

SoRSE-Valens Confidential
Execution Version

AMENDED AND RESTATED MANUFACTURING AND SALES LICENSE AGREEMENT

This Amended and Restated Manufacturing and Sales License Agreement ("**Agreement**") is made as of December 12, 2019 (the "**Effective Date**") by and between SoRSE Technology Corporation, a Delaware Corporation ("**SoRSE**"), and Valens Growworks Corp., a British Columbia Corporation ("**Valens**"), collectively hereafter referred to as the "**Parties**" and individually as a "**Party**," and consists of the following terms and conditions, any and all exhibits and appendices hereto, and any written modifications and/or amendments to this Agreement.

Recitals and Purpose of the Agreement

WHEREAS, Valens is a vertically-integrated cannabis business that grows, processes, manufactures, packages, and sells cannabis, cannabis-infused goods, and related products;

WHEREAS, SoRSE is a producer of cannabis emulsions, cannabis infused beverages, and consumer products and owns all rights, title, and interest in and to certain proprietary Technology and Trademarks;

WHEREAS, SoRSE and Valens are parties to that certain Manufacturing and Sales License Agreement dated September 21, 2018 ("**Original License Agreement**");

WHEREAS, the intent of this Agreement is to expand the strategic licensing relationship between Valens and SoRSE with the common purpose of substantially increasing the use of the Technology and the production, sale and distribution of Licensed Products (as defined below) to achieve substantially increased Revenue (as defined below) for both Parties;

WHEREAS, SoRSE and Valens together desire to amend and restate the Original License Agreement in its entirety whereby Valens will be able to use the Technology and to sell SoRSE-branded products as per the terms set forth in this Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the Original License Agreement is hereby amended and restated and superseded and replaced in its entirety by this Agreement and the Parties hereto mutually agree as follows:

Terms of Agreement

1. **Definitions**. For purposes of this Agreement, the following terms shall have the following meanings:
 - 1.1. "**Additional Territories**" shall mean the European Union (as defined below), Mexico and Australia.
 - 1.2. "**Board**" shall have the meaning set forth in Section 5.4.
 - 1.3. "**Branding Guidelines**" shall mean [REDACTED], to the extent reviewed and approved by Valens, which approval shall not be unreasonably withheld.

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customary discounts; (b) sales, use, excise, inventory, value added, and other taxes (other than taxes on a Party's income) imposed upon that Party as a direct result of the sale of Licensed Products or SoRSE Consumer Products, as the case may be; (c) amounts previously invoiced that are written-off by a Party as uncollectible; and (d) charges for postage, shipping materials, freight, insurance and other transportation incurred in shipping Licensed Products or SoRSE Consumer Products, as the case may be, to third parties. No deductions from Revenue may be made for sales or similar commissions, or for cost of collections. All calculations of Revenue must be in accordance with IFRS or GAAP and based on, or valued as if based on, bona fide arms' length transactions and not on any bundled, loss-leading, or other blended or artificial selling or transfer price. Revenue does not include sales or transfers by a Party to its affiliates for resale, provided that the Revenue calculation will include the amounts invoiced by such affiliate on the sale or resale of such Licensed Products or SoRSE Consumer Products, as the case may be. Where Licensed Products or SoRSE Consumer Products, as the case may be, are transferred or otherwise disposed of without consideration or with nominal consideration, except for a Party's or its affiliates' internal use, Revenue will be calculated based on the fair market price of the Licensed Product or SoRSE Consumer Products, as the case may be, in the country of such transfer, disposition or use.

- 1.16. **"Performance Milestones"** shall have the meaning set forth in Section 4.4.
- 1.17. **"Representatives"** means a party's and its affiliates' employees, officers, directors, consultants, and legal advisors.
- 1.18. **"SoRSE Emulsion"** means emulsion produced using the Technology as a standalone product.
- 1.19. **"Tax" or "Taxes"** means any form of tax or taxation, levy, duty, charge, social security charge, contribution, or withholding in the nature of a tax (including any related fine, penalty, surcharge or interest) imposed by, or payable to, a governmental authority.
- 1.20. **"Technology"** means the oil emulsion technologies that transform cannabis oil and oil-based terpenes into water-compatible forms, including for use beverages, edibles (including sublingual products), tinctures and topicals, in both liquid and powder forms, as well as the encapsulation technology, and all inventions, trade secrets, patents, copyrights, and other intellectual property embodied therein, including all updates, modifications and improvements to such technology that are commercially released by SoRSE during the Term (and all inventions, trade secrets, patents, copyrights, other intellectual property embodied therein).
- 1.21. **"Term"** has the meaning set forth in Section 4.1.
- 1.22. **"Territory"** means Canada and the Additional Territories.
- 1.23. **"Trademarks"** means (a) the mark "SōRSE"; (b) any and all future trademarks and service marks now or hereafter owned and/or licensed by SoRSE in connection with the Technology



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██████████ In all situations contemplated by this Section 2.3.1.4, SoRSE must pay the following royalties, but only while the license granted to Valens in Section 2.1 is otherwise exclusive in Canada:

- 2.3.1.4.1. [REDACTED] received by SoRSE from the sale of such products in the first [REDACTED] from the Effective Date.
- 2.3.1.4.2. [REDACTED] received by SoRSE from the sale of such products in [REDACTED] from the Effective Date; and
- 2.3.1.4.3. [REDACTED] received by SoRSE from the sale of such products after the [REDACTED] from the Effective Date.

2.3.2. Exceptions for Entire Territory. If Valens agrees to allow SoRSE to sell any SoRSE CT-infused beverages, edibles (including sublingual products), tinctures, topicals or other consumer products (collectively, the “**SoRSE Consumer Products**”, which term shall not include SōRSE Emulsion) in the Territory while the grant of rights in such Territory are exclusive, then the Parties will negotiate in good faith and enter into an operating agreement regarding such sales of SoRSE Consumer Products in the Territory. Such operating agreement may contemplate sales of SoRSE Consumer Products directly by SoRSE (including through SoRSE’s third-party resellers) into the Territory, or sales through Valens in the Territory, or both.

2.3.2.1. With respect to any sales of SoRSE Consumer Products directly by SoRSE (including through SoRSE's third-party resellers) into the Territory, the operating agreement will provide for the following royalty amounts payable from SoRSE to Valens:

- 2.3.2.1.1. [REDACTED] received by SoRSE from the sale of SoRSE Consumer Products in the [REDACTED] from the Effective Date.
- 2.3.2.1.2. [REDACTED] received by SoRSE from the sale of SoRSE Consumer Products in [REDACTED] from the Effective Date; and
- 2.3.2.1.3. [REDACTED] received by SoRSE from the sale of SoRSE Consumer Products after the [REDACTED] from the Effective Date.

2.3.2.2. With respect to any sales of SoRSE Consumer Products through Valens in the Territory, the operating agreement will provide for the following royalty amounts payable from Valens to SoRSE:

- 2.3.2.2.1. [REDACTED] received by Valens from the sale of SoRSE Consumer Products in the [REDACTED] from the Effective Date.
- 2.3.2.2.2. [REDACTED] received by Valens from the sale of SoRSE Consumer Products in [REDACTED] from the Effective Date; and
- 2.3.2.2.3. [REDACTED] received by Valens from the sale of SoRSE Consumer Products after [REDACTED] from the Effective Date.

2.3.2.3. If the operating agreement contemplates manufacturing by Valens of SoRSE Consumer Products for SoRSE's sales in the Territory, the operating agreement will provide that Valens will manufacture and provide such SoRSE Consumer Products to SoRSE at Valens' fully-loaded cost therefor, as further defined in the operating agreement.

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- 2.6. Valens Sales Outside of the Territory. For the avoidance of doubt, Valens may not sell Licensed Products to customers in the Territory for delivery or resale outside of the Territory, or for use by those customers outside of the Territory, except with the prior written permission of SoRSE, and on the terms and conditions (including payment of a royalty) that shall be negotiated with SoRSE on a case-by-case basis.
- 2.7. Trademark License. During the Term and any Non-Exclusive Term hereof, SoRSE hereby grants to Valens, and Valens hereby accepts, an exclusive (provided that such license shall be exclusive only to the extent the license to the Technology is and remains exclusive, and such exclusivity does not restrict SoRSE's and its affiliates' own rights with respect to the Trademarks), non-transferable, revocable (pursuant to a failure to satisfy any Performance Milestones and breach), limited license to use, display, perform, distribute, duplicate, and publish, within the Territory the Trademarks, as the Trademarks may from time-to-time be developed, changed, supplemented, modified or altered by SoRSE, for Commercialization of the Licensed Products. Valens's use of the Trademarks shall be in compliance with the Branding Guidelines. During the Term and any Non-Exclusive Term hereof, Valens hereby grants to SoRSE, and SoRSE hereby accepts, a non-exclusive, revocable (pursuant to a breach), limited license to use, display, perform, distribute, duplicate, and publish Valens's corporate and brand trademarks, as such trademarks may from time-to-time be developed, changed, supplemented, modified or altered by Valens, descriptively for promotion and, where permitted under Section 6.4.2, sale of the Licensed Products and this collaboration, including on SoRSE's websites; all uses which shall be subject to Valens's approval. SoRSE's use of Valens's trademarks shall be in compliance with Valens's applicable guidelines, as Valens provides in advance.
- 2.8. License Restrictions. Except as otherwise expressly set forth herein, Valens shall not:
- 2.8.1. license, sell, rent, lease, transfer, assign, reproduce, or distribute, the Technology;
 - 2.8.2. modify, translate, adapt, merge, make derivative works of, disassemble, decompile, reverse compile or reverse engineer any proprietary part of the Technology; or
 - 2.8.3. use or rely upon the Technology for the purposes of building a similar or competitive process or technology.
- 2.9. Enforcement of Trademark and Technology Rights. SoRSE shall commence and prosecute any claims or suits in its own name to protect any of its rights in and to the Trademarks and Technology against the infringement, imitation or misappropriation thereof by others not a party to this Agreement. Such claims or suits shall be at SoRSE's expense. However, Valens shall reasonably cooperate with and assist SoRSE in the commencement and prosecution of such claims or suits to the extent deemed necessary by SoRSE, at SoRSE's request and expense. Valens shall notify SoRSE of any infringement, imitation or misappropriation by any non-party to this Agreement of the Trademarks or Technology, and SoRSE shall thereafter have the right and obligation to take action to limit any potential damage or harm to Valens in the marketplace.
- 2.10. For one year following the date of this Agreement, Valens shall use its best efforts to remain listed on the TSXV or another recognized stock exchange. Any Valens Shares issued



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or other products, then Valens shall receive [REDACTED] and SoRSE shall receive [REDACTED]

3.4. [REDACTED] Valens will be required to pay a [REDACTED] of:

3.4.1. [REDACTED] in Earned Royalties for the Additional Territories collectively for the first year following the Effective Date;

3.4.2. [REDACTED] in Earned Royalties for the Additional Territories collectively for the second year following the Effective Date;

3.4.3. [REDACTED] in Earned Royalties for the Additional Territories collectively for the third year following the Effective Date;

3.4.4. [REDACTED] in Earned Royalties for the Additional Territories collectively for the fourth year following the Effective Date;

3.4.5. [REDACTED] in Earned Royalties for the Additional Territories collectively for the fifth year following the Effective Date;

3.4.6. If, at the end of any such annual period (a "**Royalty Year**"), the aggregate amount of Earned Royalties that actually accrued for the Additional Territories during such Royalty Year is [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

3.4.7. If Valens pays SoRSE [REDACTED] in Earned Royalties for the Additional Territories during the Initial Term, then a Renewal Term for the Additional Territories will be entered into in accordance with the provisions of Section 4.1. If the Initial Term is so extended, the [REDACTED] for the Additional Territories shall be (a) [REDACTED] for the sixth year following the Effective Date, and (b) [REDACTED] for the seventh year following the Effective Date.

3.4.8. If Valens pays SoRSE [REDACTED] in Earned Royalties for Canada during the Initial Term, then a Renewal Term for Canada will be entered into in accordance with the provisions of Section 4.1. If the Initial Term is so extended, the [REDACTED] for Canada shall be (a) [REDACTED] for the sixth year following the Effective Date, and (b) [REDACTED] for the seventh year following the Effective Date.

3.5. Payment Terms and Royalty Statements.

3.5.1. All Earned Royalties and any other sums payable under this Agreement (except for the Original Canada Royalty and Additional Territory Royalty) shall be paid in US dollars by wire transfer to a bank account to be designated in writing by SoRSE or Valens within forty-five (45) days of the end of each quarterly period.

3.5.2. Earned Royalty payments to SoRSE shall be accompanied by a statement ("**Payment Statement**") showing the total Revenue received by Valens from the sale of



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any jurisdiction or governmental authority, (a) such Party (the "**Paying Party**") will (i) deduct and withhold the amount of such Taxes for the account of the payment recipient (the "**Payment Recipient**") to the extent required by applicable laws, (ii) timely pay the Taxes to the proper governmental authority; (iii) send evidence of the obligation together with proof of payment to the Payment Recipient within thirty (30) days following that payment; and (iv) provide such assistance as the Payment Recipient may reasonably require in obtaining any refund of such amounts to which the Payment Recipient may be entitled, (b) amounts payable pursuant to this Agreement will be reduced by the amount of Taxes so deducted and withheld and (c) any such withholding Taxes required under applicable laws or regulations to be paid or withheld will be an expense of, and borne solely by, the Payment Recipient. In the event that Valens is required to withhold from a payment that is made through the issuance of Valens shares, Valens shall be entitled to instead withhold from any other cash payments to be made hereunder and may also be entitled to sell (or cause to be sold), on behalf of the Payment Recipient, such portion of the Valens shares as are required to be sold in order to generate sufficient net cash to pay the applicable withholding Tax.

3.7.1.2. In the event that the Paying Party is subsequently assessed for any Taxes that an applicable governmental authority asserts should have been withheld on a payment made pursuant to this Agreement, the Payment Recipient agrees to indemnify and hold the Paying Party harmless for all such Taxes, including interest and penalties thereon, that are required to be paid by the Paying Party to such applicable governmental authority; provided, however, the Payment Recipient shall not be required to indemnify the Paying Party for any such interest and penalties arising by reason of the Paying Party's gross negligence or willful misconduct. In the event of such an assessment, the Parties shall use commercially reasonable efforts to cooperate to provide each other with any assistance required to challenge or reduce such assessment, as is appropriate in the circumstances. For greater certainty, this provision will not apply to any Taxes (including interest or penalties) imposed on a Paying Party as a result of its failure to timely or properly remit any Taxes that were actually withheld by it pursuant to Section 3.7.1.1.

3.7.1.3. SoRSE represents that it is a resident of the United States of America for purposes of the Convention Between The United States of America and Canada With Respect To Taxes on Income and On Capital (the "**Canada-US Tax Treaty**"), and is a "qualifying person" as defined in Article XXIX-A of the Canada-US Tax Treaty. SoRSE covenants that if it ever ceases to be a resident of the US or ceases to be a "qualifying person" for purposes of the Canada-US Tax Treaty it shall promptly notify Valens of such change in its status.

3.7.2. Cooperation. The Parties acknowledge and agree that it is their mutual objective and intent to minimize, to the extent feasible, income and other Taxes, including withholding Taxes, and similar obligations payable with respect to payments under this Agreement and that they shall use their reasonable efforts to cooperate and coordinate



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hereunder shall be allocated [REDACTED]
[REDACTED]

4. Term and Termination.

4.1. Term of Agreement. This Agreement shall be effective as of the Effective Date and shall continue for a period of five (5) years thereafter (the “**Initial Term**”), unless terminated or extended as set forth herein. If Valens pays SoRSE [REDACTED] as provided for in Section 3.4.7, then this Agreement will automatically renew for the Additional Territories for one further two-year period (the “**Additional Territories Renewal Term**”) unless Valens terminates with written notice one hundred and twenty (120) days prior to the end of the Initial Term. If Valens pays SoRSE [REDACTED] in Earned Royalties for Canada during the Initial Term as provided for in Section 3.4.8, then a Renewal Term for Canada will be automatically entered into (the “**Canada Renewal Term**”), unless Valens terminates with written notice one hundred and twenty (120) days prior to the end of the Initial Term. Upon expiration of the Additional Territories Renewal Term, this Agreement shall continue in force for the Additional Territories, with all rights licensed to Valens deemed to be non-exclusive, until terminated by Valens (either entirely or on a country by country basis) on one hundred and eighty (180) days prior written notice to SoRSE (the “**Additional Territories Non-Exclusive Term**”), subject to [REDACTED] [REDACTED] for the Additional Territories for each year of the Additional Territories Non-Exclusive Term. Upon expiration of the Canada Renewal Term, this Agreement shall continue in force for Canada, with all rights licensed to Valens deemed to be non-exclusive, until terminated by Valens on one hundred and eighty (180) days prior written notice to SoRSE (the “**Canada Non-Exclusive Term**”), subject to [REDACTED] [REDACTED] for each year of the Canada Non-Exclusive Term. The Initial Term, together with the Additional Territories Renewal Term and/or the Canada Renewal Term (as the case may be), shall be referred to collectively as the “**Term**”.

4.2. Term of Exclusivity. In the Initial Term, exclusivity in each country of the Territory is subject to the meeting of the Performance Milestones. However, at the end of the Initial Term, all rights in any country of the Territory that are non-exclusive at the end of the Initial Term shall remain non-exclusive for the entirety of the Renewal Term. Exclusivity for the Additional Territories during the Renewal Term will be maintained if it existed as the end of the Initial Term and will continue if [REDACTED] [REDACTED] Exclusivity for Canada during the Renewal Term will be maintained if it existed as the end of the Initial Term and will continue as long as Valens pays SoRSE [REDACTED] annually.

4.3. Performance Milestones.

4.3.1. Canada. During the Initial Term, Valens will use its best efforts to achieve the following stated milestones for Canada. If the Canada Performance Milestones are not met during the relevant time period below, and if Valens does not exercise the cure right provided for in Section 4.3.2, then the license granted to Valens in Section 2.1 of



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increasing by an additional [REDACTED] for each subsequent contract year for the remainder of the Initial Term; and

4.4.1.1.2. for CBD based products (with less than 0.3% THC), [REDACTED] for the [REDACTED] following the Effective Date and thereafter increasing by an additional [REDACTED] each subsequent contract year for the remainder of the Initial Term.

4.5. Termination.

4.5.1. Either Party may terminate this Agreement upon sixty (60) days' written notice if the other Party materially breaches this Agreement and fails to cure the breach within sixty (60) days of its receipt of written notice from the non-breaching Party describing the alleged breach in detail and confirming that the Agreement will be terminated if the breach is not timely cured. For the avoidance of doubt, the Parties acknowledge and agree that a failure by Valens to meet the Performance Milestones shall not be considered a material breach that allows termination.

4.5.2. Either Party may immediately terminate this Agreement upon written notice if it reasonably determines that the other Party has breached its representations set forth in Section 9.

4.5.3. Either Party may immediately terminate this Agreement upon written notice if the other Party (i) is dissolved or liquidated or takes any corporate action for such purpose; (ii) becomes insolvent or is generally unable to pay, or fails to pay, its debts as they become due; (iii) files or has filed against it a petition for voluntary or involuntary bankruptcy or otherwise becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency Law; (iv) makes or seeks to make a general assignment for the benefit of its creditors; or (v) applies for or has a receiver, trustee, custodian, or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business.

4.6. Effect of Termination.

4.6.1. Upon expiration of the Term, Valens may continue to exercise the license granted by SoRSE under Section 2.1 subject to the conditions of this Agreement, on a non-exclusive basis ("**Post-Term License**") during the Non-Exclusive Term, subject to Valens continuing to pay the Earned Royalties and comply with all other applicable payment obligations hereunder. For clarity, Valens will not be entitled to exercise the Post-Term License, and there will be no Non-Exclusive Term, if this Agreement is terminated by either party for any reason prior to expiration.

4.6.2. Upon any expiration or termination of this Agreement, the Parties shall (a) destroy all documents and tangible materials containing Confidential Information, excluding copies that may exist on electronic media generated as back-up in the regular course of business and, if applicable, any Confidential Information necessary for Valens



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understanding of market dynamics, changes, restrictions, and demands to develop, produce, package, price, market, distribute, and sell Licensed Products. SoRSE shall use commercially reasonable efforts to collaborate and consult with Valens in accordance with Section 6.1 to assist in the development of the market for Licensed Products in the Additional Territories

- 5.4. Virtual Board. A virtual board comprised of two members from each Party (the “**Board**”) shall be appointed to meet monthly during the first two (2) years of this Agreement, and on a mutually-agreeable schedule thereafter, to provide such assistance and consultation as may be necessary to help ensure reasonable and appropriate collaboration by the Parties in connection with the obligations created by the Agreement, and to assist in the resolution of any material conflict that may result therefrom.

6. **Consultation, Training, Maintenance and Technical Support Services.**

- 6.1. Consultation and Training Services. SoRSE shall make available to Valens designated SoRSE employees with relevant and highly qualified, industry-leading expertise in the field of developing and formulating infused beverages, edibles, and other consumer products to consult Valens with respect to the sales and marketing, development, production, manufacturing, and formulation of a variety of infused beverages, edibles and, other consumer products, SoRSE Emulsion and CT-derived ingredients including any necessary training of Valens employees. SoRSE shall be entitled to charge, on average [REDACTED] [REDACTED] for a three month period, based on per hour rate, plus reasonable and written pre-approved travel expenses for each such assigned employee (indicative per-hour consulting budget rates are provided in Exhibit A). SoRSE shall provide invoices on a monthly basis as a condition of payment and all amounts owing shall be paid to SoRSE not later than 30 days following receipt of the applicable invoice. All SoRSE employees shall be subject to Valens’s standard non-disclosure and inventions assignment agreements.
- 6.2. Facilities. Valens will designate a certain portion of its facility, located at Valens Agritech Ltd., 230 Carion Road, Kelowna, BC, V4V 2K5 or such other facility(ies) in the Territory as may be identified by Valens from time-to-time (“**Facility**”), to use the Technology to produce Licensed Products.
- 6.3. Regulatory Clearance/Licensing. Valens holds a license, issued by Health Canada to its wholly-owned subsidiary, pursuant to the *Controlled Drugs and Substances Act* (Canada). Valens will use commercially reasonable efforts to acquire any additional clearances and licensing it determines may be required to operate the Technology and to produce, market, sell, and distribute the Licensed Products throughout the Territory. SoRSE shall cooperate with Valens in obtaining any such clearances and licenses.
- 6.4. Joint Operating Agreement. If SoRSE agrees to allow Valens to sell any Licensed Products in the United States (or any other country of the world), then the Parties will negotiate in good faith and enter into a joint operating agreement regarding such sales by Valens of Licensed Products in the United States and/or any other country of the world. Such joint operating agreement may contemplate sales of Licensed Products directly by Valens (including



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of the disclosure by the disclosing Party; (d) was rightfully communicated by a third party to the receiving Party free of any obligation of confidence subsequent to the time of the disclosing Party's communication thereof; (e) was developed by employees or agents of the receiving Party independently of and without knowledge or reference to any Confidential Information; or (f) is approved for release by written authorization from the disclosing Party.

7.2. Confidential Information Restrictions. Each Party acknowledges that in connection with this Agreement it will gain access to Confidential Information of the other Party. As a condition to being furnished with Confidential Information, the receiving Party shall, during the Term and any Non-Exclusive Term hereof and for two (2) years thereafter:

7.2.1. not use the disclosing Party's Confidential Information other than as expressly permitted by or required to exercise its rights and perform its obligations under this Agreement; and

7.2.2. maintain the disclosing Party's Confidential Information in strict confidence and, subject to Section 7.3, not disclose the disclosing Party's Confidential Information without the disclosing Party's prior written consent, provided, however, the receiving Party may disclose the Confidential Information to its representatives, affiliates, licensors, licensees, and permitted sublicensees, who (i) have a "need to know" for purposes of the receiving Party's performance, or exercise of its rights with respect to such Confidential Information, under this Agreement; (ii) have been apprised of this restriction; and (iii) are themselves bound by written nondisclosure agreements at least as restrictive as those set out in this Section 7 provided further that the receiving Party shall be responsible for ensuring its representatives' compliance with, and shall be liable for any breach by its Representatives of, this Section 7.

7.2.3. The receiving Party shall use best efforts, at least as protective as the efforts it uses with respect to its own confidential information, to safeguard the disclosing Party's Confidential Information from use or disclosure other than as permitted hereby.

7.3. Compelled Disclosure. If a receiving Party becomes legally compelled to disclose any Confidential Information, the receiving Party shall (a) provide prompt written notice to the disclosing Party so that the disclosing Party may seek a protective order or other appropriate remedy or waive its rights under this Section 7; and (b) disclose only the portion of Confidential Information that it is legally required to furnish. If a protective order or other remedy is not obtained, or the disclosing Party waives compliance, the receiving Party shall, at the disclosing Party's expense, use reasonable efforts to obtain assurance that confidential treatment will be afforded the Confidential Information.

8. Intellectual Property.

8.1. Intellectual Property Ownership. Each Party shall continue to own its intellectual property absent this Agreement, [REDACTED]

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9.1. Mutual Representations and Warranties. Each Party represents and warrants to the other Party that:

- 9.1.1. it is duly organized, validly existing, and in good standing as a corporation or other entity as represented herein under the laws and regulations of its jurisdiction of incorporation, organization, or chartering;
- 9.1.2. it has, and throughout the Term and any Non-Exclusive Term hereof shall retain, the full right, power, and authority to enter into this Agreement and to perform its obligations hereunder;
- 9.1.3. the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary organizational action of the Party;
- 9.1.4. when executed and delivered by such Party, this Agreement shall constitute the legal, valid, and binding obligation of that Party, enforceable against that Party in accordance with its terms;
- 9.1.5. neither its grant of the licenses, nor its performance of any of its obligations, under this Agreement does or to its knowledge will at any time during the Term and any Non-Exclusive Term hereof (i) conflict with or violate any applicable law; and (ii) require the provision of any payment or other consideration to any third party; and
- 9.1.6. it is not or will not be under any obligation, that does or will conflict with or otherwise affect this Agreement, including any of the Parties' representations, warranties, or obligations, rights or licenses hereunder.

9.2. SoRSE's Representations and Warranties. SoRSE represents and warrants to Valens that: (a) SoRSE is the sole and exclusive legal and beneficial owner of the entire right, title, and interest in and to the Technology and the Trademarks (except for "Happy Apple"); (b) SoRSE has, and throughout the Term and any Non-Exclusive Term hereof will retain, the unconditional and irrevocable right, power, and authority to grant the licenses hereunder; and (c) the use of the Technology and the Trademarks (except for "Happy Apple") by Valens or any permitted sublicensee will not infringe upon the rights of any third party.

9.3. Valens's Representations and Warranties. Valens represents and warrants to SoRSE that (a) Valens has and shall maintain throughout the Term and any Non-Exclusive Term hereof, and shall acquire as required anew throughout the Term and any Non-Exclusive Term hereof, all consents, licenses, approvals, or authorizations of any governmental or regulatory authority or other third party required for the performance of this Agreement; (b) Valens is, and shall remain throughout the Term and any Non-Exclusive Term hereof, legally permitted to Commercialize the Licensed Products, and (c) the Valens Shares, upon issuance to SoRSE pursuant to this Agreement or pursuant to the exercise of warrants to purchase Valens Shares granted pursuant to this Agreement, will, when issued, be duly authorized and allotted and



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10.1.3.3. The Parties acknowledge and agree that if any of the claims contemplated under Sections 10.1.3.1 and 10.1.3.2 arise, the Parties will work together to address such claims and to consider the most cost-effective way of addressing such claim of intellectual property infringement (the technology or intellectual property alleged to infringe in such claim, the **"Infringing IP"**). In addition to defending the claim, the indemnifying party may, at its option and expense: (a) procure for the indemnified party the right to continue using the Infringing IP licensed to the indemnified party from the indemnifying party in accordance with this Agreement; or (b) modify the Infringing IP to prevent the infringement or misappropriation, provided that such modifications do not materially adversely affect the quality, performance or functionality of such Infringing IP in the Licensed Products. In the event that the indemnifying party, acting reasonably, is unable to procure a license in respect of the Infringing IP for the indemnified party on commercially acceptable terms, or is unable to develop a modification to the Infringing IP without materially adversely affecting the quality, performance or functionality thereof, then the indemnifying party shall so notify the indemnified party. Within ninety (90) days after receipt of such notice, the indemnified party shall have the option to either: (a) terminate this Agreement, with the indemnifying party to refund to the indemnified party certain consideration received by the indemnifying party as follows: (i) if this Agreement is terminated pursuant to this Section 10.1.3.3 at any time within the first three (3) years of the Initial Term, the indemnified party shall be entitled to a refund of all consideration paid under this Agreement by the indemnified party; (ii) if this Agreement is terminated pursuant to this Section 10.1.3.3 at any time within the last two (2) years of the Initial Term, the indemnified party shall be entitled to a refund of fifty percent (50%) of all consideration paid under this Agreement by the indemnified party; and (iii) if this Agreement is terminated pursuant to this Section 10.1.3.3 at any time after the Initial Term, the indemnified party shall be entitled to a refund of all consideration paid by the indemnified party under this Agreement in the last three (3) years prior to the effective date of termination (the **"Refund Option"**); or (b) if the indemnified party does not notify the indemnifying party of its election of the Refund Option during such 90 day period, then the rights and licenses granted hereunder shall continue without modification for the Term, provided that after the end of such 90 day period (or after termination if the indemnified party elects to Refund Option) (the **"End Date"**): (A) the indemnifying party will have no further obligation or liability for indemnification under this Section 10.1.3 for Losses accruing after the End Date with respect to the Infringing IP; and (B) the indemnified party shall indemnify the indemnifying party and its Indemnitees for any Losses accruing after the End Date arising out of Actions alleging that the use or Commercialization of the Infringing IP by or on behalf of the indemnified party infringes any intellectual property right of any third party. For the avoidance of doubt, all amounts expended or paid by the indemnifying party under Section 10.1.2 and Section 10.1.3 are all subject to the liability cap set forth in Section 10.1.4(A).

10.1.4. Liability Limitation. EXCEPT FOR: (i) DAMAGES RESULTING FROM GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A PARTY; (ii) EITHER PARTY'S PAYMENT OBLIGATIONS, AND (iii) THE INDEMNIFICATION OBLIGATIONS SET OUT IN SECTION 3.7.1.2, THE PARTIES AGREE



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fiduciary relationship between the Parties, and neither Party shall have authority to contract for or bind the other Party in any manner whatsoever.

12.4. No Public Announcements. Neither Party shall issue or release any announcement, statement, press release, or other publicity or marketing materials relating to this Agreement or, unless expressly permitted under this Agreement, otherwise use the other Party's trademarks, service marks, trade names, logos, domain names, or other indicia of source, association, or sponsorship, in each case, without the prior written consent of the other Party.

12.5. Notices. All notices, requests, consents, claims, demands, waivers, and other communications (other than routine communications having no legal effect) shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail (with confirmation of transmission or receipt) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the second day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the addresses indicated below (or at such other address for a Party as shall be specified in a notice given in accordance with this Section).

If to SoRSE:	Howard Lee, CEO 3958 6th Avenue Northwest, Suite 4 Seattle, Washington 98107 Jeffrey Fallows, President
If to Valens:	230 Carion Road Kelowna, British Columbia V4V 2K5

12.6. Entire Agreement. This Agreement, together with all Exhibits and any other documents incorporated herein by reference, constitutes the sole and entire agreement of the Parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. For the avoidance of doubt, the Original License Agreement is amended and restated and superseded and replaced in its entirety by this Agreement.

12.7. Assignment. Neither this Agreement nor any of the rights or duties arising out of this Agreement may be assigned by the Parties without the prior written consent of the other Party, such consent not to be unreasonably withheld; except that either Party may, without such consent, assign this Agreement and its rights and duties arising out of this Agreement to the transferee, or other successor in interest, in connection with the sale or transfer of all or substantially all of its assets or in connection with any merger, acquisition, re-organization or consolidation. Any attempted assignment in violation of the foregoing will be void. This Agreement is binding upon and inures to the benefit of the Parties hereto and their respective permitted successors and assigns.

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by the Parties, who shall be a retired Superior Court Judge or a retired US District Court Judge with sufficient experience with commercial disputes. In the event the Parties are unable to agree upon a mediator, then a mediator meeting the qualifications set forth above shall be appointed by the American Arbitration Association to help the Parties achieve consensus, with mediation to take place within thirty (30) days of appointment of the mediator in King County, Washington for a session of not less than one full day in duration. The costs of mediation shall be borne equally by and between each Party, it being agreed that failure by a Party to participate in and pay for its portion of the mediation shall be deemed an express and irrevocable agreement with the other Party (i.e., the Party participating in and paying for the mediation) over the issue giving rise to the mediation. A Party may not seek judicial intervention, except pursuant to Section 12.12, until it has participated and completed mediation pursuant to this Section 12.11.4, unless both Parties expressly waive mediation in writing.

- 12.12. Equitable Relief. Each Party acknowledges that a breach by the other Party of this Agreement may cause the non-breaching Party irreparable harm, for which an award of damages would not be adequate compensation, and agrees that, in the event of such a breach or threatened breach, the non-breaching Party will be entitled to seek equitable relief, including in the form of orders for preliminary or permanent injunction, specific performance, and any other relief that may be available from any court. These remedies shall not be deemed to be exclusive but shall be in addition to all other remedies available under this Agreement at law or in equity, subject to any express exclusions or limitations in this Agreement to the contrary.
- 12.13. Attorneys' Fees. In the event that any action, suit, or other legal or administrative proceeding is instituted or commenced by either Party hereto against the other Party arising out of or related to this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and court costs from the non-prevailing Party.
- 12.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail, or other means of electronic transmission (to which a signed PDF copy is attached) shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

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Execution Version

Exhibit A

Consulting Budget

The consulting budget for example is based on per hour rates such as:

Chief Science Officer [REDACTED] per hour

Chief Marketing Officer [REDACTED] per hour

Product Development [REDACTED] per hour

Production staff [REDACTED] to [REDACTED] per hour

The rates are based on annual salary divided by 2080 hours in a year and adding benefit and tax rate of 35%

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Exhibit C

Non-Solicitation

To be mutually agreed between the parties in accordance with Section 11.

