – Suppliers will be charged a Cost-of-Service fee to cover warehousing, distribution, and inventory management costs. The Cost-of-Service fee will be a percentage of the landed cost of the product shipped to NLC's warehouse during the period and may be adjusted annually and/or as deemed appropriate by NLC to cover the costs of warehousing and distributing product. The Cost-of-Service fee is outlined in NLC's Cannabis Pricing Policy.

PAYMENT– Semi-monthly on the first and the 15th day of each month, suppliers will receive a report summarizing sales of their products during the previous two-week period. Suppliers will submit an invoice based on this report. Payment for product sold during the two-week period will be issued within fifteen (15) days of the supplier invoice net of applicable charges and the *Cost-of-Service* fees. Payment will be made to the Supplier at the Supplier's address shown on the face of the invoice unless the Supplier provides NLC written instructions to make payment to a third party. NLC's preferred method of payment is via Electronic Funds Transfer (EFT). To set up EFT payments, please request and complete the EFT form and return to Accounts.Payable@nlliquor.com.

INSURANCE – NLC will insure all consignment inventory at NLC's Distribution Center. In the event of loss or damage, the basis of settlement will be the landed cost of the product. Supplier must maintain a minimum of $5,000,000 commercial general liability insurance. Proof of insurance must be provided and the NLC is to be named as an additional insured and certificate holder on the policy.

INSPECTION OF PRODUCT - All product(s) ordered shall be subject to inspection and acceptance by NLC.

UNSATISFACTORY PRODUCT - If, at any time before or after paying for the product(s), NLC determines that all or part of a shipment of any product(s) is unsatisfactory in that it (a) is not of merchantable quality or is defective in any manner; (b) does not satisfy the provisions of any applicable law of Newfoundland & Labrador or Canada; (c) does not comply with any federal or provincial standards established for products of that description; (d) does not match the sample of the same product(s) previously submitted to and approved by NLC; (e) does not match the quality of the same product(s) previously supplied to NLC; (f) is delivered after the date specified for delivery on the face hereof; or (g) does not otherwise comply with the requirements of this Agreement, then NLC, may, in addition to any other remedies available at law or in equity, upon written notification to the Supplier: (i) refuse and return to the Supplier, at the Supplier's risk and expense, all or any portion of the shipment that is unsatisfactory; or (ii) refuse any portion of the shipment which is unsatisfactory and, with the Supplier's approval, dispose of same at the Supplier's expense; provided that where the NLC exercises any of such remedies, the Supplier shall fully indemnify NLC for all costs including, without limitation, the landed of the product(s), if applicable, and freight or other expenses incurred in acquiring and returning the product(s) or any portion thereof. Unsatisfactory product that is disposed of by the NLC will be billed back at the landed cost of the product (if applicable) plus labour at the rate of $100 per hour for the handling and disposal of the product.

DATE SENSITIVE – Date sensitive products should have at least two-thirds (2/3rd) of their projected shelf-life remaining on receipt. Products in NLC Distribution Center within 14 calendar days of their projected shelf-life will be deemed expired and removed from sale. Expired product will be disposed of in an environmentally responsible manner and the supplier will be billed back at the landed cost of the product (if applicable) plus labour at the rate of $100 per hour for the handling and disposal of the product.

DELISTING/MARKDOWN POLICY – As per NLC Cannabis Supplier Manual.

CANCELLATION OF PURCHASE ORDER - NLC reserves the right to cancel an order in whole or in part at any time without liability and at the Supplier's expense and risk: (a) upon written notice to the Supplier, where the shipment or any part thereof is unsatisfactory; (b) by giving seventy-two (72) hours written notice to the Supplier, where, for any reason beyond the control of NLC including, without limitation, any reason relating to the marketing of the product(s), NLC is unable to complete the purchase of the product; (c) upon written notice to the Supplier where the Supplier has failed to comply with any provision of this Agreement; (d) upon written notice to the Supplier where any product(s) has been ordered but has not yet been delivered to the carrier. Notice of cancellation may be given by fax, e-mail, or regular mail.

PACKAGING AND LABELLING – Products must meet or exceed Canadian Federal and Provincial packaging and labelling standards and adhere to all application Federal and Provincial laws and regulations. In addition, products must include all applicable mandatory markings, including without limitation, Universal Product Code (UPC), Shipping Container Code (SCC), EAN bar coding and labelling and standards for tamper evident packaging. Shipping containers must be sealed in a manner that will plainly show any evidence of tampering. No hay or straw or other fodder packing may be used in a shipment to Newfoundland and Labrador. Additional information regarding product labelling and packaging requirements can be found in the Packaging and Labelling Guide for Cannabis Products on the Government of Canada's website.

NON-COMPLIANT PACKAGING - In instances of non-compliance with packaging and/or labelling standards NLC will charge a minimum $100 administration fee, plus an additional $100 per hour to bring products up to standard.

CASE WEIGHTS – The maximum case weight for shipping containers is **18.9 kg** or **41.6 lbs**. Shipping containers found to be in excess of this weight will be assessed a non-compliance penalty and/or may be dismantled and re-packed to be brought into compliance. Non-compliance penalties and/or rework charges are debited against the supplier's corporate account and deducted from payment.

PALLETIZATION – All products manufactured or packaged and delivered within Continental North America must be delivered on CHEP or equivalent pallets. Maximum Pallet Height is 62" (height of pallet plus product).

ADVERTISING MATTER – Advertising matter of any sort must not be enclosed in cases or attached to product or shipped in NLC containers. Unsolicited shipment of cannabis items in NLC containers is prohibited.

SHIPPING DOCUMENTATION – All shipping documentation concerning the transportation of the products, including without limitation a commercial invoice, and certificate of origin where appropriate, should be provided to the carrier or freight forwarder at the time the products are shipped.

INDEMNITY- Supplier shall indemnify, defend and hold harmless the NLC, its Affiliates, and their respective officers, directors, employees, consultants, and agents (the "**NLC Indemnified Parties**") from and against any claims, fines, losses, actions, damages, expenses, legal fees and all other liabilities brought against or incurred by the NLC Indemnified Parties or any of them arising out of: (a) death, bodily injury, or loss or damage to real or tangible personal property resulting from the use of or any actual or alleged defect in the Products, or from the failure of the Products to comply with the warranties hereunder; (b) any claim that the Products infringe or violate the Intellectual Property Rights or other rights of any person; (c) any intentional, wrongful or negligent act or omission of Supplier or any of its Affiliates or subcontractors; (d) Supplier's breach of any of its obligations under this Agreement; or (e) any liens or encumbrances relating to any Products.

WARRANTIES- Supplier warrants to the NLC that all Products provided hereunder shall be: (i) of merchantable quality; (ii) fit for the purposes intended; (iii) new and sealed; (iv) free from defects in design, material and workmanship; (v) in strict compliance with the specifications; (vi) free from any liens or encumbrances on title whatsoever; (vii) in conformance with any samples provided to the NLC;

and (viii) compliant with all applicable federal, provincial, and municipal laws, regulations, standards, and codes. Supplier further warrants to the NLC that at all times all Products will not be in violation of or infringe any Intellectual Property Rights of any person.

OFF-SET – Should the Supplier fail to pay or refund NLC any amounts owing by it pursuant to or in connection with this Agreement, when demanded by NLC, NLC may off-set such amounts against monies owed by NLC to the Supplier for other orders for products(s) which it may place with the Supplier.

INFRINGEMENT – The Supplier will be responsible for any infringement of any trademark, patent, industrial design, or copyright arising out of the purchase of the products by NLC hereunder, and agrees to indemnify and save harmless NLC, its customers, agents, and other persons it authorizes to sell the product(s) from and against all damages and expenses arising there from.

APPLICABLE LAW – This Agreement shall be governed by the laws of Newfoundland and Labrador and Canada, excluding the United Nations Convention on Contracts for the International Sale of Goods. Any legal proceeding relating to this Agreement shall be submitted to the exclusive jurisdiction of the Courts of the province of Newfoundland and Labrador, Canada.

CONFIDENTIALITY - Supplier shall safeguard and keep confidential any and all information relating to NLC obtained by it or provided to it by NLC in connection with this Agreement and shall use such information only for the purposes of carrying out its obligations under this Agreement.

INDEPENDENT CONTRACTORS - Supplier will perform its obligations under the Agreement as an independent contractor and in no way will Supplier or its employees be considered employees, agents, partners, fiduciaries, or joint venturers of the NLC. Supplier and its employees will have no authority to represent the NLC or its Affiliates or bind the NLC or its Affiliates in any way, and neither Supplier nor its employees will hold themselves out as having authority to act for the NLC or its Affiliates.

FURTHER ASSURANCES - The parties shall sign such further and other documents, cause such meetings to be held, resolutions passed and do and perform and cause to be done and performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part thereof.

SEVERABILITY - If any provision of this Agreement is determined to be unenforceable or invalid for any reason whatsoever, in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part thereof and all other provisions shall continue in full force and effect.

WAIVER - No waiver of any provision of this Agreement shall be enforceable against that party unless it is in writing and signed by that party.

ASSIGNMENT - Supplier may not assign or subcontract this Agreement, in whole or in part, without the NLC's prior written consent. Supplier's permitted assignment or subcontracting of this Agreement or any part thereof will not release Supplier of its obligations under this Agreement, and it will remain jointly and severally liable with the assignee or subcontractor for any obligations assigned or subcontracted. The acts of omissions of any subcontractors of Supplier will be deemed to be the acts and omissions of the Supplier. NLC may assign this Agreement, in whole or in part, to any Affiliate of NLC, without the consent of Supplier. This Agreement shall enure to the benefit of and be binding upon the parties and their respective legal personal representatives, heirs, executors, administrators, assigns or successors.

CUMULATIVE REMEDIES - The rights and remedies of the NLC in this Agreement are cumulative and in addition to any other rights and remedies at law or in equity.

SURVIVAL - Any provision of this Agreement which expressly or by implication from its nature is intended to survive the termination or completion of the Agreement will continue in full force and effect after any termination, expiry or completion of this Agreement.

INTERPRETATION - The headings used in this Agreement and its division into articles, sections, schedules, exhibits, appendices, and other subdivisions do not affect its interpretation. Unless the context requires otherwise, words importing the singular number include the plural and vice versa; words importing gender include all genders. References in this Agreement to articles, sections, schedules, exhibits, appendices, and other subdivisions are to those parts of this Agreement. Where this

Agreement uses the word “including,” it means “including without limitation,” and where it uses the word “includes,” it means “includes without limitation.